



*A Public Presentation of the*

# ***FGN 2013 Budget***

*Fiscal Consolidation with Inclusive Growth*



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# Outline



- GLOBAL ECONOMIC OUTLOOK
- POTENTIAL IMPACT OF THE GLOBAL OUTLOOK
- MITIGATING POTENTIAL IMPACT OF THE GLOBAL OUTLOOK
- 2013 BUDGET – *The Big Numbers*
- 2013 BUDGET- *Fiscal Consolidation*
- 2013 BUDGET- *The Growth Promotion Initiatives*
- CHALLENGES FACING THE BUDGET
- 2013 BUDGET- *SURE-P*
- END NOTES

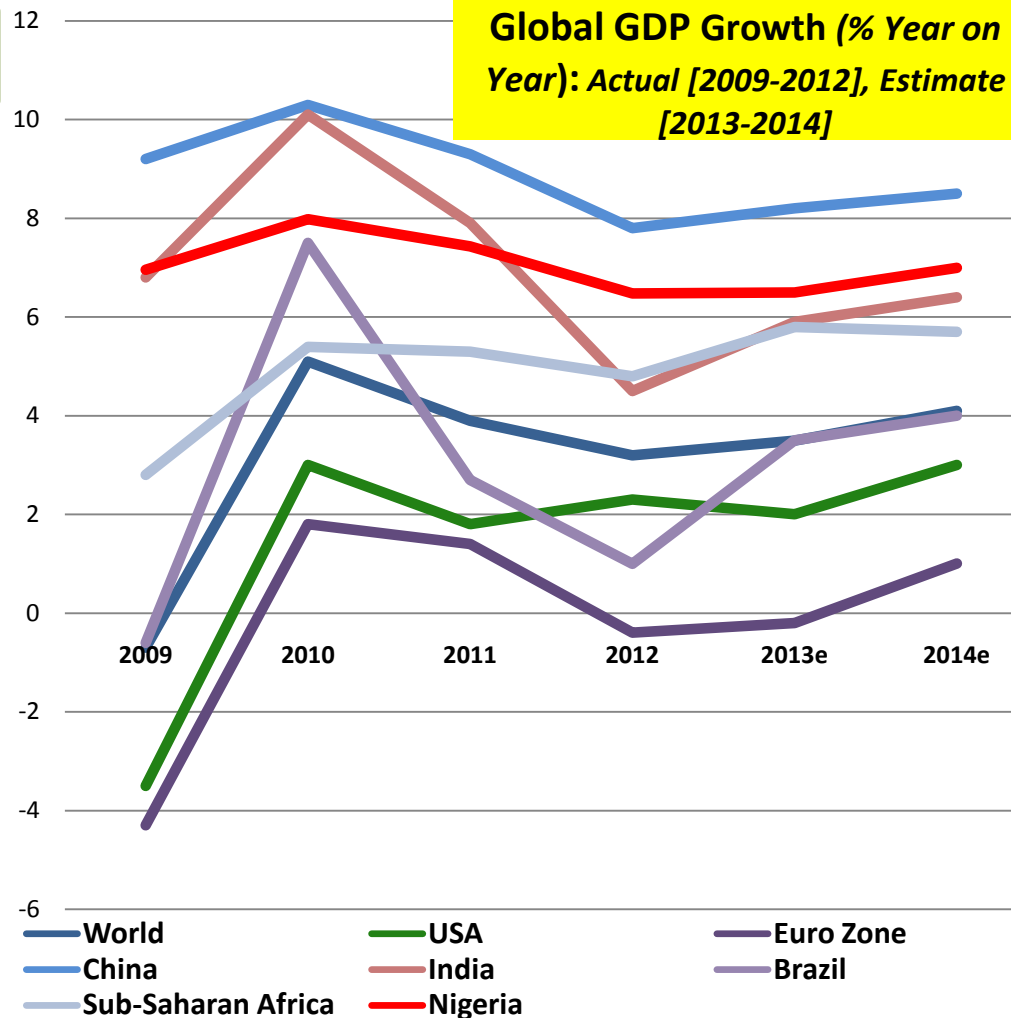
# Global Economic Outlook



The 2013 Budget Proposal was prepared against the backdrop of:

## Slow Global Economic Recovery

- Significant slowdown in global economic recovery
- Renewed setbacks in the Euro zone
- Slight improvement in USA's economy, but risks remain
- Downward revision of the global growth projection to 3.5% for 2013
- Growth Slowdown in Japan & other OECD countries
- Persistent Sovereign Debt Crisis in the Euro-Zone; Adverse Weather Conditions
- Continued Global growth imbalance - Stronger growth expected in emerging economies such as India and China respectively in 2013 while outlook for advanced economies remains weak.



