

2016 **CHANGE** AGENDA:

A CITIZEN'S GUIDE TO UNDERSTANDING

FGN ECONOMIC POLICY &
THE 2016 BUDGET



FEDERAL MINISTRY OF BUDGET & NATIONAL PLANNING

APRIL 2016

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THE 2016 CHANGE AGENDA

INTRODUCTION:

This document outlines for the ordinary citizen the 2016 Agenda for Economic Development and Social Inclusion (the 2016 Agenda) of the President Muhammadu Buhari administration. It highlights the key socio-economic development strategies designed to set Nigeria's national and regional economies on a path of recovery, as well as sustainable growth that includes every Nigerian.

It provides highlights of the 2016 budget of the Federal Government of Nigeria (FGN), which is anchored on President Muhammadu Buhari's commitment to create a more diversified, sustainable and inclusive economy. The key objective of the budget is to unlock the latent potential of our people, communities and natural endowments across every part of the country. When presenting the 2016 Budget to the National Assembly, the President stated that this Administration is committed to economic diversification through import substitution and export promotion to build a robust and resilient economy as a lasting legacy for generations to come.

This document also highlights the policies, programmes and projects designed to achieve the above-stated objectives, as represented in the following diagram.

2016 BUDGET PRIORITY

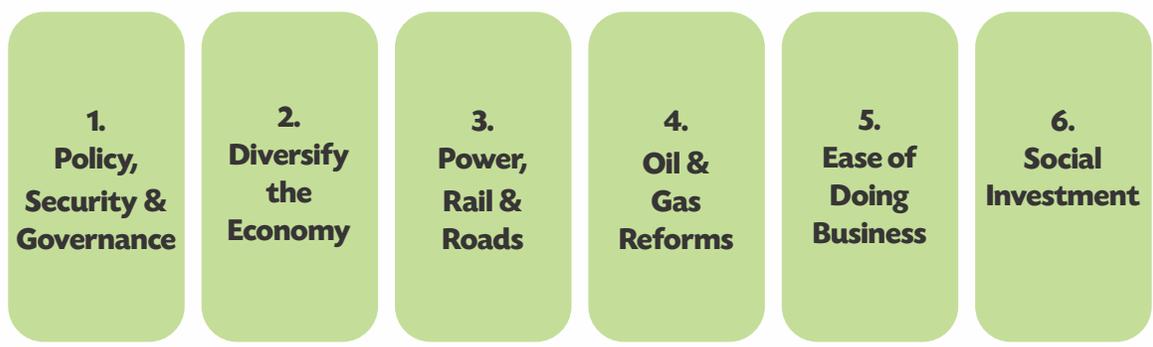
Reflating & Repositioning the Economy for Change

FUNDAMENTALS

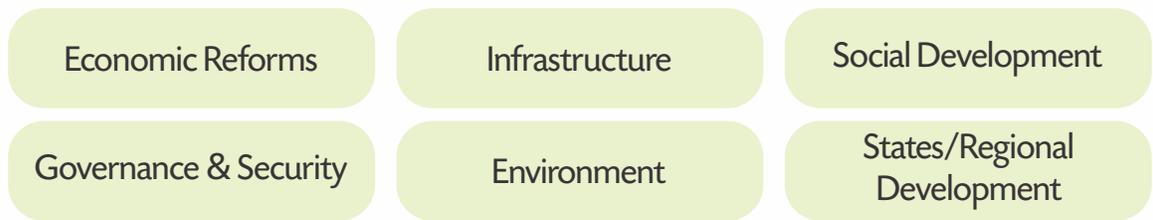


EXECUTION & MONITORING

STRATEGIES



PILLARS



THE SIX (6) PILLARS:

Our national development plan will be anchored on the following six (6) pillars:-

1. Economic Reforms
2. Infrastructure
3. Social Development
4. Governance and Security
5. Environment
6. States/Regional Development

We will seek to make disciplined, consistent, measurable and sustainable progress across these six pillars. Critical policies and targeted interventions to deliver expected outcomes across these pillars in the next 12 months will be prioritized.

2016 KEY BUDGET OBJECTIVE

I. Reflating and Repositioning the Economy for change:

The principal policy goal of the 2016 Budget is to create the right policy environment to erect these six pillars in a sustainable manner. In this regard, we will pursue key macroeconomic, monetary, fiscal, trade and investment policies designed to diversify and reflate the Nigerian economy in a manner that delivers sustained high annual growth rates.

