INSIDE NIGERIA'S 2017 PROPOSED BUDGET

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BudgIT is a civic organisation driven to make the Nigerian budget and public data more comprehensible and accessible across every literacy span. BudgIT's innovation within the public sphere is fundamentally via a creative use of government data by either presenting these in simple tweets, interactive formats or infographic displays. Our primary goal is to use creative technology to intersect civic engagement and institutional reform.

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Data Sources: Budget Office of the Federation/National Bureau of Statistics/BudgIT Research

INTRODUCTION

STATE OF THE ECONOMY

After decades of consistent growth, Africa's largest economy slid rapidly into recession in the second quarter of 2016. The economy was strained partly due to fiscal challenges brought on by crude oil price falls, energy shortages and policy inconsistencies around the administration of foreign exchange, all capped by significantly depressed consumer demand and investor confidence.

The Federal, State and Local governments' revenue intake and their ability to pay salaries and/or emoluments, service debts and embark on critical developmental projects remain strongly connected to oil receipts. Therefore, the marked price correction in the oil sector left most States immediately struggling to meet basic commitments, including paying civil servant wages.

The consequence was a debilitating dent on consumer purchasing power and SMEs, putting more pressure on the prospects of the lagging economy.

Non-oil revenue, which is increasingly perceived by many as Nigeria's way out, is intricately linked in one way or the other to crude. For starters, Value Added Tax is strongly dependent on the spending power of the consumer, while companies' profitability - which feeds into Company Income Tax - is impacted by the ability of players in the sector to access forex for raw materials and spare parts. On the other hand, the external trade sector, which delivers a substantial amount of revenue (customs tariffs, for instance) also relies on forex from the hydrocarbon sector.

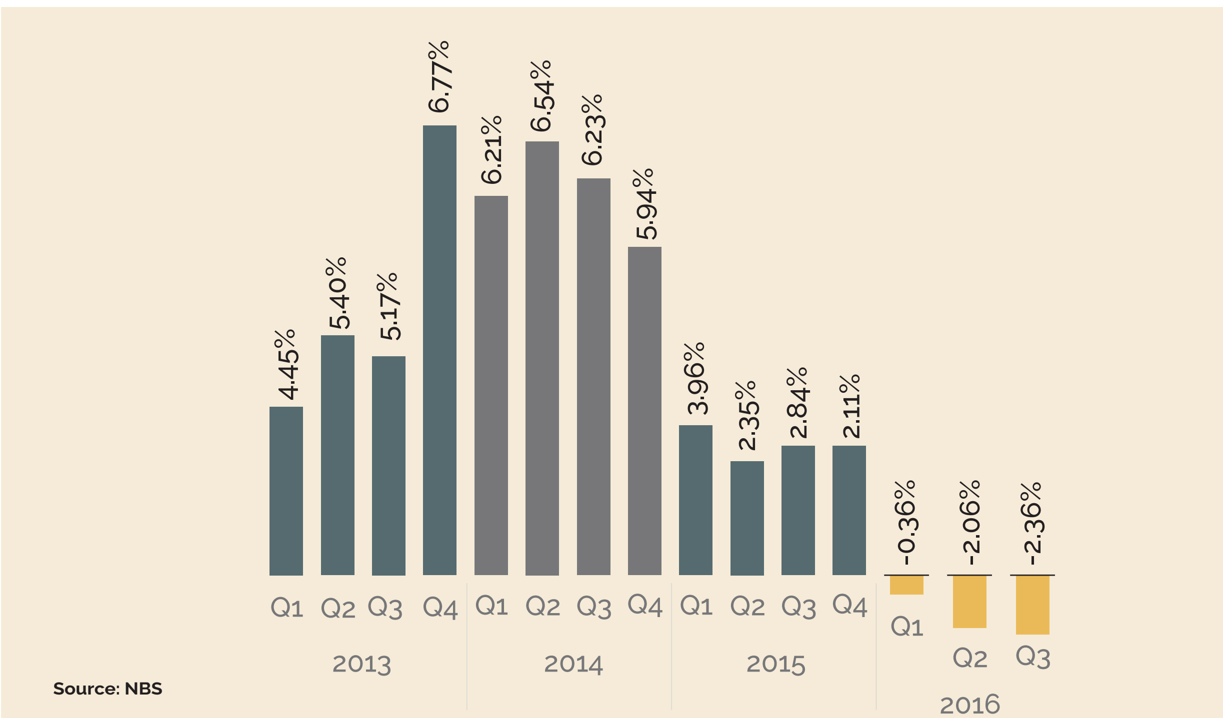
To sum up the equation; most of Nigeria's foreign exchange earnings comes from oil receipts, which shows how much of a mono-economy the country remains.