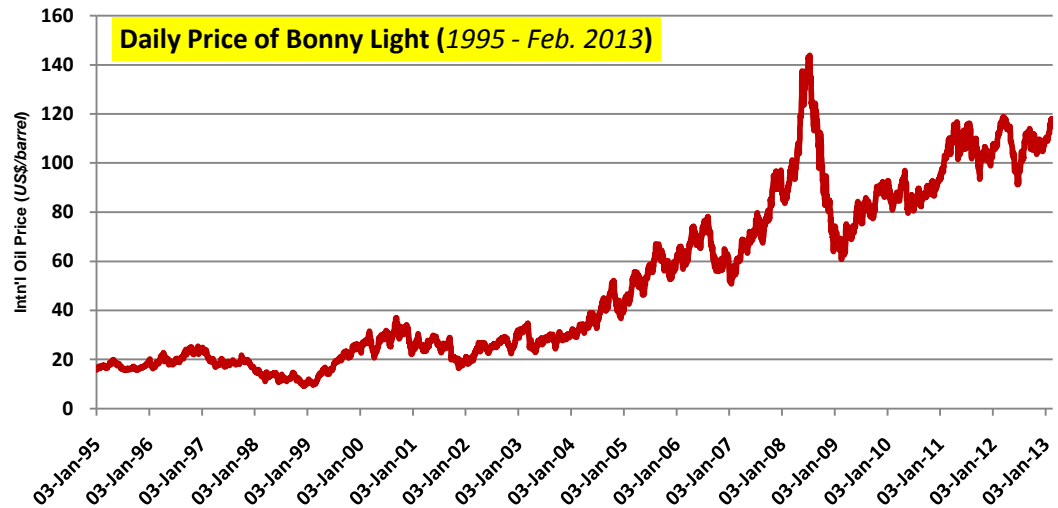
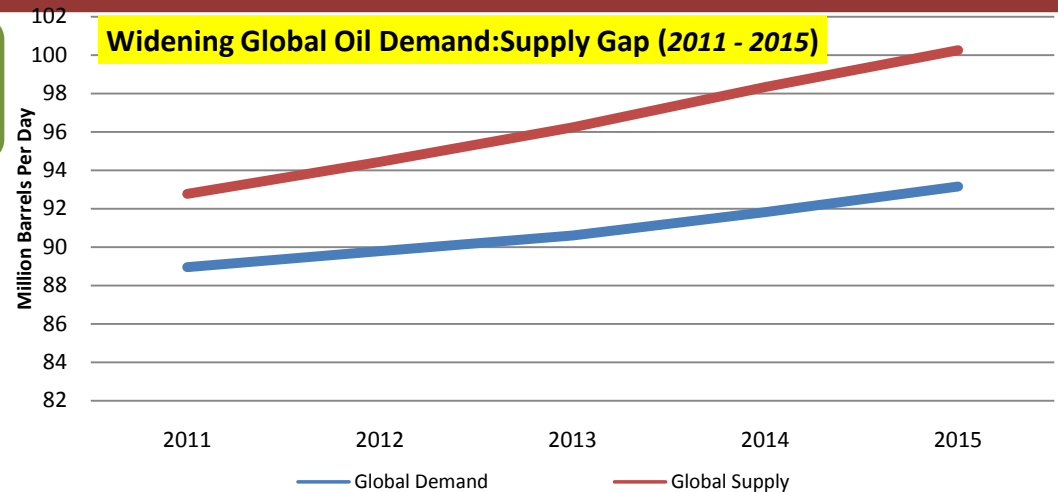
# Global Economic Outlook (2)



The 2013 Budget Proposal was prepared against the backdrop of the:

## Recent Developments in the International Crude Oil Market

- Rising output from non-conventional oil production sources - Shale and tight formations in North America exceeds earlier expectations
- Rising output from the Brazilian deepwater fields
- New regional producers (Ghana Ivory-Coast, Liberia, Uganda) adding to the supply with previous regional importers of Nigerian crude now producing and exporting oil
- Tighter market for Nigeria's Crude Oil exports
- Global Oil market is still volatile with crude price ranging b/w \$89.60 per barrel (June 2012) and US\$116 (February 2013)





# Potential impact of the Global Economic Outlook

## Global Output

- Nigeria remains vulnerable to the global uncertainties although real GDP growth is projected to remain robust in 2013.
- Impacting negatively on demand for our primary export commodities , particularly crude oil.
- Potential impact on foreign investments (FDIs, Portfolio Investments, etc).

