



## **2018 BUDGET SPEECH: BUDGET OF CONSOLIDATION**

**Delivered by:**

**HIS EXCELLENCY, PRESIDENT MUHAMMADU BUHARI**

**PRESIDENT, FEDERAL REPUBLIC OF NIGERIA**

**AT THE JOINT SESSION OF THE NATIONAL ASSEMBLY, ABUJA**

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### **PROTOCOLS**

1. I am here to present 2018 Budget Proposals. Before presenting the Budget, let me thank all of you Distinguished and Honourable Members of the National Assembly, and indeed all Nigerians, for your support and prayers for my full recovery while I was on medical vacation.
2. I am very pleased to address this Joint Session of the National Assembly, on the revenue and expenditure estimates, and related matters, of the Federal Government of Nigeria for the 2018 fiscal year.
3. The 2018 Budget will consolidate on the achievements of previous budgets and deliver on Nigeria's Economic Recovery and Growth Plan (ERGP) 2018 – 2020.

### **OVERVIEW OF ECONOMIC DEVELOPMENTS IN 2017**

4. 2017, so far, has been a year of uncertainty on many fronts across the world. Whether it is Brexit, the crisis in the Korean Peninsular, or indeed, the political uncertainty in key oil producing nations of the Middle East and South America, we can all agree that these developments have in one way or another impacted Nigeria's economic fortunes.
5. By all accounts, 2018 is expected to be a year of better outcomes. The tepid economic recovery is expected to pick up pace and the global political terrain is expected to stabilize. The International Monetary Fund (IMF) is anticipating global GDP growth of 3.7 percent in

2018. Emerging markets and developing economies are expected to lead with GDP growth of 4.9 percent, while advanced economies are projected to grow at a slower rate of 2 percent.

6. Nigeria's journey out of the recent recession was a revealing one. We heard many opinions from within and outside Nigeria on how best to address our economic woes. We listened carefully and studied these proposals diligently. Our belief has always been that the quickest and easiest solution may not necessarily be the best solution for a nation as diverse as ours. We took our time to create a balanced and equitable response, keeping in mind that only tailored Nigerian solutions can fix Nigeria's unique problems.
7. And from the recovery that we are seeing today, it is clear that we made the right decisions. Distinguished and Honourable Members of the National Assembly, I am now asking you to continue to support our economic policies in order to consolidate and sustain on the success achieved so far. We simply cannot go back.
8. In the non-oil sector, crop production has been one of the main contributors to non-oil growth, which rose to 0.45 percent in the second quarter of this year. This was primarily driven by our ongoing financial, capacity building and infrastructure development programs.
9. The Ministry of Agriculture and Rural Development, working with development partners and the private sector, have embarked on numerous capacity building projects. We have also completed over 33,000 Hectares of Irrigation Projects that have increased water availability in key food producing states. We shall continue to intensify our interventions through the Anchor Borrowers' Programme and the Presidential Fertilizer Initiative to ensure that this momentum is sustained. We have also made provisions in the 2018 Budget to complete ongoing Irrigation Projects at Ada, in Enugu State; Lower Anambra, in Anambra State; and Gari, in Jigawa State. In 2017, many factories and projects in the food and agricultural sectors were commissioned in Kebbi, Nasarawa, Kaduna, Anambra, Edo, Jigawa, Rivers, Niger, Ogun and Ebonyi States, to mention a few. This is a clear statement that our economic diversification and inclusive growth ambitions are coming to fruition.
10. Significant progress has also been made in the Solid Minerals development sector. In Ondo State, for instance, work is ongoing to fully exploit the bitumen resources to meet the 600,000 MTs of asphalt imported per annum for roads and other construction projects. To

consolidate on these efforts, we have also established a 30 billion Naira Solid Minerals Development Fund to support other minerals exploration activities across the country.