Against this backdrop, we note two opposing standpoints; the FG seemingly prefers to adopt an expansionary fiscal policy, one which has now resulted in a record budget of N7.298tn. They argue ramped-up spending will better help reflate the slowing economy towards the growth track. Concurrently, the monetary authorities' policy focus on paper implies more of a fixation on killing inflation and retaining already depleted foreign exchange, as opposed to increased spending.

In addition, the widely-reported delay in appointing policy arrowheads (including ministers) has left businesses, the Naira and the economy as a whole largely at the mercy of speculators and speculation.

Amid unprecedented crude price drops; tardy policy articulation, the socio-political aftermath of an usurping of a sitting party as well as civic unrest in pockets of the country -all contributed to Nigeria's expected nosedive into recession. Gross Domestic Product (GDP), a measure of the sum total of economic activities, contracted by 0.36%, 2.06% then 2.24% in the first, second and third quarter of 2016 respectively.

NIGERIA'S REAL GDP GROWTH



Government's Solution

STATE OF THE ECONOMY

Nigeria's 2017 budget plans suggest that its strategy out of this economic downturn and slow growth is to resort to heavier spending. Expenditure on infrastructure, security and social services are noted as needed to help upend the cycle of decline and reflate the economy for accelerated growth. By and large, the Nigerian government seems to be focused on following the tenets of the "Keynesian" school of thought, which prioritises fiscal injection in stabilising economies.

This has however come with the curious development where Nigeria has bagged a budget deficit of N6.06tn, the nation's largest ever yet.

General overview of the proposed 2017 Budget

The federal government (FG) is projecting a N4.94tn revenue uptake in the fiscal year 2017, a 27.98% increase over 2016 levels of N3.86tn. This is hinged on institutional optimism that the price of crude will stay above $42.5 per barrel and the expectation is that the oil sector will ultimately remit N1.985tn into the FG's revenue pool. The oil sector's pre-eminence is unquestionable in the 2017 budget proposal; increasingly under security and market pressures, it is nevertheless still projected to account for 40.18% of revenues in the fiscal year. Government is simultaneously banking on N114bn in proceeds from oil companies as signature bonus - a one-off license fee paid to explore Nigeria's hydrocarbon fields.

Beyond the oil sector, the FG forecasts revenue in the region of N1.373tn from taxation (Company Income Tax and Value Added Taxes), as well as tariffs on imported goods and services. Nigeria also expects its under-utilised gas sector to boost its coffers, with a projection of N30bn as dividends from the Nigerian Liquified Natural Gas Limited company.

Finally, N7bn is to be pooled from special accounts, with an additional N9bn from the FG's dedicated Special Levy Accounts and N50bn from previous unspent budget revenues termed Unspent Balance.

The solid minerals and mining sector is expected to chip in a cumulative N1bn, with N565bn also to be remitted from recoveries and fines.

With Revenue projected at N4.94tn on the back of a spending plan of N7.298tn, the FG intends to finance the deficit of N2.36tn predominantly by borrowings estimated at N2.32tn. Of this sum, N1.067tn will be sourced externally and the N1.25tn from domestic sources.

The FG's Actual Revenue in 2014 and 2015 stood at N2.39tn and N3.06tn respectively. Revenue in 2016 was projected at N3.85tn in 2016 but as at June 2016, revenue uptake amounted to just half of that sum, at N1.92tn. Actual Spending in 2014 and 2015 was N4.12tn and N4.72tn respectively.

While the 2016 budget called for a spending plan of N6.06tn, however, as at June 2016, a total of N2.419bn was expended. Deficits in 2014 and 2015 ended at N881.11bn and N1.53tn respectively.

In all, for 2017 the FG will be committing 33.6% of its projected revenue towards servicing outstanding debts, with a Recurrent Expenditure increase of 18.2% and Capital Expenditure increase of 26.6%. As revenue projections from taxation and tariffs on import including Company Income Tax, Value Added Tax and Customs Duties cannot sufficiently service outstanding debts, the FG must readjust its priorities, and streamline the fiscal justifications propelling what sections of the public have tagged "compulsive borrowing."

The Government is planning to spend a record amount total of N7.298tn, a 20.42% growth over 2016's budget of N6.06tn. Proposing a total expenditure of N2.24tn on capital items, the FG shows a strong focus on infrastructural projects including rail, road construction and power.