## Crude Oil Sales

- Widening Oil Supply:Demand gap–implication for sales .
- Shale oil & gas displacing West African (Nigerian) oil.
- Even consumers (like, USA) becoming self sufficient.

## Crude Oil Price

- Consequent international oil price volatility –  
*Implication for revenues.*



# Mitigating the Potential Impact of the Global Economic Outlook

## Government is continuing Fiscal Consolidation:

### Rationalization of expenditure:

#### Recurrent

- Extending biometric verification to more MDAs (IPPIS)
- Commenced implementation of the rationalization of government agencies
- Continued reduction / freezing of Overheads for 2012 – 2015 period

#### Capital

- Focus on completing on-going capital projects
- Reducing administrative-type capital expenditure from budget
- Leveraging on private sector funds through PPP arrangements
- Continued re-balancing of spending in favour of developmental capital

### Revenue Drive:

#### Oil

- Reasonable oil benchmark price & production
- Efforts to eliminate oil theft; Subsidy leakages

#### Non-Oil

- More ambitious non-oil revenue programme – higher collection targets set (FIRS, NCS)
- Closer monitoring of revenue generating Agencies (IGR)



# Mitigating the Potential Impact of the Global Economic Outlook (2)

## Government is continuing Fiscal Consolidation:

### Debt Management:

#### Deficit & Borrowing

- Implementing downward trajectory for domestic borrowing
- Sinking Fund put in place to retire FGN maturing domestic debt

### Building Buffers against External Shock:

#### Fiscal Buffer

- Excess Crude Account is rising on the back of prudent oil revenue management (Currently at about US\$9 billion)

#### External Buffer

- Foreign reserves have increased by \$12 billion since 2011 (At about US\$47.56 billion as at 4 Mar., 2013).

# International Validation



**Fitch: BB- Stable, up from previous BB-negative outlook**

**Fitch**Ratings

**S&P: BB- Stable, up from previous B+**

**STANDARD  
& POOR'S**

**Moody's: Ba3 Stable (equivalent to Fitch BB- Stable); commenced ratings of Nigeria in Nov 2012, without prior invitation**

**MOODY'S**

**World Bank Voice Enhancement Programme- Nigeria among 16 countries whose voice has been increased**







# International Validation (2)

## International Validation:

### Nigeria's Eurobond is performing better now

- a. Bond price (the value of our bond) is \$117.52 (Dec 14) against \$103.49 at the beginning of 2012**
- b. Bond yield (the cost of financing) has fallen by over 200 basis points to 4.18% (Dec 14) from 6.23% at the beginning of 2012**

### Nigeria's domestic bonds are doing well:

- a. Recently included in JP Morgan Emerging Markets Government Bond Index (GBI-EM)**
- b. IFC first Naira bond over subscribed by ~50%. IFC increased bond issue by an additional N4 billion on the back of strong demand for the Naira bond**

# Priorities of the 2013 Budget



- Reduce cost of governance
- Restructuring the budget in favour of capital expenditure
- Extension of IPPIS to more MDAs
- Commence implementation of the Oronsaye report while we await “White Paper”
- Debt management /sinking fund – retiring maturing obligations
- Focus on infrastructure , especially ongoing capital projects
- Job creation through (a) reducing infrastructure challenges, (b) YouWin, SURE-P, etc.
- Fiscal measures to promote domestic industry and create employment
- Supporting gender programmes and sporting activities



# The 2013 Budget – *The Facts*

## Key Assumptions

<b>Oil Benchmark Price:</b>	US\$79/barrel	<b>GDP Growth Rate:</b>	6.5%
<b>*Oil Production:</b>	2.526 mbpd	<b>Inflation Rate:</b>	12.9%
<b>Exchange Rate:</b>	N160/US\$		