They also include policies aimed at raising government revenues, cutting the recurrent cost of governance to free up more funds for capital expenditure and ensure greater inclusion of the most vulnerable segments of our society in the anticipated prosperity.

FUNDAMENTAL POLICY OBJECTIVES:

Following on from the above key goal of the 2016 budget, the following four fundamental policy objectives will be pursued:-

I. Improving Security and tackling Corruption:

Sustainable development is not possible in an atmosphere of pervasive insecurity, absence/non-enforcement of rule of law and endemic corruption. In this regard, measures will be pursued that are designed to secure Nigeria's territorial integrity as well as entrench the rule of law in both public governance and private/commercial endeavours.

II. Critical Infrastructure:

Investment in critical infrastructure is a proven driver of economic growth and development. Therefore, priority capital expenditures especially in the areas of Power, Roads, Rail and Housing infrastructure will be pursued.

Government alone cannot afford the required capital expenditure to bridge the massive infrastructure deficit. The private sector will therefore be invited to share in the cost and risks of projects, as well as bring much needed technical and managerial capacity. Transparent and well-structured Public Private Partnerships (PPPs) will be actively pursued as an option for delivering some of the critical infrastructure.

III. Embracing the Private Sector:

A key policy objective is to create a thriving, innovative, non-rent-seeking private sector which can be the engine of sustainable national economic growth. Government will therefore strive to enhance its business-friendliness and generally improve the business climate. Specifically, government will seek to create an environment that promotes innovation through fiscal and other incentives.

The informal sector of the Nigerian economy is huge and difficult to properly measure. This is a challenge for national planning and resource mobilization. Efforts will therefore be intensified towards reducing the scale of informality in the economy, generally by reducing the cost of formalization.

IV. Social Inclusion & Job Creation:

In the decade before 2015 the Nigerian economy grew at an impressive average rate of 6-7% p.a. The problem however is that the growth was not inclusive, as the poverty rate also grew during the period. Government will therefore pursue targeted poverty reduction initiatives.

The national unemployment rate, especially among the youth, has also grown. In addition to fostering a conducive atmosphere for the private sector to create jobs, government will also intervene directly to create jobs in some areas of critical national need.

Ultimately growing the national economy must be a shared responsibility between the federal, state and local governments. Natural resource endowments are fairly widely dispersed around the country. Efforts will be made to even out development around the country, including collaboration between the different tiers of government as well as investors and development partners.