11. In the oil and gas sector, the relatively higher crude oil prices supported our economic recovery. Our mutually beneficial engagement with oil producing communities in the Niger Delta contributed immensely to the recovery in oil production experienced in recent months. We would like to thank the leadership and communities in the Niger-Delta for their continued support and to also reiterate our assurances that this Administration will continue to honour our commitments to them. We cannot afford to go back to those dark days of insecurity and vandalism. We all want a country that is safe, stable and secure for our families and communities. This means we must all come together to address any grievances through dialogue and peaceful engagement. Threats, intimidation or violence are never the answer.
12. We are working hard on the Ogoni Clean-up Project. During the year, we engaged 8 international and local companies proposing different technologies for the mandate. To enable us select the best and most suitable technology for the remediation work, we asked each company to conduct Demonstration Clean-up Exercises in the 4 Local Government Areas of Ogoni Land. These Demonstrations were recently concluded and the results are being studied by the Governing Council of the Ogoni Clean-up Project. Although the Project will be funded by the International Oil Companies, we have made provisions in the 2018 Budget for the costs of oversight and governance, to ensure effective implementation.
13. On the international front, I would like to thank our friends and partners in the Joint OPEC / Non-OPEC Ministerial Monitoring Committee (JMMC) who graciously granted Nigeria an exemption from the output cuts imposed on OPEC Member Countries in January 2017. This exemption, which was extended in September 2017, significantly helped during our most challenging time. We shall continue our positive engagement with other oil producing nations to ensure that the momentum generated is sustained.
14. Permit me, Mr. Senate President and Right Honourable Speaker, to state that despite the downturn in oil prices and our challenging economic circumstances, this Administration was able to invest an unprecedented sum of over 1.2 trillion Naira in capital projects through the 2016 Budget. This is the highest ever in the history of this country. This is a clear demonstration of our commitment to consolidate on our economic diversification reforms and lay a stronger foundation for future growth and development.

15. Our Sovereign Wealth Fund, which was established in 2011 with US\$1 billion, did not receive additional investment for 4 years when oil prices were as high as US\$120 per barrel. However, despite record low oil prices, this Administration was able to invest an additional US\$500 million into the Fund. This further demonstrates that in our struggle to have a stable and secure nation today, we have not, and will not, lose sight of the need to lay a solid foundation for the future prosperity of successive generations.
16. We have asked the Sovereign Wealth Fund to look inward and invest locally. Some of the successes we are seeing today in the agricultural sector are driven by this new investment approach by the Nigeria Sovereign Investment Authority (NSIA). The NSIA also has a very strong pipeline of local investments that will support our inclusive and diversified economic growth plan.
17. Stability has been restored to the foreign exchange market due to the interventions by the Central Bank of Nigeria to improve access to liquidity, discourage currency speculation and increase net foreign exchange inflows. As at the 30<sup>th</sup> of October, 2017, our external reserves had increased to US\$34bn. This stability has supported our efforts to provide the enabling environment and interventions needed to empower Micro, Small and Medium-Sized enterprises, investors, manufacturers and exporters, to sustain and in some cases, grow their operations. Indeed, by the second quarter of 2017, exports significantly outpaced imports, resulting in a trade surplus of 506.5 billion Naira.

### **Ease of Doing Business Reforms**

18. One of the targets we set for gauging our progress in creating an enabling environment for business was to achieve a positive movement in the World Ease of Doing Business Index. You would recall Nigeria experienced a decade-long decline in this ranking. In 2008, Nigeria was ranked 120<sup>th</sup>. By 2015, our situation had deteriorated to 169<sup>th</sup> of the 189 countries surveyed. Our very simple, logical and user-friendly reforms are reversing this trend. A recently released World Bank business ranking report announced that Nigeria had moved 24 places to 145<sup>th</sup> position in 2017. I am delighted that we have met and even surpassed our target of moving at least 20 paces up this global ranking. The same World Bank report also stated that Nigeria is among the top 10 reforming countries in the world.
19. To ensure these reforms are institutionalized, Executive Order Number #1 on the Promotion of Transparency and Efficiency in the Business Environment was issued in May

2017. The Order contained measures that ease the process of business registration, approval of permits, granting visas and streamlining port operations. We are committed to continuing and accelerating the Ease of Doing Business reforms, which are critical to attracting new investments, growing the economy and creating jobs for our people.

### **Improved Tax Administration**

20. Although the economy is diversified with non-oil Sector accounting for over 90 percent of total Nominal GDP, the Government's revenues are not as diversified yet. Our Tax-to-GDP ratio of about 6% is one of the lowest in the world. This situation is not consistent with our goal of having a diversified, sustainable and inclusive economy. Accordingly, we are stepping up efforts to ensure all taxable Nigerians comply with the legal requirement to declare income from all sources and remit taxes due to the appropriate authorities.
21. Already, we have introduced the Voluntary Assets and Income Declaration Scheme (VAIDS) on the 1<sup>st</sup> of July, 2017. The Scheme provides non-compliant taxpayers with a nine-month window to regularise their tax status relating to historical periods. In return, overdue interest and penalties will be forgiven. In addition, no investigations or criminal charges will be brought against participating taxpayers. We expect that this Scheme will widen the tax net for both the Federal and State Governments. I am therefore, asking all Nigerians to seize this opportunity and do right thing. Let us not shy away from our duty to build a better Nigeria.