*\* mbpd - Million barrels per day*

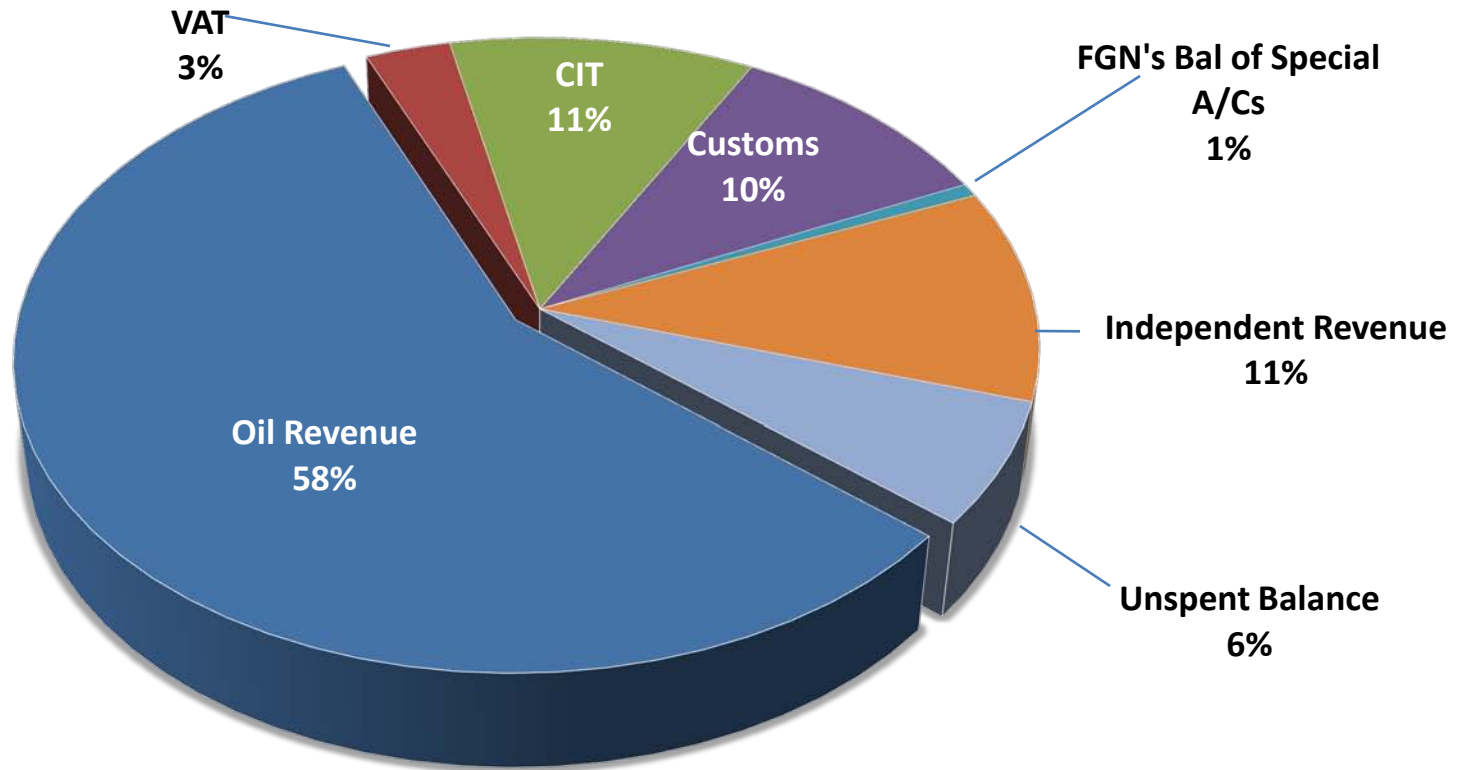
## Revenue Projections

REVENUE ITEMS	2012 BUDGET N' bns	2013 BUDGET N' bns
<b>Gross Federally Collectible Revenue</b>	<b>9,692.50</b>	<b>11,339.78</b>
<b>FGN Retained Revenue</b>	<b>3,561.02</b>	<b>4,100.18</b>
<b>Oil Revenue</b>	<b>1,949.92</b>	<b>2,358.10</b>
<b>Non-Oil Revenue</b>	<b>1,611.10</b>	<b>1,742.08</b>
VAT	107.90	127.05
CIT	383.27	457.12
Customs	323.25	412.90
FGN's Bal of Special A/Cs (Previous Yr.)	43.11	28.02
Independent Revenue	446.78	455.78
Unspent Balance (Previous Year)	306.79	261.21