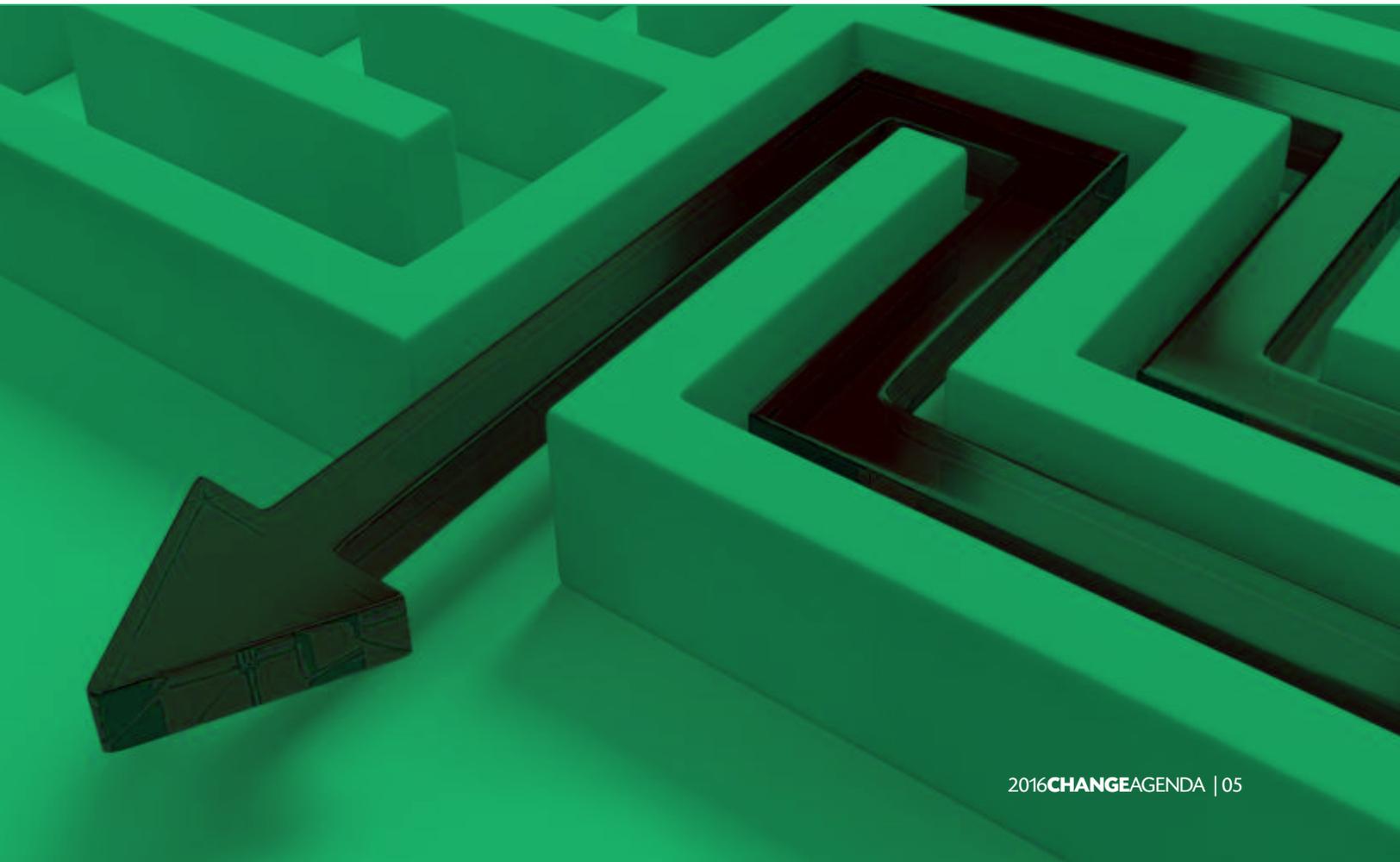
PRIORITY STRATEGIES:

Execution and monitoring of the above fundamental objectives will be prioritized in six thematic areas, namely:

- (a) Policy, Security & Governance
- (b) Diversification of the Economy
- (c) Power, Rail & Roads
- (d) Oil & Gas Reforms
- (e) Ease of Doing Business
- (f) Social Investment.

In pursuit of each of the six priority strategies, specific actions will be undertaken, with measurable outcomes. Clear responsibilities and timelines for each of these actions will also be determined. All of these will be distilled into a Monitoring & Evaluation (M&E) matrix.

In 2016, a total of thirty-four (34) key actions will be prioritized for implementation, outlined as follows:





a. Policy, Security & Governance

SECTOR

Policy, Governance & Security

KEY ACTIONS: Strategy, Policy, Intervention

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



b. Diversification of the Economy

SECTOR	KEY ACTIONS: Strategy, Policy, Intervention
Diversification of 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 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 13. Concession the Dadinkowa, Gurara (Phase I) & Oyan Dams with capacity to contribute a total of 82.5MW to the National Grid 14. Adopt & Implement a Roadmap to Stimulate Investment into the Solid Minerals sector & Plug Revenue Leakages in the Sector 15. Implement the National Industrial Revolution Plan & Launch 'Made in Nigeria' Campaign 16. Increase Manufacturing Capacity by operationalizing Industrial Parks, Free & Export Processing Zones, etc. 17. Enhance support facilities to provide increased financial, technical assistance, networking & information to new investors and existing enterprises 18. Implement a Roadmap to Increase Private Sector Investment into Tourism, Entertainment & Sports 19. Create high-technology innovation hubs to support growth in the Digital & Technology Sector



c. Power, Rail, Roads and Housing

SECTOR	KEY ACTIONS: Strategy, Policy, Intervention
<p>Power, Rail, Roads and Housing</p> 	<ul style="list-style-type: none"> 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 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 22. Resolve all Issues on Gas Pricing, Tariff, & Payment Assurance. Conclude Roadmap on Gas Development 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 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) 25. Complete the Rehabilitation of 4 Airports (i.e. Abuja, Kano, Lagos & Port Harcourt) & explore options for the Concessioning of Airports 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.