### **Optimising Efficiency in Expenditure**

22. In 2016 this Administration adopted a policy of allocating at least 30 percent of our annual budget to capital expenditure. This was entrenched in the ERGP to unlock further growth in the economy. This tradition was maintained in the 2017 Budget and has been reflected in the proposal for 2018, in which 30.8 percent of total expenditure has been set aside for the capital vote.
23. To support these efforts, you would recall that an Efficiency Unit was set up under the Federal Ministry of Finance to reduce wastage, plug leakages and foster greater fiscal transparency. We have intensified the implementation of the Integrated Payroll and Personnel Information System (IPPIS) across government MDAs to automate personnel records and salaries' payment process, with the goal of eliminating ghost workers. 461 Federal MDAs have been captured on the system, so far. Our target is to enroll all MDAs. I

have directed the military and other security agencies to ensure total compliance without further delay.

## **Increased Investment in Infrastructure**

24. Mr. Senate President, and the Right Honourable Speaker, we shall continue to develop our infrastructure across the country. Although a lot of progress has been made, the huge contractor liabilities we inherited have adversely impacted our infrastructure development timetable. Indeed, contractors were owed trillions of Naira when this Administration came into office. In some areas, we have made payments so projects may be completed; while in others, we are reconciling the liabilities to identify and settle legitimate claims. As a responsible and accountable Administration, we decided that clearing this backlog was an important priority.
25. For instance, at the outset of this Administration in 2015, the Abuja Metro-Rail Project, which began in 2007 was only 50% completed, after 8 years. Today, in just 18 months, we have pushed the project to 98% completion. This was achieved as the Nigerian Government was diligently able to meet its counterpart funding obligations for the Chinese loans.
26. We have also continued work on key strategic Roads. Over 766 kilometres of roads were constructed or rehabilitated across the country in 2017. For instance, work is at various stages of completion on these strategic roads with immense socio-economic benefits:
  - a. Rehabilitation of Ilorin-Jebba-Mokwa-Birnin-Gwari-Kaduna Road;
  - b. Dualization of Oyo-Ogbomosho-Ilorin Road;
  - c. Rehabilitation of Gombe-Numan-Yola Road;
  - d. Dualization of Kano-Maiduguri Road;
  - e. Rehabilitation of Sokoto-Tambuwal-Jega Road and Kotangora-Makera Road that transverse Sokoto, Kebbi and Niger States;
  - f. Rehabilitation and Reconstruction of Enugu-Port-Harcourt Road;

- g. Rehabilitation of Enugu-Onitsha Dual Carriageway Road;
  - h. Rehabilitation of Aleshi-Ugep Road and the Iyamoyun-Ugep Section in Cross River State;
  - i. Rehabilitation, Reconstruction and Expansion of Lagos-Ibadan Dual Carriageway Road;
  - j. Construction of Loko-Oweto Bridge over River Benue in Nasarawa and Benue States; and
  - k. Construction Gokanni Bridge along Tegina-Mokwa-Jebba Road in Niger State.
27. Under the Federal Roads Development Programme, we recently completed a Data Collection Exercise on the 7,000km Federal Road Network which was funded by the World Bank. This information is enabling us to make informed decisions regarding the planning, budgeting and management of the Federal Road Network. Going forward, we will be working based on facts rather than subjectivity.
28. Furthermore, we have also invested a lot of time and effort in identifying alternative means of funding new projects. For example, the recent 100 billion Naira Sukuk Financing will cater specifically for the development of 25 roads across the country. We also developed different structures that empower private investors to contribute to the development of roads of significant national importance. Already, we are seeing results. For example:
- a. The Bonny-Bodo Road is being jointly funded by the Federal Government and Nigeria LNG Limited. This project was conceived decades ago but it was abandoned. This Administration restarted the project and when completed, it will enable road transportation access for key communities in the Niger- Delta region; and
  - b. The Apapa Wharf-Toll Gate Road in Lagos State is also being constructed by private sector investors in exchange for tax credits.
29. Distinguished Members of the National Assembly, our Power Sector Reforms still remain a work in progress. Although we have increased generation capacity significantly, we still have challenges with the Transmission and Distribution Networks. That said, I am pleased to announce that since 2015, the Transmission Company of Nigeria (TCN) and Niger-Delta Power Holding Company (NDPHC) have added 1,950 MVA of 330-132kV transformer capacity at 10 Transmission stations, as well as 2,930 MVA of 132-33kV transformer

capacity to 42 substations nationwide. With these additions, the Transmission Network today can handle up to 7,000 Mega Watts (MW).