# The 2013 Budget – *The Facts (2)*

## The Revenue Profile





# The 2013 Budget – *The Facts (3)*

## 2013 Expenditure Profile:

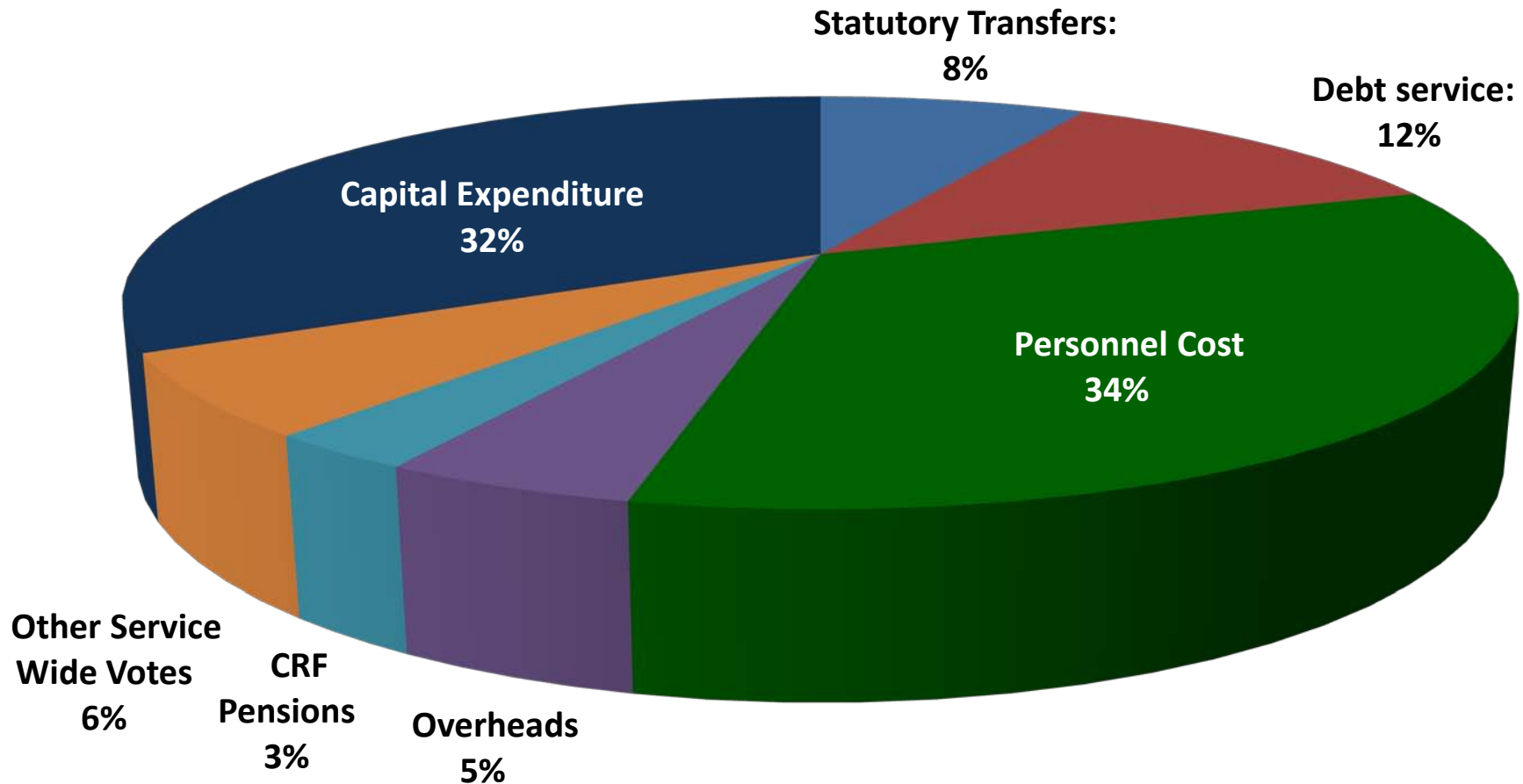
ITEM	2012 Budget N' bns	2013 Budget N' bns
<b>Aggregate Expenditure</b>	<b>4,697.21</b>	<b>4,987.22</b>
<b>Statutory Transfers:</b>	<b>372.59</b>	<b>387.98</b>
<b>Debt service:</b>	<b>559.58</b>	<b>591.76</b>
<b>Non-Debt Recurrent Exp.</b>	<b>2,471.05</b>	<b>2,386.02</b>
<i>Personnel Cost</i>	<i>1,658.73</i>	<i>1,688.27</i>
<i>Overheads</i>	<i>265.80</i>	<i>237.87</i>
<i>CRF Pensions</i>	<i>146.70</i>	<i>143.24</i>
<i>Other Service Wide Votes</i>	<i>353.82</i>	<i>316.60</i>
<b>Capital Expenditure</b>	<b>1,340.00</b>	<b>1,621.46</b>