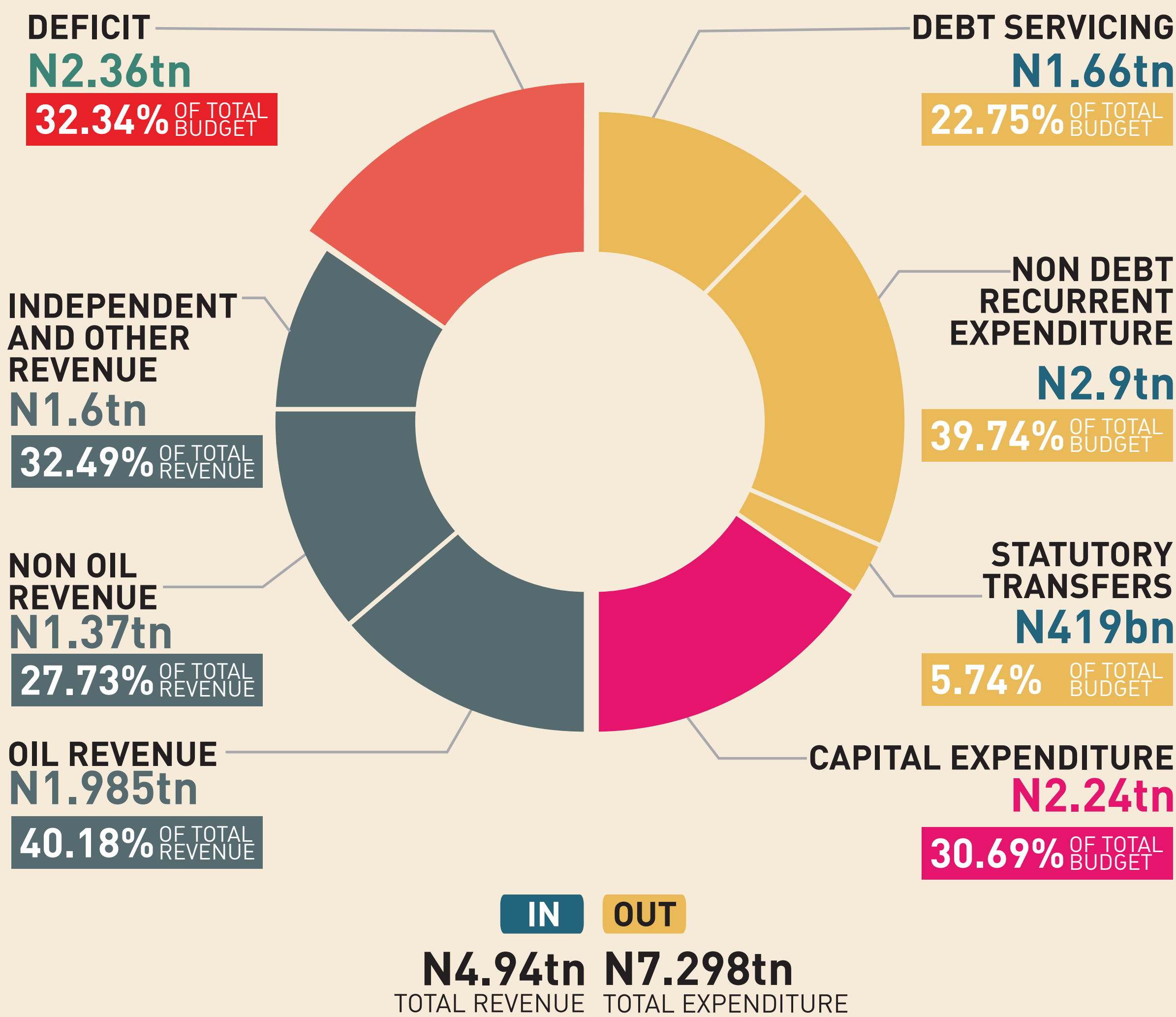
The take for Recurrent Expenditure is a proposed N5.058tn in 2017. Noteworthy here is that Debt servicing and contributions into the sinking funds account amount to N1.84tn.