30. The key bottleneck now is the Distribution Network where the substations cannot take more than 5,000 MW. This is constraining power delivery to consumers. We are working with the privatized Distribution Companies to see how to overcome this challenge. Nigerians should be rest assured that this Administration is doing all it can to alleviate the embarrassing power situation in this country.
31. Furthermore, to sustain the continued expansion of generation capacity and enhance evacuation, we approved a Payment Assurance Guarantee Scheme which enabled the Nigerian Bulk Electricity Trader (NBET) to raise 701 billion Naira. This assures the Generation Companies of up to 80% payment on their invoices. This intervention has brought confidence back into the sector and we expect additional investment to flow through, particularly in the gas production sector.
32. Distinguished Members of the National Assembly, this Administration is committed to the development of Green Alternative Energy Sources. To date, we have signed Power Purchase Agreements (PPA) with 14 solar companies. We also approved:
  - a. The completion of the 10 MW Wind Farm in Katsina State, a project that was abandoned since 2012; and
  - b. The concession of 6 small hydro-electric power plants with a total capacity of 50 MW.
33. To enable the successful take-off of these, and future Green Projects, I am pleased to inform this Distinguished Assembly that the Federal Government will be launching the first African Sovereign Green Bond in December 2017. The bond will be used to finance renewable energy projects. We are very excited about this development as it will go a long way in solving many of our energy challenges, especially in the hinterland.
34. On Rail, we recently received 2 additional locomotives and 10 standard gauge coaches for the Abuja-Kaduna Rail Line. These will be deployed for the new non-stop express service between the two cities that will only take one hour and fifteen minutes. This new service will complement the existing service currently in place. We plan to commission this by December 2017.



35. We have also kick-started the abandoned Itakpe-Ajaokuta-Warri Rail Line. This project has been on for over 17 years. We had to take some drastic measures but I am pleased to announce that work is ongoing and we expect to commission this service by September 2018. This service will start with 7 standard gauge coaches.
36. The situation at the Apapa port complex is a top priority for this Administration. The delays due to congestion and their adverse impact on business operations and costs is a key concern to our Government. As I mentioned earlier, we are partnering with the private sector to fix the road. We shall do the right thing considering. We will not cut corners.
37. In addition to the road, we have also commenced the extension of the Lagos-Ibadan Standard Gauge Rail Line to connect Apapa and Tin Can Port Complexes. This project will significantly ease the congestion at the ports and enhance both export and import operations. This project shall be completed by December 2018. Already, working with the private sector, we have repaired the Apapa Port Narrow Gauge Line which is currently being used to evacuate goods from the port, thereby easing congestion.
38. As we all know, sometimes doing the right thing takes time and requires sacrifices. I am therefore appealing to all stakeholders to work with us in ensuring we deliver a solution that we will all be proud of.
39. Certainly, the infrastructure requirement to reposition Nigeria for the future is huge and our resources are limited. Government, therefore, will pursue private partnerships to maximise available capital and developmental impact. In the next fiscal year, we will also establish 7 tertiary health institutions across the country through partnership with our Sovereign Wealth Fund and other private sector investors.

## **Agricultural Development**

40. The agricultural sector played a crucial role in Nigeria's exit from recession. Today, it remains the largest employer of labour and holds significant potential to realise our vision of repositioning Nigeria as a food secured nation.
41. We will consolidate on existing policies and develop new ones to ensure the numerous value chain challenges in the agricultural sector are addressed. As I mentioned earlier, several investors have deployed significant capital in the production and processing of rice, sugar, maize, soya, cassava, yams, tomato, oil palm, rubber and poultry, to mention a few.

We are also seeing increased investment in the agro-inputs manufacturing sector such as fertilisers.