**Some challenges with the 2013 Budget**



# The 2013 Budget – *The Facts* (4)

## 2013 Expenditure Profile:



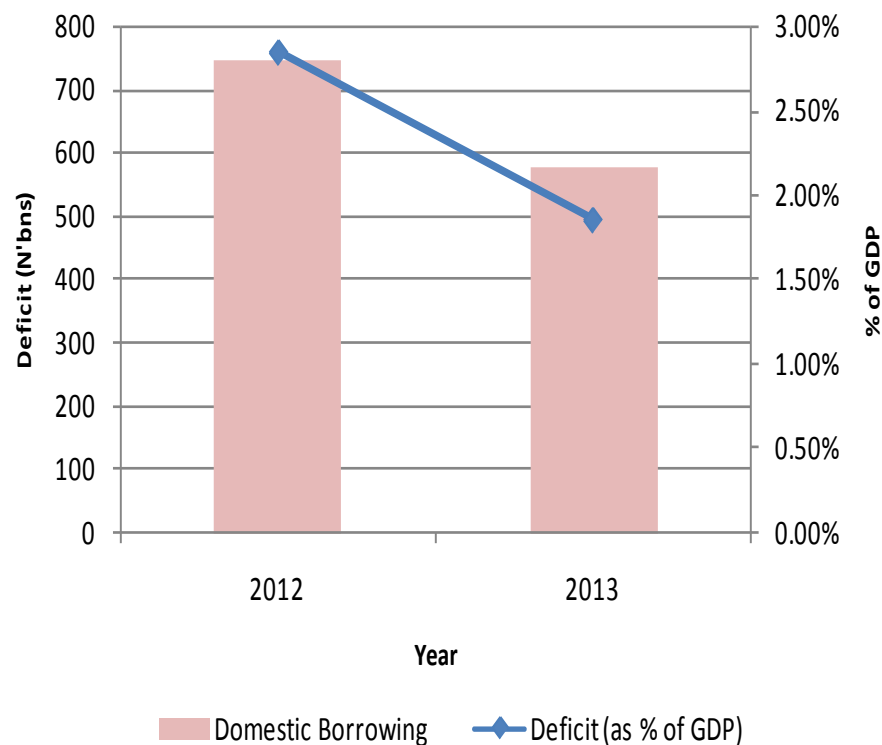


# The 2013 Budget – *The Facts (5)*

## Fiscal Balance and Borrowing Trajectory

ITEM	2012 Budget	2013 Budget
	N' bns	N' bns
Aggregate Revenue	3,561.02	4,100.18
Aggregate Expenditure	4,697.21	4,987.22
Fiscal Deficit	1,136.19	887.04
as % of GDP	2.85	1.85
Recurrent exp. as % of agg exp.	71.5%	67.5%
Capital exp. as % of agg. exp.	28.5%	32.5%

Chart 6: Trends - Deficit & Borrowing





# Challenges facing the Budget

## - Revenue

### Non-Oil Revenues

- Independent Revenue – Non full remittance by revenue generating Agencies
- Taxes – Collection efficiency issues (FIRS, NCS)

### Oil-Revenues

- Pipeline vandalization and oil theft





# Challenges facing the Budget

## - *The Wage Bill*

The wage bill doubled from about N800bn in 2009 to N1.69tr in 2013

Share of personnel cost as a percentage of aggregate expenditure increased from 27% in 2005 to 35% in 2013

We got here through increases granted over the period:

ASUU

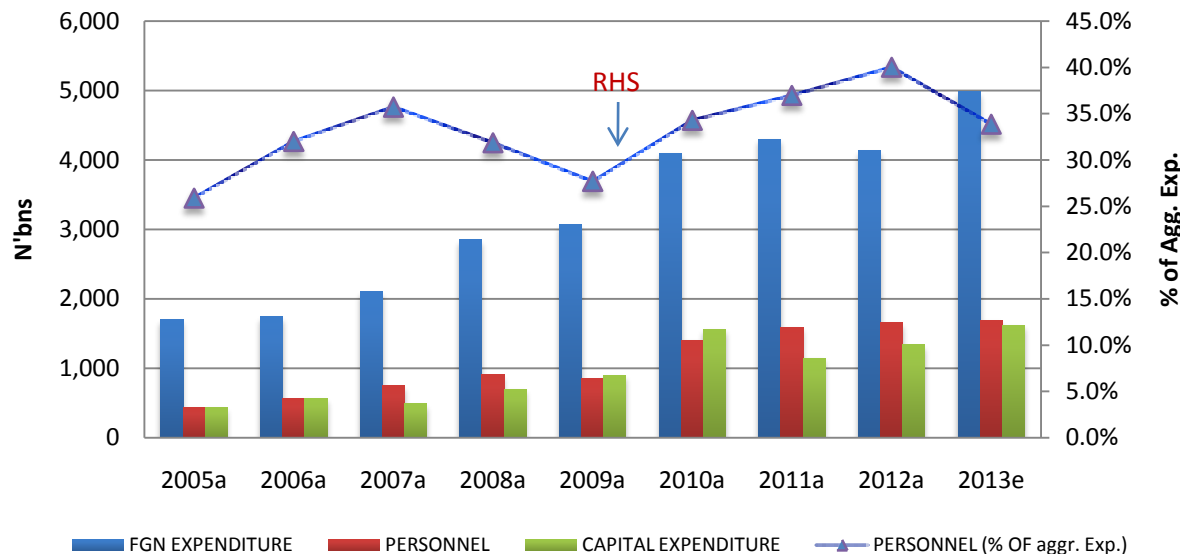
Medical Personnel

Civil Servants

Through the Min. Wage Act, 2011

But pressure for further increases rages on!