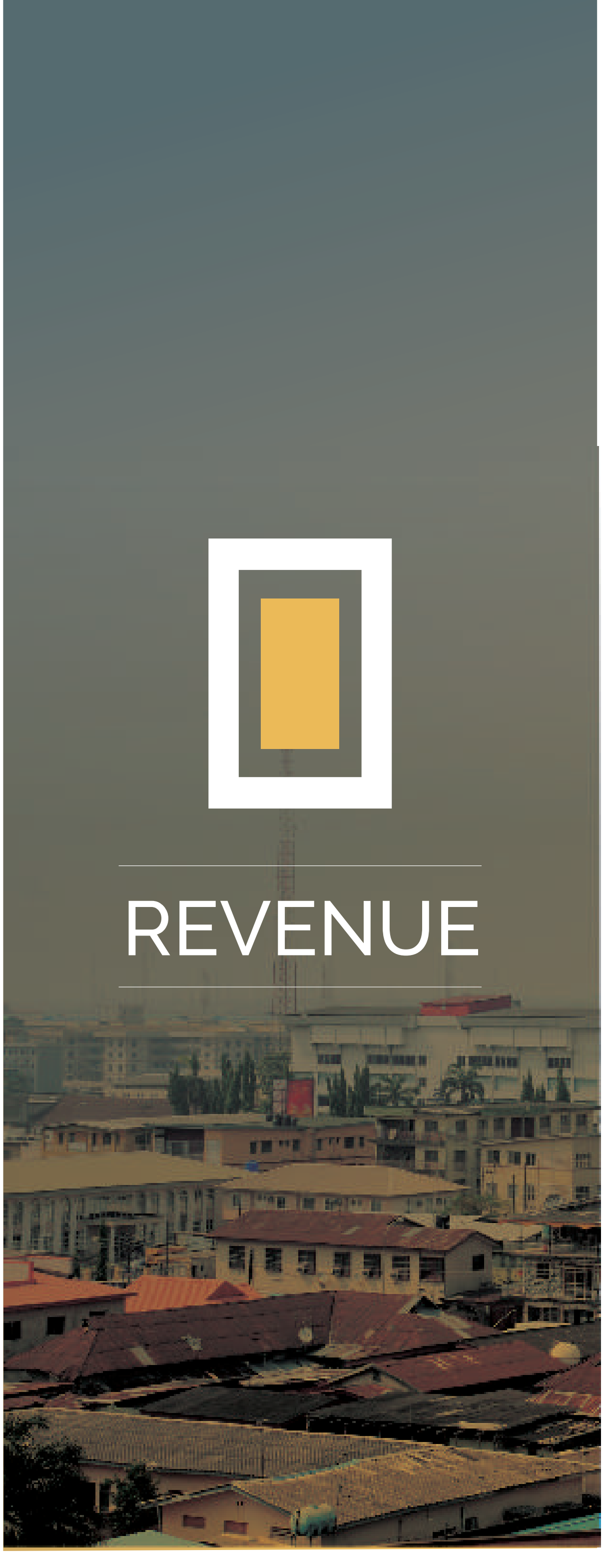
The FG will be committing N1.66tn to debt servicing, with N1.49tn going into domestic debt, which stood at N10.61tn as at June, 2016. A total of N175.9bn will be expended in servicing foreign debt, while the balance of N177.5bn will be pushed into sinking funds, to retire maturing debt obligations.

"With Revenue projected at N4.94tn on the back of a spending plan of N7.298tn, the FG intends to finance the deficit of N2.36tn predominantly by borrowings estimated at N2.32tn. Of this sum, N1.067tn will be sourced externally and the N1.25tn from domestic sources."

FEDERAL GOVERNMENT PROPOSED 2017 BUDGET BREAKDOWN

FISCAL FRAMEWORK





REVENUE

THE BUDGET FRAMEWORK

REVENUE

Oil Revenue

Brent crude is presently trading around $55/barrel - as at January 17, 2017. The commodity is expected to remain at this price-point in the coming months, despite OPEC's recent production cut agreements. These arrangements, assented to by OPEC and non-OPEC member countries, have an inherent risk of activating collapsed shale oil entities that need favourable oil prices, to remain profitable.

The ascendancy of the Republican Government, coupled with an Energy Secretary who reportedly has scant interest in environmental damage caused by the production of shale oil, could also ramp up US oil production, forcing down prices in the near-term and consequently exerting pressure on Nigeria's purse strings.

The FG foresees revenue from the oil sector in 2017 to come to N1.985tn. This projection is hinged on a benchmark crude price extrapolation of $42.5 per barrel and a production estimate of 2.2million barrels per day.

Global inventories of the hydrocarbon are also expected to continue to build-up. EIA estimates declare an average inventory glut of 0.4million barrels per day in the first half and 0.2 million barrels per day in the second half of 2017, as the twin effects of agreed cuts and demand run their course. This glut in the global oil supply market is expected to limit upward oil price pressures in 2017. Already, current values of crude oil derivatives, including futures and options contracts suggest heightened volatility in the market.