d. Oil & Gas Reforms

SECTOR	KEY ACTIONS: Strategy, Policy, Intervention
Oil & Gas Reforms	<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>



e. Ease of Doing Business

SECTOR	KEY ACTIONS: Strategy, Policy, Intervention
Ease of Doing Business	<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>



f. Social Development

SECTOR	KEY ACTIONS: Strategy, Policy, Intervention
Social Investment	33. Implement Social Intervention Programme and specific Health / Education projects included in 2016 Budget 34. Health Sector Interventions including Flagging off the Revitalization of 1 Primary Health Centre per Ward (a total of 10,000 nationwide)



THE 2016 BUDGET

Introduction:

The 2016 Budget, titled “Budget of Change”, is the first full-year budget of this Administration. This budget has been prepared against a background of general slowdown in global economic growth, and more significantly a massive decline in crude oil prices. It will be recalled that crude oil exports had hitherto accounted for over 70% of government revenues and over 90% of foreign exchange earnings. Consequently the 67% fall in oil prices from mid-2014 to end-2015 has had wide ranging adverse ramifications for the Nigerian economy, especially on the external sector

The budget was guided by the 2016-2018 Medium Term Expenditure Framework (MTEF), Fiscal Strategy Paper (FSP) and the 2016 Agenda outlined in the previous section. It is also the first time the Zero Based Budgeting (ZBB) approach is being adopted in preparing the FGN’s budget. The ZBB requires Ministries, Departments & Agencies (MDAs) to justify every item of revenue and expenditure, as well as projects and programmes included in the budget. It is a departure from the traditional Incremental Budgeting approach that simply adjusts (usually upwards) amounts included in the prior period’s budget.

Coming from 2015 that was characterized by significant decline Revenue and GDP growth, rising inflation, weakening balance of payment, declining foreign reserves, rising public debt, weak capital market and rising unemployment, the FGN made a deliberate choice to pursue an expansionary fiscal policy in 2016.

Key Assumptions:

- » Oil price benchmark - \$38pb
- » Daily Oil production - 2.2mbpd
- » Exchange Rate - N197/\$
- » GDP Growth Rate - 4.2%

Highlights:

	2016	2015
	Ntn	Ntn
Total Size	6.06	5.09

Revenues:

- Oil revenues	0.82	1.64
- Non-oil revenues	3.04	1.21

Expenditures:

- Statutory Transfer	0.35*	0.41
- Capital expenditures	1.59	0.56
- Non-debt Recurrent exp.	2.65	2.59
- Recurrent Debt Service	1.48	0.95
- Deficit	2.20	1.04

*Includes N0.157trn Capital Exp.

The deficit will be financed through new borrowings of N1.84tn (Domestic- N984bn & External- N900bn) as well as N386bn of recovered looted funds.

Key Ratios:

» Capital/Recurrent exp.	-	29%/71%
» Deficit/GDP	-	2.16%
» Total Debt/GDP	-	14%
» Debt Service/Revenue	-	35%

Key Deliverables:

In addition to the projects/programmes highlighted under each of the six pillars above, other priority projects for which provisions have been made in the 2016 budget include the following:-



Road & Bridge Projects

Over 40 projects spread across all 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 Road 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 Dualisation of Sapele-Agbor-Ewu Road Section I

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

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 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

Aviation Projects

Several projects designed to improve the security of our airport 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

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

Housing Projects

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

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

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
- N2.1 billion for servicing ongoing and new local and foreign scholarships

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

Special Intervention Projects

N500 billion social intervention projects in 5 areas namely:

- Job Creation: 500,000 teachers and 100,000 artisans - N191.5 bn
- School Feeding: 5.5 million children for 200 school days - N93.1 bn
- Conditional Cash Transfer: N5,000/month for 1 million beneficiaries - N68.7 bn
- Enterprise Programme: Support for 1 million market women; 460,000 artisans and 200,000 agric workers - N140.3 bn
- STEM Education Grant: For 100,00 students in Science, Technology, Engineering and Mathematics - N5.8 bn

BUDGETTING



