



FEDERAL REPUBLIC OF NIGERIA

**OVERVIEW OF THE 2016 BUDGET AND THE STRATEGIC
IMPLEMENTATION PLAN FOR 2016 BUDGET OF CHANGE**

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PROTOCOLS

1. It is my pleasure to welcome you all to this presentation on the 2016 Federal Government Budget - the first full year Budget of this administration which was recently signed into law by the President. My profound appreciation goes to President Muhammadu Buhari and the Vice President, Prof. Yemi Osinbajo under whose leadership the 2016 Budget was prepared. I also thank the Senate President, the Speaker of the House of Representatives, the leadership of the National Assembly, the Chairs of the Appropriation Committees, and indeed, the entire membership of the National Assembly, for their cooperation in making this Budget a reality. I also thank my Cabinet colleagues for their understanding, especially as we all had to work within very tight schedules in the preparation of this budget.

A. REVIEW OF 2015 BUDGET PERFORMANCE

2. The 2015 Consolidated Budget (main and supplementary) was premised on certain key parameters including a benchmark oil price of \$53pb, Oil production of 2.2782mbpd and Exchange rate of N190/\$. The projected revenue for 2015 Budget was N3,452.35 billion but was later revised downward to N2,855.80 billion. This was due partly to failure to achieve projected oil production levels arising from pipeline vandalism and oil theft. Actual revenue performance was N2,745.68 billion.
3. With respect to expenditure outlay, a total sum of N5,067.89 billion was budgeted resulting in a deficit of N2,212.10 billion or 2.31% of GDP, which was within the limit of 3% of GDP stipulated by the Fiscal Responsibility Act 2007. Of the Aggregate budget, the sum of N4,767.37 billion, or 94% was spent by end December 2015. The

Recurrent expenditure element of the 2015 Budget, including budgetary provision for debt service were virtually fully released. With respect to capital expenditure (including SURE-P), a provision of N558.03 billion was made in 2015 budget. Of this amount, 73% was utilized by MDAs during the period.

4. The capital spending was lower than budgeted due to funding challenges. In any case, even if all the amount allocated for capital projects was released, it would not have made a major impact. This is because the percentage of the 2015 Budget allocated to capital was only about 11%. This may partly explain why the performance of the economy in 2015 was so poor.
5. As you are all aware, Nigeria has a major infrastructure challenge. We have poor and dilapidated roads, epileptic power supply, a virtually moribund railway system, airports needing refurbishments, etc. Unfortunately, the 2015 Budget did not make sufficient provision for us to begin to tackle these deficiencies. For example, the allocation for road construction was only about N18 billion in the 2015 budget.

B. BACKGROUND TO THE 2016 BUDGET: THE GLOBAL AND DOMESTIC ENVIRONMENT

6. As you are aware, the 2016 Budget was prepared against the backdrop of declining crude oil price (from \$114 per barrel in June 2014 to about \$38 per barrel by December 2015). In addition to this, the global economic outlook has not been encouraging. There has been a general weakening of economic growth in emerging market

economies, and security challenges in very many different parts of the World. On the domestic side, challenges including insurgency in parts of the North East, high rate of unemployment (especially among the youth), huge infrastructure and housing deficits, among others, characterized the Nigerian economic landscape. These have imposed significant fiscal strains on Government revenues as well as other real sector and external account indicators. It is within these global and domestic economic setting that the 2016 Budget was developed.

C. APPROACH TO THE 2016 BUDGET

7. The 2016 Budget of Change has been designed to actively pursue macroeconomic policies and growth strategies that will reflate the economy by investing in key infrastructure and social development. It was developed using the Zero Based Budgeting (ZBB) system. This is a method of budgeting which requires MDAs to carry out fresh evaluation of all projects/programmes based on the priorities of government. The ZBB is not an easy system to operate and more training of budget officers in all the MDAs will be required to get it right. But there is no doubt that it is the appropriate system to use to improve efficiency and effectiveness of budget outcomes. This is particularly important in these difficult financial times.
8. The budget is anchored on six pillars. The six pillars are:
 - Economic Reforms
 - Infrastructure
 - Social Development

- Governance & Security
- Environment, as well as
- States/Regional Development.