Oil prices are in the interim expected to trade above $45 per barrel for the greater part of 2017, so the Nigerian government's projections of $42.5 per barrel which underlines revenue projections of N1.985tn, looks to be within limits that show a cognisance of the dynamic of its operating markets. However, with the new US policy on energy, Nigeria may well brace its economy for a flattening out of prices as the year progress.

Away from pricing, Nigeria is looking at production figures of 2.2million barrels per day - an ambitious target, given that average daily Crude oil production peaked in January 2016 at 2.15million barrels per day, before dropping to a low of 1.5million barrels per day in August, due partly to serial attacks by militants on oil installations in the creeks and swamps of the Niger Delta.

Investments in the sector also stalled somewhat, a development some industrialists attribute to the uncertainty around regulation and legislation, particularly the stalled Petroleum Industry Bill. Therefore, we argue that these production numbers are too high, considering that Nigeria's recent output numbers - as provided by the NNPC's monthly report - peg production at 1.7m bpd. The success of recent efforts by the government to appease militants will be pivotal to increasing production capacity.

This is because Nigeria will need to ramp up production by almost 500,000barrels a day to meet its 2017 budget target of 2.2million barrels per day. Production numbers showed 1.65million barrels per day, in September 2016 and about 1.78million barrels per day in October 2016.

Of the October 2016 production figures, Joint Ventures (Jvs) and Production Sharing Contracts (PSC) contributed about 30.64% and 51.93% respectively. While Alternative Funding agreements, the National Petroleum Development Company and Independent Oil Producers accounted for 10.59%, 2.49% and 4.35% respectively.
To make a success of the fiscal year, security risks associated with the sector must be ameliorated, as production from onshore and shallow-water oil fields remains very vulnerable to sporadic incidences of violence. As militants develop sophistication with regards to tactics, deepwater facilities may also witness criminal attention, unless the relevant authorities proactively intervene to stem this tide, which decimates Nigeria's position as Africa's biggest crude producer.

A more distant but nevertheless major risk factor that can upturn Nigeria's earning potential in the near future is the evolution of electric cars. Approximately 46% of global production - about 6.89billion barrels of crude oil - finds use as transportation fuel. The electric car revolution, cheaper batteries, more efficient transportation equipment, alongside alternative sources of hydrocarbons, including shale oil and bitumen tar should tilt the supply curve against prices.

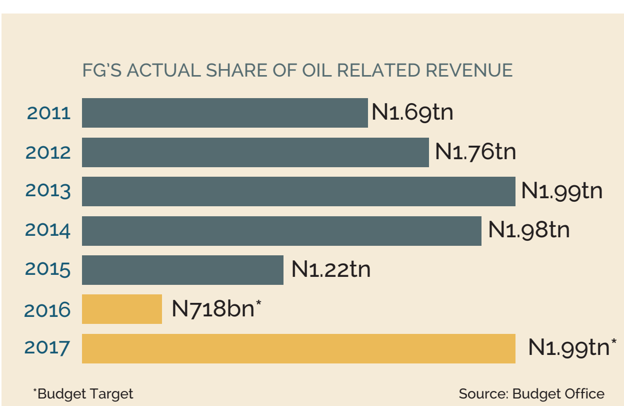
It is within these local and international dynamics that we note the FG's projected revenue from the oil sector (as contained in the 2017 proposed budget) is set at N1.985tn - a 176.63% increase over 2016 projections of N717.55bn. The FG's share of oil revenue in 2014 and 2015 was N1.98tn and N1.22 tn respectively.

As Nigeria can do little in terms of guiding the pricing of the hydrocarbon commodity its economy relies on, the focus, it seems, will be directed at the production numbers, if these revenue figures are to be achieved. Nigeria will have to boost its chances in this area with investments in the sector, to prevent the likelihood of unprecedented fiscal shocks.

For one, global average lending rates are expected to be elevated in 2017, which could flatten investment appetite in the oil sector in Nigeria, especially when investors take into account the risk to installations, price volatility, a weaker currency, reduced profitability and an opaque regulatory environment. We foresee the average investor as wary of making landmark commitments towards ramping up oil production in the face of increasing restiveness, particularly when significant price increases to cover the undertaking of such potent risks are not guaranteed at market.

KEY NOTES

The FG currently has exited all JV cash call arrangements, allowing the entities to raise independent funding to meet production. This is commendable, but a more transparent and accountable system is imperative. We submit that this might not lead to an immediate rise in JVs, unless government both incorporates the JV and reduces its size of investments and exposure in the vehicles.



The NNPC is also revising Production Sharing Contracts, to allow more revenue uptake from oil assets. This is expected to increase oil revenues, as the share of PSCs on national oil production is rising, due to the activities of militants on on-shore JVs . Most PSC contracts are currently hinged on arrangements and provisions from as far back as 1993.