42. We are determined to protect these investments and encourage more. Food Security is an important aspect of this Administration's National Security agenda. Any person involved in smuggling of food items is a threat to our National Security and will therefore be dealt with accordingly. A Committee chaired by the Vice President is working on this matter. A key part of their work will be the reactivation of the Badagry Agreement signed between Nigeria and the Republic of Benin in 2003. This agreement, which was abandoned by previous Administrations, established a mutually beneficial framework for the two neighbours and allies to partner in tackling smuggling and other cross border crimes. I would like to assure investors in the agricultural value chain that the menace of smuggling will be handled decisively.
43. To further support investors and State Governments, we will accelerate the establishment of at least 6 Staple Crop Processing Zones, in the first phase. This initiative will develop infrastructure for the production, processing and storage of strategic commodities. The focus is on backward integration for grains, horticulture, livestock, fisheries and sugar; as well as exportable commodities such as cocoa, cassava and oil palms.

## **Health Sector Developments**

44. During 2017, the country had a number of disease outbreaks such as Meningitis, Yellow Fever, Monkey Pox and Lassa Fever. I would like to commend the Federal and State Ministries of Health for their selfless service and timely responses to contain these outbreaks. I would also like to thank the World Health Organisation, the Global Fund and UNICEF, for their continued support during these trying times. This collaboration was a key factor in the low mortality rates experienced. To further improve our response to such outbreaks, we are working to upgrade our Integrated Disease Surveillance and Response System. This will further enhance the efficiency of our diagnostic and clinical management processes.

45. In this respect, I urge this Distinguished House to expedite the passage of the Bill for the Nigeria Centre for Disease Control to enable us consolidate on the successes recorded to date.

### **Implementing the Social Investment Program**

46. I am pleased to inform you that we have recorded tremendous success in the implementation of the Federal Government's Social Investment Program. Specifically,
- a. Over 4.5 million Primary 1 to Primary 3 pupils in public schools are being fed under the School Feeding programme;
  - b. Over 200,000 unemployed graduates have been employed under the N-Power Scheme in education, health and agricultural sectors;
  - c. Over 250,000 enterprises have benefitted from the sum of 12.5 billion Naira, which has been disbursed to entrepreneurs to expand their businesses; and
  - d. Over 110,000 households are currently benefitting from the Conditional Cash Transfer programme across the country.

### **PERFORMANCE OF THE 2017 BUDGET**

47. The 2017 Budget of Recovery and Growth was based on a benchmark oil price of US\$44.5 per barrel, oil production of 2.2 million barrels per day, and a Naira-to-US Dollar Exchange Rate of 305. Based on these assumptions, total revenue of 5.084 trillion Naira was projected to fund aggregate expenditure of 7.441 trillion Naira. A projected fiscal deficit of 2.356 trillion Naira was to be financed mainly by domestic and external borrowing.
48. On revenue performance, collections were 14 percent below target as of September 2017, mainly due to the shortfall in non-oil revenues.
49. A key revenue shortfall was from Independent Revenues; only 155.14 billion Naira was remitted by September 2017 as against the projected pro-rated sum of 605.87 billion Naira. This represents a 74 percent shortfall, which is very disappointing.
50. This recurring issue of under-remittance of operating surpluses by State Owned Entities is absolutely unacceptable. You will all recall that in September 2017, the Joint Admissions and Matriculation Board (JAMB) announced that they were ready to remit 7.8 billion Naira back to the Government. The shocking discovery was that in the last decades, JAMB only remitted an aggregate of 51 million Naira. This clearly illustrates the abuses that occur in

State Owned Entities as well as their potential for increased Independent Revenues, if only people would do the right thing. We all need to play our role to ensure the right thing is done. I would also like to remind Nigerians that the Whistle Blower lines are still open.