TREND IN WAGE BILL (2005-2013)

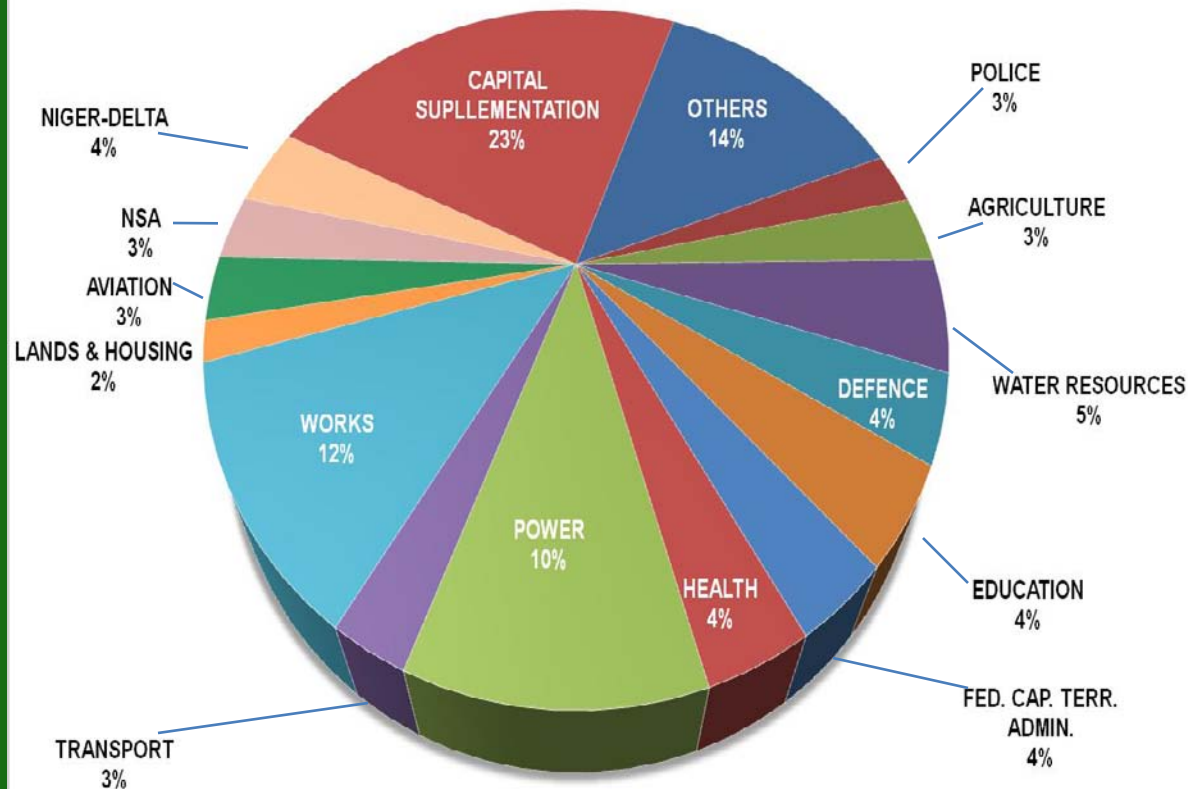


# 2013 Budget- *Growth Promoting Initiatives*

## 2012 BUDGET: GOVERNMENT'S SPENDING PRIORITIES

- Large proportion of capital spending directed to priority sectors :
  - ✓ **Infrastructure**
  - ✓ **Security**
  - ✓ **Agriculture**
  - ✓ **Education**
  - ✓ **Health**
- These sectors are critical to the attainment of Administration's objectives as outlined in the *Transformation Agenda*.
- Focus on job creation and provision of enabling environment for economic diversification and growth

CAPITAL BUDGET: MDAs' ALLOCATIONS



# 2013 Budget- *Growth Promoting Initiatives (2)*

To further reinforce the fiscal policies of FY2012:

## AGRICULTURE



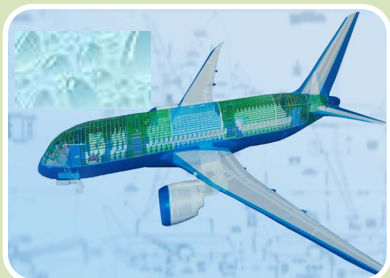
### Sugar Manufacturing

- Machinery and spares to now attract 0% duty
- 5-Year tax holiday for 'sugarcane to sugar' investors
- Import duty & levy on raw sugar to attract 10% & 50% resp.
- Refined sugar to attract 20% duty & 60% levy