Nigeria is also expected to continue to offer oil acreage licenses to investors, as started from 2016, and expected to receive signature bonuses from such deals in 2017. Civil society, the media, private sector and institutional watchdogs must monitor this sector closely, given this year's proximity to that before the 2019 elections. Nigeria is unfortunately renowned for utilising its oil wealth as an instrument of cronyism and politicking, particularly in election years.

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NON-OIL REVENUE

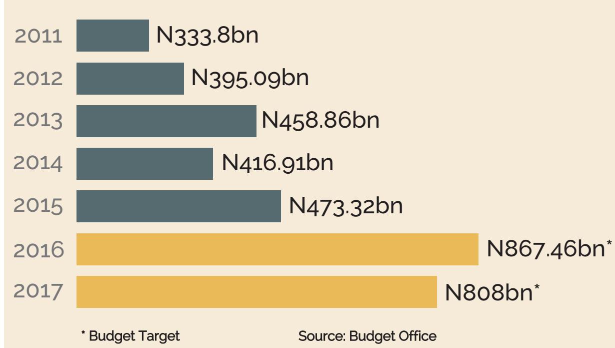
COMPANY INCOME TAX

The 2017 fiscal policy around the administration of Nigeria's Company Income Tax (CIT) rate seems unchanged, remaining at 30%. Given that personal income tax rates are lower, the outlook for a strong CIT uptake is unclear, due to a lack of incentives for businesses to operate under corporate cover; company profitability is declining, in line with a contracting economy.

The FG's share for CIT - a tax on corporate profits - is projected for N808bn in 2016; a notable 7.3% reduction from 2016 targets of N867bn. This forecast is curious, especially if juxtaposed with prior years when the economy was relatively stable and businesses were expanding. Then, the lower sums of N416.9bn and N473.3bn were collected as CIT in 2014 and 2015 respectively.

With rising inflation, increasing energy costs, more expensive raw materials, forex shortages, and a shrinking marketplace compounded by rising costs of fund, corporate profitability may further weaken. Therefore, the ability of the government to collect tax in the amounts it is proposing is severely limited. These factors force us to conclude that the government's CIT projections of N808bn for 2017 are overly optimistic, and may fail to grasp the current realities of Nigeria's corporate climate.

FG'S ACTUAL SHARE OF COMPANY INCOME TAX



VALUE ADDED TAX (VAT)

The FG expects an increase in VAT collection, from 2016 projections of N198bn, to N242bn in 2017. Its share of VAT revenue was N106.74bn and N104.66bn in 2014 and 2015 respectively. As revenue uptake in the first six months of 2016 was only N52.57bn, most recent patterns show that actual collection numbers are falling behind; in basic terms, Nigeria actually collected only 53.1% of the amount it expected to receive as VAT in 2016.

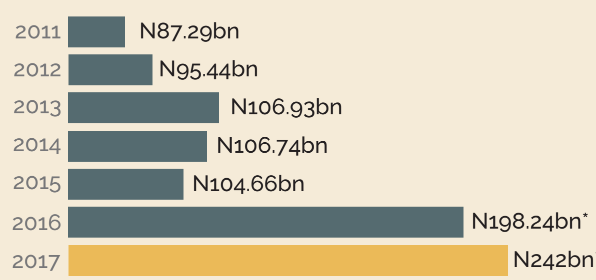
The Labour market is the most telling bellwether for VAT success rates. Consumer demand and spending is under pressure from spiraling food inflation despite relatively stagnant incomes, increasing energy costs and a tight economic cycle.

The predominant perception is that Household Consumption expenditure is declining, the direct consequence of a scenario where retrenchments have been recorded nationwide, with salaries paid out to those still in employment also in decline. Because the economy's capacity to create jobs remains significantly hampered, due to structural and policy challenges, we are fairly certain VAT collection rates will persistently be a sore-point. Historically, about 42% of VAT receipts come directly from the petroleum industry, State and Federal governments.

Therefore, price corrections caused by global and domestic factors will ensure revenue accruing, as well as the ability of players in the Petroleum industry to spend, will remain under intense strain. State and Federal government are struggling to meet basic commitments, and by extension their VAT contributions, due to income shortfalls. These components are critical to Nigeria achieving her overall VAT target and the outlook means VAT uptake will likely suffer retardation this fiscal year.

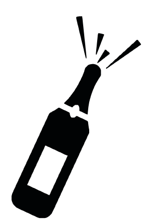
With Nigerians not earning enough, we can safely say the VAT earning targets of N242bn for 2017 are unrealistic. However, if the Nigerian government is willing to consider a staggered VAT structure or raising VAT beyond the 5% band, its metrics might be accomplished.