The budget was also guided by the 2016 - 2018 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper. The primary goal of the budget is to reflate and reposition the economy for change.

9. The key objectives are:

- Ensuring a stable macroeconomic environment for real sector development;
- Investments in critical infrastructure, science, technology and innovations that will enhance productivity and lower costs of doing business;
- Creating a significant number of jobs to reduce unemployment and underemployment especially among the youth;
- Protecting the poor and vulnerable by special social intervention programmes
- Building an economy that is less vulnerable to oil price shocks by vigorously pursuing economic diversification.

10. It is also important for me to emphasize that the 2016 Budget will be supported by other fiscal, monetary, trade and investment policy actions that will facilitate accelerated growth and sustainable development of the country.

D. KEY ASSUMPTIONS OF THE 2016 BUDGET

11. The 2016 Budget of Change is underpinned by the following key assumptions:

- Oil production of 2.2 million barrels
- Benchmark oil price of \$38 per barrel
- Average Exchange Rate of N197/\$.

a) Revenue Projections

12. Based on these assumptions, the 2016 Budget envisages a net distributable revenue of N5.72 trillion comprising of Main Federation Account Revenue of N4.303 trillion and N1.416 trillion from the VAT Pool Account. Of the distributable revenue, net oil receipts amount to N1.48 trillion or 25% while net non-oil revenue accounts for the balance of N4.22 trillion or 75%.

13. The States and Local Governments share of the distributable pool amount to N3.24 trillion, while the Federal Government will receive N2.48 trillion.

14. The Federal Government budgeted revenue is projected at N3.855 trillion largely contributed by its Internally Generated Revenue (IGR) of N1.51 trillion, which is 35% increase over the N2.855 trillion for 2015. The growth in FGN's revenue is mainly to be derived from the growth in non oil resources namely: Corporate Tax; VAT and Dividend from government corporations and independent revenue. In this regard, we have projected Corporate taxes of **N1.88 trillion** in 2016 from **N1.42 trillion** in 2015, and VAT collection of **N1.48 trillion** in 2016 from **N1.28 trillion** in the previous year.

15. It is envisaged that, in the medium term, through improved systems and processes, including the newly established Efficiency Unit, full

deployment of the Integrated Payroll and Personnel Information System (IPPIS), Treasury Single Account (TSA), and tax administration reforms, revenue collection and the quality of spending would be significantly enhanced in the country.

b) Expenditure Provisions

16. The 2016 budget has an outlay of **N6.06 trillion**. This represents an increase of 35% over the 2015 Budget provision of N5.067 trillion. The details are

- Statutory Transfer (inclusive of N157 billion Capital component) - - - = N351.37 billion
- Debt Service including sinking fund provision = N1.48 trillion
- Recurrent (non debt) Expenditure - = N2.65 trillion
- Capital Expenditure (excluding Share of Capital in Statutory Transfers) = N1.59 trillion
- Capital Expenditure (including share of capital expenditure in Statutory Transfer) = N1.75 trillion

17. Some of the key allocations in the 2016 budget are as follows:

S/N	Ministry	Recurrent Expenditure ₦'billion	Capital Expenditure ₦'billion	Total Budgetary Allocation ₦'billion
1.	Power, Works & Housing	33.97	422.96	456.93
2.	Transportation	13.67	188.68	202.34

3.	Defence	312.21	130.86	443.07
4.	Interior	451.942	61.71	513.65
5.	Education	367.74	35.43	403.16
6.	Health	221.41	28.65	250.06
7.	Agriculture and Rural Development	29.63	46.17	75.80
8.	Solid Minerals	9.40	7.33	16.73
9.	Youth & Sports Development	72.30	3.50	75.79
10.	Water Resources	7.21	46.08	53.30
11.	Special Intervention Programmes	300.00	200.00	500.0