51. Accordingly, I have directed the Economic Management Team (EMT) to review the fiscal profiles of these agencies, to ensure strict compliance with the applicable Executive Orders and Financial Regulations. There may be a need to consider a review of the Fiscal Responsibility Act and the Executive will be approaching the National Assembly on this issue in due course.
52. On the expenditure side, a total of 450 billion Naira of the capital vote had been released as at the end of October 2017. With your support for our funding plan, our target is to release up to 50% of the capital vote for MDAs by the year's end. We have prioritised payments of our counterpart obligations on our concessionary loans, as well as funding of critical infrastructure and other projects with socio-economic benefits. Furthermore, MDAs have made provisions to carry over to the 2018 Budget, capital projects that are not likely to be fully funded by year-end 2017, to ensure project continuity.
53. Regrettably, the late passage of the 2017 Budget has significantly constrained budget implementation. As you are aware, the 1999 Constitution authorized necessary Federal Government expenditures prior to the 12<sup>th</sup> of June, 2017 when the 2017 Appropriation Act was signed into law. This year, we have worked very hard to achieve an earlier submission of the Medium-term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP), and the 2018 Appropriation Bill. Our efforts were to avail the National Assembly with sufficient time to perform its important duty of passing the Appropriation Bill into law, hopefully by the 1<sup>st</sup> of January, 2018. It is in this spirit that I solicit the cooperation of the Legislature in our efforts to return to a more predictable budget cycle that runs from January to December.

## **PRIORITIES FOR THE 2018 BUDGET OF CONSOLIDATION**

54. The 2018 Budget Proposals are for a Budget of Consolidation. Our principal objective will be to reinforce and build on our recent accomplishments. Specifically, we will sustain the reflationary policies of our past two budgets. In this regard, the key parameters and assumptions for the 2018 Budget are as set out in the 2018-2020 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP). These include:

- a. Benchmark oil price benchmark of US\$45 per barrel;
- b. Oil production estimate of 2.3 million barrels per day, including condensates;
- c. Exchange rate of N305/US\$ for 2018;
- d. Real GDP growth of 3.5 percent; and
- e. Inflation Rate of 12.4 percent.

### **Federally-Collectible Revenue Estimates**

55. Based on the above fiscal assumptions and parameters, total federally-collectible revenue is estimated at 11.983 trillion Naira in 2018. Thus, the three tiers of Government shall receive about 12 percent more revenues in 2018 than the 2017 estimate. Of the amount, the sum of 6.387 trillion Naira is expected to be realised from oil and gas sources. Total receipts from the non-oil sector are projected at 5.597 trillion Naira.

### **Federal Government Revenue Estimates**

56. The Federal Government's estimated total revenue is 6.607 trillion Naira in 2018, which is about 30 percent more than the 2017 target. As we pursue our goal of revenue diversification, non-oil revenues will become a larger share of total revenues. In 2018, we project oil revenues of 2.442 trillion Naira, and non-oil as well as other revenues of 4.165 trillion Naira.
57. Non-oil and other revenue sources of 4.165 trillion Naira, include several items including: Share of Companies Income Tax (CIT) of 794.7 billion Naira, share of Value Added Tax (VAT) of 207.9 billion Naira, Customs & Excise Receipts of 324.9 billion Naira, FGN Independently Generated Revenues (IGR) of 847.9 billion Naira, FGN's Share of Tax Amnesty Income of 87.8 billion Naira, and various recoveries of 512.4 billion Naira, 710 billion Naira as proceeds from the restructuring of government's equity in Joint Ventures and other sundry incomes of 678.4 billion Naira.

### **Proposed Expenditure for 2018**

58. A total expenditure of 8.612 trillion Naira is proposed for 2018. This is a nominal increase of 16 percent above the 2017 Budget estimate. In keeping with our policy, 30.8 percent (or 2.652 trillion Naira) of aggregate expenditure (inclusive of capital in Statutory Transfers) has been allocated to the capital budget.

59. We expect our fiscal operations to result in a deficit of 2.005 trillion Naira or 1.77 percent of GDP. This reduction is in line with our plans under the ERGP to progressively reduce deficit and borrowings.
60. We plan to finance the deficit partly by new borrowings estimated at 1.699 trillion Naira. Fifty percent of this borrowing will be sourced externally, whilst the balance will be sourced domestically. The balance of the deficit of 306 billion Naira is to be financed from proceeds of privatisation of some non-oil assets by the Bureau of Public Enterprises (BPE).
61. The proposed 8.612 trillion Naira of 2018 Aggregate Expenditure comprises:
- a. Recurrent Costs of ~~₦~~3.494 trillion;
  - b. Debt Service of ~~₦~~2.014 trillion;
  - c. Statutory Transfers of about ~~₦~~456 billion;
  - d. Sinking Fund of ~~₦~~220 billion (to retire maturing bond to Local Contractors);
  - e. Capital Expenditure of ~~₦~~2.428 trillion (excluding the capital component of Statutory Transfers).