FG'S ACTUAL SHARE OF VALUE ADDED TAX (VAT)



* Budget Target

Source: Budget Office



> If you are going to drink champagne in the United Kingdom, the VAT is 20 per cent; so, why should it be five per cent in Nigeria?

Mrs Kemi Adeosun, Minister of Finance

CUSTOMS AND DUTIES

The FG's 2017 projected revenue from tariffs and duties are pegged at N278bn, as opposed to 2016 targets of N326bn. Revenue uptake as at June 2016 for the FG, stands at N103.39bn. Revenue from Customs and Duties is strongly dependent on activities at the ports, yet the volume of transactions at Nigeria's ports continues to spiral downwards, partly as a result of opaque foreign exchange pricing, policies, and difficulties in accessing foreign currencies for trade.

In 2014, The Nigeria Customs Service managed 5,014 vessels berthed at the country's ports. The FG witnessed commensurate benefits, with its share of revenue from Customs hitting N255.4bn.

By 2015, the FG's revenue uptake slid by 9.2% to N232bn, despite business transacted with 5,333 vessels. Records indicate an ongoing shortfall of sorts; in the first nine months of 2016, only 3,347 vessels entered the country's ports.

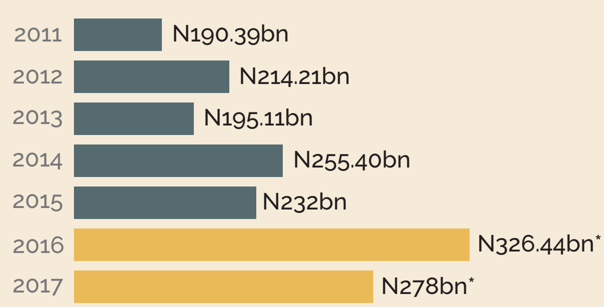
Interestingly, Container Traffic as at September 2016 was estimated at 485,262 T.E.U, a departure from prior years, where container-laden traffic was 887,211T.E.U, 935,309T.E.U. and 771,130T.E.U in 2013, 2014 and 2015 respectively. Cargo in all Nigerian ports (excluding crude oil terminals) as at September, 2016 fell to 53.2 million tons, from 84.95million tons, 77.39million tons and 53.21 million tons in 2013, 2014 and 2015 respectively.

Beyond the value of imports, revenue from Customs are the result of effectively enforced tariffs. With the introduction of the regional Common External Tariff (CET), applicable tariffs on imported goods are expected to fall in 2017, due partly to a reduction in levies. Other factors to consider are the gradual removal of Import Adjustment Tax (IAT) and the expected decrease in annual Average Duty Rate (ADR), all of which will likely force revenue earnings on a downward trend.

On the positive side, Nigeria could see greater revenue uptake from increased Import Duty on imported vehicles, especially when supplemented with an actual start of the implementation of a coordinated border management strategy. Otherwise, the government's projections of N278bn may be slightly above achievable thresholds.

However, we are confident Nigeria can match her revenue projections here if she speedily executes a more efficient anti-smuggling strategy, streamlines foreign exchange policies and cuts corruption at its ports, among other initiatives.

FG'S ACTUAL SHARE OF CUSTOMS' AND EXCISE DUTIES



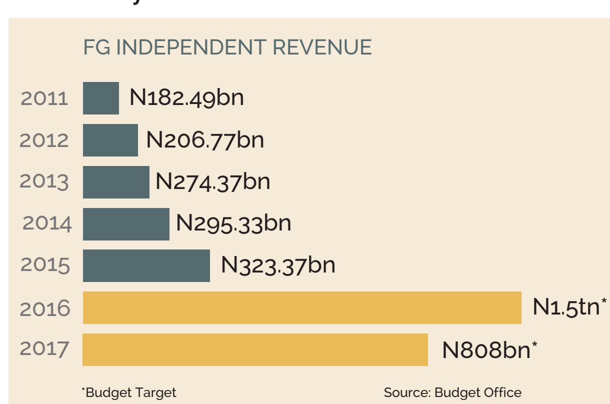
FG INDEPENDENT REVENUE

Independent Revenue as discussed here are those generated by agencies of the federal government itself. Independent agencies earn income but are required by law to remit 80% of their "Operating Surplus" to the Treasury. Regrettably, the term "operating surplus" has been ill-defined, with many agencies running prohibitive operational costs. In a bid to plug these loopholes and squeeze significant revenue back into its coffers, the government introduced the Treasury Single Account (TSA) - a single account for all agencies.