18. Government will also actively support the use of public private partnerships in the development of infrastructure. We are encouraging our Ministers to explore concessioning arrangements for airports, major roads and other infrastructure projects. As part of our efforts to encourage private sector participation in infrastructure we are working to arrange for the establishment of an infrastructure fund, which we anticipate, should be able to raise up to \$25 billion within three years.

c) Fiscal Balance

19. As a result of the expansive fiscal spending, directed at reflating the economy, the fiscal deficit is projected at N2.2 trillion (that is, about 2.14% of GDP). This is well within the 3% of GDP threshold stipulated in the *Fiscal Responsibility Act, 2007*. The deficit is to be financed mainly by borrowings projected of about N1.8 trillion. The

borrowing is to be raised roughly equally from domestic and foreign sources. We have decided to source from international sources so as not to rely exclusively on domestic borrowing, which may have the effect of crowding out the private sector. Furthermore, we are optimistic that we may be able to access some of the foreign loans on a concessionary basis. The Ministry of Finance is currently negotiating with multiple sources to secure the external financing.

E. HIGHLIGHTS OF MAJOR PROJECTS

20. The highlight of major projects in the 2016 Budget are as follows:

a) Road & Bridge Projects

Over 40 projects spread across the geo-political zones, including:

- N13 billion for Dualization of Kano-Maiduguri road (Sections I-V)
- N8.7 billion Reconstruction and Pavement strengthening of sections of Benin-Sagamu expressway
- N14.2 billion for the Construction of Oju/Loko Oweto Bridge to link Loko and Oweto with approach Roads and Oshegbudu-Oweto road
- N13 billion for Concession of 2nd Niger Bridge
- N6 billion for Dualisation of Odukpani-Itu-Ikot Ekpene Road in Cross River and Akwa Ibom States
- N4.8 billion for Rehabilitation of Ilorin-Jebba-Mokwa-Bokani road
- N8.8 billion for Rehabilitation of Sokoto-Tabuwal Kotangora-Makira Road
- N40 billion for Lagos - Ibadan Expressway (Section I)
- N2.8 billion for completion of Gombe-Numan-Yola road phase II
- N5 billion for the Rehabilitation of Apapa-Oshodi-Oworoshoki Road
- N2.6 billion for Dualization of Kano-Katsina road phase I
- N6 billion for Dualisation of Ibadan-Ilorin Section II

- N5.5 billion for Rehabilitation of Enugu-Onitsha Road
- N2 billion for Dualization of Sapele-Agbor-Ewu Road (Section I)

b) Power Projects

Several projects designed to optimize and deliver consistently 7,000mw of power, highlights of which are:

- N5.5 billion for Construction of 215MW Gas Power Plant
- N1.2 billion for Construction of 2X60MVA Connection of Gurara to National Grid
- N235.7 million for Coal to Power development in Enugu, Benue, Gombe and Kogi
- N303.9 million for the Completion of Ongoing Construction of ITC/TDN and Installation of Injection and Distribution Substations
- N305.3 million for Completion of Small Scale Renewable Energy Power Plants Development
- N1.1 billion for the Generation of 700MW from Zungeru Hydro Power Project
- N324.2 million for Completion of Rural Electrification Scheme in 23 Communities in Ondo
- N250.7 million for Completion of Ongoing Electrification Project in Kano State

c) Railway Projects

Several projects with a view to building a national rail network to move goods/people across the country, among which are:

- N8.5 billion for the completion of Itakpe-Ajaokuta-Warri 326KM Rail Track and Structures
- N18.3 billion for the completion of Abuja (Idu) - Kaduna 186.5KM Single track Rail line

- N60 billion Counterpart Funding for Lagos-Kano Standard Gauge Rail Line
- N60 billion Counterpart Funding for Calabar-Lagos Standard Gauge Rail Line
- N3.2 billion for Provision of Power, Water, Station building, Fence, etc for rail lines

d) Aviation Projects

Several projects designed to improve the security of our airports and airspace, including:

- N432.5 million for Procurement and Illumination of Thales Navigational Aids at Kano, Jos, Minna, Maiduguri & Port-Harcourt
- N865 million for Procurement and Installation of Airfield Lightening System at Port Harcourt, Kano, Lagos, Kaduna, Sokoto, Yobe, Akure
- N1.06 billion for Airside Rehabilitation of Nnamdi Azikiwe Airport, Abuja
- N497.5 million for Construction of Terminal Building at Enugu Airport
- N2 billion for Purchase of Calibration Aircraft and Equipment
- N870.4 million for Procurement, Illumination and Flood Lightening of 16 Airports

e) Water Projects

Several projects designed to improve water supply for agriculture, power, drinking and sanitation nationwide, highlights of which are:

- N232.1 million for construction of Hadejia Valley Irrigation Project
- N204.2 million for supply/installation of pressurised/centre pivot irrigation system nationwide
- N232.13 million for rehabilitation of Adani irrigation project

- N100 million for World Bank Assisted Urban Water Sector Reform Project
- N200 million for ADB assisted Rural Water Supply/Sanitation initiatives
- N1.2 billion for construction of Dam Embankment, Spillway, Inlet and Outlet Structures at Jare Earth Dam
- N1.5 billion construction of Dam Embankment at Kashimbila Dam
- N989.46 million for construction Dam Embankment at Adada River Dam
- N1 billion for construction of Dam Embankment at Ile-Ife
- N500 million for construction of Dam Embankment at Galma Dam
- N1 billion for Construction of 200nos. Solar Motorized Boreholes Nationwide

f) Housing Projects

- N35.6 billion for construction of 1,973 blocks of 7,068 Housing Units in 6 Geo-Political zones and FCT

g) Agriculture Projects

Several projects in pursuit of the nation's goal of self-sufficiency/food security, including:

- N1.3 billion for construction of Rehabilitation of Rural Roads
- N1.3 billion for support to 187,500 Farmers
- N939.7 million for Extension Services
- N940 million for Development of Strategic Grazing Reserves
- N940 million for Price Stabilization/Buy-Back/Price Guarantee Scheme

h) Education Projects

Several initiatives towards improving standards and access to education nationwide, including:

- N342.1 million secondary schools quality assurance programme across 6 geo-political zones
- N817.1 million for statutory visitation and monitoring of 90 Federal tertiary institutions
- N2.1billion for servicing ongoing and new local and foreign scholarships

i) Health Projects

Several programmes/projects designed to significantly improve health indices across the nation, highlights of which are:

- N12.6 billion for vaccines, devices and operations programmes for Polio, Measles, Yellow Fever etc.
- N1.3 billion counter-part contributions for procurement and distribution of Antiretroviral drugs and contraceptive commodities

j) Special Intervention Projects

N500billion social intervention projects in 5 areas namely:

- Job Creation: 500,000 teachers and 100,000 artisans - N191.5bn
- School Feeding: 5.5 million children for 200 school days - N93.1bn
- Conditional Cash Transfer: N5,000/month for 1 million beneficiaries - N68.7bn
- Enterprise Programme: Support for 1 million market women; 460,000 artisans and 200,000 agric workers - N140.3bn
- STEM Education Grant: For 100,000 students in Science, Technology, Engineering and Mathematics - N5.8bn

F. STRATEGIC IMPLEMENTATION PLAN

21. The Strategic Plan for implementing the 2016 Budget of Change outlines priority economic and developmental strategies designed to direct the trajectory of the national, as well as, regional economies towards the path of sustainable development and inclusive growth over the course of the 2016 Fiscal Year. The Strategic Implementation Plan forms the basis for the preparation and implementation of the 2016 Budget, as it documents the key short-term priorities of the incumbent Administration to place the economy on this upward trajectory as it is Repositioned for Change, Inclusive Growth and Sustainable Development.