### **Statutory Transfers**

62. 456.46 billion Naira was provided in the 2018 Budget for Statutory Transfers. The 5 percent increase over last year's provision is mainly due to increases in transfer to Niger Delta Development Commission (NDDC) and the Universal Basic Education Commission (UBEC), which are related directly to the size of oil revenue.

### **Debt Restructuring**

63. We are closely monitoring our debt service to revenue ratio. We shall address this ratio through our non-oil revenue-generation drive and restructuring of the existing debt portfolio. Presently, domestic debt accounts for about 79 percent of the total debt. Our medium-term strategy is to reduce the proportion of our domestic debt to 60% by the end of 2019 and increase external debt to 40 percent. It is noteworthy that rebalancing our debt portfolio will enhance private sector access to domestic credit. In addition, annual debt service costs will reduce as external debts are serviced at lower rates and repaid over a longer period than domestic debt.

## **Recurrent Expenditure**

64. A substantial part of the recurrent cost proposal for 2018 is for the payment of salaries and overheads in key Ministries providing critical public services such as:
- a. ~~₦~~510.87 billion for Interior;
  - b. ~~₦~~435.01 billion for Education;
  - c. ~~₦~~422.43 billion for Defence; and
  - d. ~~₦~~269.34 billion for Health.

The allocation to these Ministries represent significant increases over votes in previous budgets.

## **Personnel Costs**

65. Personnel costs is projected to rise by 12 percent in 2018. Although we have made substantial savings by registering MDAs on the Integrated Personnel Payroll Information System (IPPIS) platform, the increase is mainly due to provision for staff promotion arrears, and recruitments by the Military, Police Force and para-military agencies. Furthermore, I have directed agencies are not to embark on any fresh recruitment unless they have obtained all the requisite approvals. Any breach of this directive will be severely sanctioned.

## **Overhead Costs**

66. Overhead costs is projected to rise by 26 billion Naira in 2018, a modest increase of about 12 percent reflecting inflationary adjustments. MDAs are required to adhere to government regulations regarding cost control.

## **Capital Expenditure**

67. To consolidate on the momentum of the 2017 Budget's implementation, many ongoing capital projects have been provided for in the 2018 Budget. This is in line with our commitment to appropriately fund ongoing capital projects to completion. By allocating 30.8 percent of the 2018 Budget to capital expenditure, the Federal Government is also demonstrating its strong commitment to investing in critical infrastructure capable of spurring growth and creating jobs in the Nigerian economy.
68. Key capital spending allocations in the 2018 Budget include:
- a. Power, Works and Housing: ~~₦~~555.88 billion;

- b. Transportation: ~~N~~263.10 billion;
- c. Special Intervention Programmes: ~~N~~150.00 billion;
- d. Defence: ~~N~~145.00 billion;
- e. Agriculture and Rural Development ~~N~~118.98 billion;
- f. Water Resources: ~~N~~95.11 billion;
- g. Industry, Trade and Investment: ~~N~~82.92 billion;
- h. Interior: ~~N~~63.26 billion;
- i. Education ~~N~~61.73 billion;
- j. Universal Basic Education Commission: ~~N~~109.06 billion;
- k. Health: ~~N~~71.11 billion;
- l. Federal Capital Territory: ~~N~~40.30 billion;
- m. Zonal Intervention Projects ~~N~~100.00 billion;
- n. North East Intervention Fund ~~N~~45.00 billion;
- o. Niger Delta Ministry: ~~N~~53.89 billion; and
- p. Niger Delta Development Commission: ~~N~~71.20 billion.

69. As I had previously indicated, we aim to consolidate on our achievements in 2017. We shall meet our counterpart funding obligations. We shall complete all ongoing projects. And we shall carry forward all strategic projects that were budgeted for but which we were unable to kick start due to liquidity challenges, late passage of the budget, prolonged contractual negotiations, and other matters.
70. Specifically, I would like to bring your attention to the following key projects and programmes that we are determined to implement in 2018:
- a. ~~N~~9.8 billion for the Mambilla hydro power project, including N8.5 billion as counterpart funding;
  - b. ~~N~~12 billion counterpart funding for earmarked transmission lines and substations;
  - c. ~~N~~35.41 billion for the National Housing Programme;
  - d. ~~N~~10.00 billion for the 2nd Niger Bridge; and



- e. ~~About~~ N300 billion for the construction and rehabilitation of the strategic roads mentioned earlier.