### Rice Production

- Brown rice and polished rice to 10% duty and 100% levy

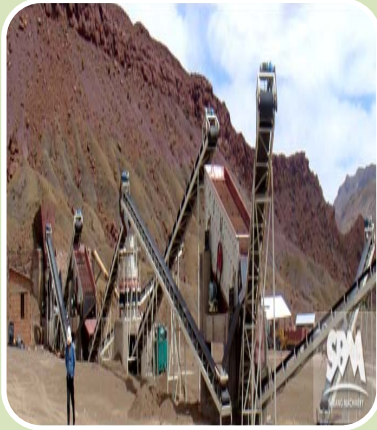
## AVIATION



### Aircraft

- All commercial aircraft and spares for use in Nigeria to now attract 0% duty and 0% VAT

# 2013 Budget- *Growth Promoting Initiatives (3)*



## SOLID MINERALS DEVELOPMENT

Promoting Mining Business

- Machinery and equipment for solid minerals sector to attract 0% duty and 0% VAT



## MASS TRANSIT DEVELOPMENT

Buses of minimum 40-seater capacity

- Duty on CKD of these buses now 0% down from 5%

# 2013 Budget- *Growth Promoting Initiatives (4)*

The 2013 Budget also institutes policies including:

## GENDER EMPOWERMENT - Improve the lives of girls and women



### Agriculture

- Ministry of Agriculture & Ministry of Information Communication Technology collaborating to have 5 million women farmers have access to agro inputs

### Health

- Ministry of Health- further scale up the 'Save a Million' initiative and turnaround at least a third of VVF cases

### Public Works

- At least 35% of employees engaged for public works to be women
- At least 3 roads leading to arrears of women socio-economic activities in every geopolitical zone to be prioritized



## SPORTS

### Sporting glory

- Funding initiatives

# 2013 Budget-*The SURE-P*

The Subsidy Reinvestment and Empowerment Programme (SURE-P) has a projected allocation of N180bn, augmented by the 2012 unspent balances of N93.5bn

Amount will be used to make further progress in the provision of social safety net schemes, maternal & child healthcare, youth development , vocational training and provision of critical infrastructure

S/N	EXPENDITURE ITEMS	AMOUNT N' Bns
<b>A</b>	<b>SOCIAL SAFETY NETS</b>	<b>40.83</b>
1	Maternal & Child Health	16.91
2	Public Works for Youth Empowerment	9.00
3	Mass Transit	6.10
4	Vocational Training Centres	8.60
5	Culture & Tourism (Capacity Building)	0.22
<b>B</b>	<b>NIGER DELTA</b>	<b>42.27</b>
	Augmentation for East-West Road (Sections 1-4)	42.27
<b>C</b>	<b>WORKS</b>	<b>111.50</b>
1	Abuja-Lokoja Road	25.00
2	Benin-Ore-Shagamu Road	13.00
3	Kano-Maiduguri Road Dualisation (Section 1-5)	31.50
4	Portharcourt-Enugu-Onitsha Road	7.00
5	Second Niger Bridge (Counterpart Funding)	7.00
6	Oweto Bridge	10.00
7	Other Road Projects (Accross the 6 Zones)	18.00
<b>D</b>	<b>TRANSPORT (RAIL)</b>	<b>77.42</b>
1	Lagos-Kano	2.20
2	Porthacourt-Maiduguri	35.00
3	Kaduna-Abuja	
	a. Main	32.22
	b. Bridge/Interchange at ONEX	4.00
	c. Right of Way/Compensation	2.00
4	Transport (Rail Rolling Stock)	2.00
<b>E</b>	<b>SURE-P BOARD</b>	<b>1.00</b>
	Consultancy & Logistics	1.00
<b>F</b>	<b>Monitoring &amp; Evaluation</b>	<b>0.50</b>
<b>TOTAL REINVESTED FUND</b>		<b>273.52</b>

- **2013 Budget prepared against backdrop of challenging global economy**
- **Transmission mechanism of global uncertainty to economy is mainly through lower demand and pressure on oil price and also, FDI, Portfolio Investments and remittances**
- **Budget aimed at promoting fiscal consolidation and engendering real growth**
- **Government determined to focus more on gearing expenditure towards capital projects and programmes**
- **Focus remains job creation, economic diversification and provision of enabling environment for sustainable growth**
- **The growing wage bill remains a critical challenge to the budget**
- **The SURE-P vehicle continuing to supplement main budget to deliver the promises of government in social and infrastructure areas**