 22. The Strategic Implementation Plan is not a comprehensive Medium-Term National Plan. This is currently being developed under the coordination of the Ministry of Budget and National Planning. Rather, it compiles the key short-term macroeconomic and sectoral policies for the 2016 Fiscal Year in one readily accessible document to facilitate policy formulation, implementation and coordination. Nevertheless, the policies and interventions that it prioritizes will form the initial reference point for the longer term strategies which will be set out in the medium-term plan.
- a) Focal Areas of the Strategic Implementation Plan (SIP)**
23. There are six major strategic intervention areas in the SIP. These are:
 - Policy Environment, National Security and Governance,
 - Economic Diversification,
 - Priority Critical Infrastructure,
 - Oil and Gas Reforms,

- Ease of Doing Business, and
- Social Investment

24. A total of 34 measurable and verifiable priority actions have been identified for implementation under the six thematic areas during 2016. These are:

SECTOR	KEY ACTIONS: Strategy, Policy, Intervention
1. Policy, Governance & Security	<ol style="list-style-type: none"> 1. Achieve an Appropriate Foreign Exchange Regime 2. Increase low interest lending to the Real Sector 3. Maintain Capital Spending in the Budget at a minimum of 30%. Complement this with funds from the Infrastructure Fund for commercial projects 4. Intensify the Implementation of Public Financial Management Reforms to Grow Revenues & Cut Costs 5. Maintain a Sustainable Debt Management Strategy 6. Introduce Fiscal Incentives to Improve Collections 7. Intensify the Fight Against Corruption by Increasing Transparency, Accountability & Compliance with Law & Order 8. Intensify Public Procurement Reforms in Projects to obtain Value for Money and cut Cost 9. Sustain the Fight Against Insurgency, Kidnapping and Other Violent Crimes, Terrorism, Cyber-Crimes, Piracy, Oil Theft and Illegal Mining Activities. Intensify the reorientation of the populace through Integrity Campaigns
II. Diversify the Economy	<ol style="list-style-type: none"> 10. Implement Measures to Achieve Self-Sufficiency & Become Net Exporters of a certain agric. Items: rice-2018, tomato paste-2016, wheat-2019. Increase local production of maize, soya, poultry & livestock, so as to achieve self-sufficiency: deadlines to be announced in due course 11. Revitalize & Expand Agro-Allied Processing to intensify local production & processing of cassava, cocoa, cashew, fruits and sesame seed

	<p>12.Utilize 5,000 hectares of Irrigable Land in the 12 River Basin Development Authorities & utilize 22 Dams for Commercial Farming activities by prospective investors</p> <p>13.Concession the Dadinkowa, Gurara (Phase I) & Oyan Dams with capacity to contribute a total of 82.5MW to the National Grid</p> <p>14.Adopt & Implement a Roadmap to Stimulate Investment into the Solid Minerals sector & Plug Revenue Leakages in the Sector</p> <p>15.Implement the National Industrial Revolution Plan & Launch ‘Made in Nigeria’ Campaign</p> <p>16.Increase Manufacturing Capacity by operationalizing Industrial Parks, Free & Export Processing Zones, etc.</p> <p>17.Enhance support facilities to provide increased financial, technical assistance, networking & information to new investors and existing enterprises</p> <p>18.Implement a Roadmap to Increase Private Sector Investment into Tourism, Entertainment& Sports</p> <p>19.Create high-technology innovation hubs to support growth in the Digital & Technology Sector</p>
<p>III. Power, Rail, Roads and Housing</p>	<p>20.Optimize the 7,000MW installed power capacity & ensure associated infrastructure to Fuel, Transmit & Distribute this capacity is operational and effective. Complete the privatization of NIPP plants & improve the management and performance of TCN</p> <p>21.Ensure Tariff includes all costs of transmission, generation & gas at the new price, as well as Disco costs required to operate, maintain &upgrade distribution networks</p> <p>22.Resolve all Issues on Gas Pricing, Tariff, & Payment Assurance. Conclude Roadmap on Gas Development</p> <p>23.Complete the Kaduna-Abuja & Ajaokuta-Warri Rail Lines scheduled for 2016; revise the National Rail Master Plan; commence construction of the Lagos-Kano standard gauge Rail Line; &finalize negotiations for the Calabar-Lagos Rail Project</p>