### **Consolidating on the Social Intervention Programme**

71. This Administration remains committed to pursuing a gender-sensitive, pro-poor and inclusive growth. We are keenly interested in catering for the most vulnerable. Accordingly, we have retained the 500 billion Naira allocation to the Social Intervention Programme. Under the programme, 100 billion Naira has been set aside for the Social Housing Programme.
72. Government will also continue to implement the Conditional Cash Transfer (CCT) programme, as well as the National Home-Grown School Feeding programme in 2018. These initiatives are already creating jobs and economic opportunity for local farmers and cooks, providing funding to artisans, traders and youths, as well as supporting small businesses with business education and mentoring.

### **Regional Spending Priorities for Peace, Security and Development**

73. To maintain peace and security in the Niger Delta for economic and social activities to thrive, the provision of 65 billion Naira for the Presidential Amnesty Programme has been retained in the 2018 Budget. In addition, the capital provision for the Ministry of Niger Delta has been increased to 53.89 billion Naira from the 34.20 billion Naira provided in 2017. This is to further support the development in the region. We will complete all critical projects, including the East-West Road, which has a provision of about 17.32 billion Naira in 2018.
74. Across the nation, and particularly in the North East region, our commitment to the security of life and property remains absolute. We will ensure that our gallant men and women in arms are properly equipped and well-motivated. The result of our efforts is evident in the gradual return to normalcy in the North East. It is in this spirit that I recently assented to the North-East Development Commission Bill that was passed by this Distinguished House. We expect that this development will consolidate on our ongoing efforts to combat insurgency, reintegrate Internally Displaced Persons and rebuild communities in the North East Region, which have been adversely affected by the insurgency.
75. Similar attention is being given to efforts to reduce violent crime across the country. The Nigerian Army was recently deployed to combat the growing scourges of cattle rustling and banditry that have plagued our communities in Kaduna, Niger, Kebbi, Katsina and Zamfara

States. We will also continue to arrest the incidence of Armed Robbery, Kidnapping and other Violent Crimes across our nation.

76. We have also increased our focus on cyber-crimes and the abuse of technology through hate speech and other divisive material that is being propagated on social media. Whilst we uphold the Constitutional rights of our people to freedom of expression and association, where the purported exercise of these rights infringes on the liberties of other citizens or threatens to undermine our National Security, we will take firm and decisive action.
77. In this regard, I reiterate my call for Nigerians to exercise restraint, tolerance and mutual respect in airing any grievances and frustrations. Whilst the ongoing national discourse on various political issues is healthy and welcome, we must not forget the lessons of our past. I trust that the vast majority of our people would rather tread the path of peace and prosperity, as we continue to uphold and cherish our Unity in Diversity.

## **CONCLUSION**

78. Distinguished and Honourable Members of the National Assembly, you will recall that in my 2017 Budget Speech, I promised a new era for Nigeria and an end to the old ways of overdependence on oil revenues. The statistics and initiatives I mentioned clearly show that this new era has come and the old Nigeria is surely disappearing. We must, therefore, all work together to protect and sustain this CHANGE to create a new Nigeria:
- a. A Nigeria that feeds itself;
  - b. A Nigeria that optimally utilizes its resources;
  - c. A Nigeria with a diversified, sustainable and inclusive economy.
79. Mr. Senate President, Mr. Speaker, Distinguished and Honourable Members of the National Assembly, this speech would be incomplete without commending the immense, patriotic and collaborative support of the National Assembly in the effort to move our great nation forward. I wish to assure you of the strong commitment of the Executive branch to deepen the relationship with the Legislature.
80. Nigeria is currently emerging from a very difficult economic period. If we all cooperate, and support one another, we can consolidate on our exit from the recession and firmly position Nigeria for economic prosperity. All the projects presented within this Budget have been carefully selected and subjected to extensive consultations and stakeholder engagements.

As a Government, we are determined to bring succour to our people, improve their lives, and deliver on our promises to them. 2018 is a crucial year as we strive to ensure that we consolidate our successes and institutionalize the policies and practices that drove this turnaround.

81. I appeal to you to swiftly consider and pass the 2018 Appropriation Bill.
82. It is therefore with great pleasure and a deep sense of responsibility, that I lay before this Distinguished Joint Session of the National Assembly, the 2018 Budget Proposals of the Federal Government of Nigeria.
83. I thank you most sincerely for your attention.
84. May God bless the Federal Republic of Nigeria.