	<p>24.Undertake the Rehabilitation & Construction of 31 major Projects to restore degrade sections of the Federal Highways & Improving Connectivity over a distance of 2,193km (through public works, maintenance, PPPs & other interventions)</p> <p>25.Complete the Rehabilitation of 4 Airports (i.e. Abuja, Kano, Lagos & Port Harcourt) & explore options for the Concessioneing of Airports</p> <p>26.Undertake the construction of 3552 Mixed housing Units as Pilot scheme in the 36 States of the Federation and FCT under the National Housing Programme (NHP) in a secured and planned environment.</p>
<p>IV. Oil & Gas Reforms</p>	<p>27.Adopt & Execute a Comprehensive National Oil &Gas Master-Plan (NOGM) as the roadmap for the Petroleum Industry’s Development, Diversification, Privatization & Governance. Adopt & Execute a Roadmap of Gas Development & Flare Elimination</p> <p>28.Set a 3-year Deadline to be Self-Sufficient in Refined Petroleum Products & become a Net Exporter</p> <p>29.Work with the National Assembly on the passage of a Revised Petroleum Industry Bill (PIB) or Bills to give effect to the NOGM & to resolve Fiscal & Governance Issues of the Sector, including setting a timeframe for the privatization of NNPC & Refineries to achieve total deregulation of the downstream petroleum sector; & Eliminate Gas Flaring</p> <p>30.Conclude negotiations to deal with all funding gap issues in the Upstream Sector</p>
<p>V. Ease of Doing Business</p>	<p>31.Move 20 places up the Ease of Doing Business Rankings, by implementing fast track measures for business approvals, acquisition of land titles, etc. (Nigeria is currently ranked 169 out of 189 countries by the World Bank – 2015 Survey)</p> <p>32.Fast-track visa application & issuance processes</p>
<p>VI. Social Investment</p>	<p>33.Implement Social Intervention Programme and specific Health / Education projects included in 2016 Budget</p>

	34. Health Sector Interventions including Flagging off the Revitalization of 1 Primary Health Centre per Ward (a total of 10,000 nationwide in 2016 and 2017)
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G. CONCLUSION

23. With the signing into law of the 2016 Budget by Mr. President and the approval of the Strategic Implementation Plan by the Federal Executive Council, the next step is to commence the implementation of the budget to enhance the performance of the economy. To better achieve this, we are strengthening our monitoring and evaluation system. The Minister of State will make a presentation on this.

24. Distinguished Ladies and Gentlemen, our aim is to continue to diversify the productive and revenue base of the economy away from reliance on revenue from crude oil exports. We are also looking at alternative financing sources for funding some critical projects through concessions and PPP.

25. Let me re-iterate that Government is committed to ensuring effective implementation of this budget. However, the capital spend envisaged in this budget, large though it is, represents only a part of the spending required to meet our ambitious plans for Nigeria. To develop this economy, we will need the active involvement of the private sector. We would therefore like to invite the private sector to take advantage of the opportunities that this Government is creating to increase their level of investment. Government can show the way and help to create the enabling environment, but it is the private sector that is the primary engine of development of this economy. Working together, I have no doubt that we can turn this economy around. As the President said when he signed the budget into law "... this government is ...like none other.

We are absolutely committed to changing the structure of the Nigerian economy, once and for all.”

26. In closing, I would like to thank all stakeholders in the Nigerian project. I would like to thank the members of the National Assembly, my colleagues Honourable Ministers and other top government functionaries here present, Members of the Diplomatic Corp, the Organized Private Sector, Media Executives and representatives of Development Partner Organizations, Civil Society Organizations and all invited guests for attending this event.

27. I thank you all for your attention.