The FG has maintained that the TSA is its main vehicle for eradicating collection and disbursement inefficiencies and in 2016, earmarked N1.506tn as its Independent Revenue target. So far, actual receipts as at June, 2016 came to N106.62bn - widely off the mark. The FG is therefore now revising its projections downwards for 2017 to N808bn, about 46.4% off the 2016 target.

Interestingly, Independent Revenue stood at N295.33bn and N323.37bn in 2014 and 2015 respectively. Given that the fundamentals around the administration and collection of independent revenue remain unchanged, the projections of N808bn are definitely impracticable.

The biggest drawback in recent analyses of revenue performance has been the Independent Revenue Agencies' proclivities towards opaque spending and under-reporting. It is evident that without transparency and stringent reporting standards, these 400 agencies will remain cubbyholes for the siphoning of Nigeria's commonwealth, as well as a drain on the Treasury.



EXPENDITURE

EXPENDITURE

KEY STATUTORY TRANSFERS

The Niger Delta Development Commission (NNDC)

The NDDC is an agency of government established in 2000, with its mission documented as facilitating the rapid, even and sustainable development of the Niger Delta. In the 2017 budget, the organisation was allocated N61.36bn, up from 2016 figures of N41.05bn. Allocations in 2015 stood a shade higher, at N46.72bn.

Most alarming is that year after year, the projects and programmes which the NDDC will undertake are locked away from public scrutiny, making it difficult to identify and analyse these against the noted objectives of the organisation. This development usually leads to costing disparities and periodic duplications of the NDDC's programmes and projects.

The National Judicial Council (NJC)

The National Judicial Council, a federal body created to insulate the Judiciary arm of government from the whims and caprices of the Executive, was allocated N100bn in 2017, a significant rise from 2016 and 2015 allocations worth N70bn and N73bn respectively.

We are at a loss as to what the Judiciary plans to do with these sums, particularly because the projects and programmes under its purview are not placed in the public domain, neither are audits, if any, accessible by all, despite the significant amount of money placed at the NJC's discretion.

The Universal Basic Education (UBE) scheme

At N92.5bn in 2017, the budget for the UBE is up 19.96% from 2016 levels of N77.11bn; in 2016 the UBE was allocated N68.38bn. The financing of basic education is the responsibility of State and local governments. However, the Federal

Government has admirably decided to intervene, by committing 2% of its Consolidated Revenue Fund allocation. Our attention remains fixated on the fact that many states have not put up their matching grants to enable access to the fund, which potentially defeats the aim to raise education standards in-country.

The National Assembly

The National Assembly will receive a whopping N115bn in 2017 - with no specificity regarding what this sum is meant for, or how the equivalent of 9.33million barrels of Crude will be spent by less than 1% of Nigeria's population.

This gross disregard for transparency in public finance administration can only be corrected if the National Assembly takes the lead in ensuring details, as well as the costs and impact of its programmes are published for gauging performance and auditing purposes. The greatest irony in Nigeria's Statehood is that its National Assembly's spending plan is kept away from scrutiny by the same public who elected the lawmakers, even in a year when Nigeria is facing her biggest fiscal challenges, which are likely to be intensified by a record-breaking deficit.

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EXPENDITURE FRAMEWORK

The FG's 2017 plans suggest that its strategy out of the economic recession is to resort to substantial borrowing and spending. The government is proposing expenditure worth N7.298tn. With revenue projections at N4.94tn it is no surprise that Nigeria is taking on an unmatched deficit of N2.36tn.

Actual Spending in 2014 and 2015 was N4.12tn and N4.72tn respectively. The 2016 budget projected spending amounting to N6.06tn; however, by June 2016, a total of N2.419bn was expended, in part due to delayed passage of the budget and revenue shortfalls. Still, President Buhari's proposed expenditure plan for 2017 is 20.4% more than that of the 2016 budget, as though higher levels of spending are a reflex action, regardless of the peculiarities of each fiscal year.

On the flipside, the 2017 deficit of N2.36tn is expected to be 47.8% of Nigeria's estimated revenue earnings, with the FG hoping to finance N1.25tn of this through domestic lending markets, while the balance of N1.067tn will be pooled from foreign debt markets. Given that deficits in 2014 and 2015 were N881.11bn and N1.53tn respectively, we submit that this gradual rise in budget deficits without commensurate revenue growth shows that Nigeria is courting a debt crisis in the immediate future.

Approximately 30.7% of the budget (or N2.24tn), will be directed at administrative and developmental capital projects, while the balance of N5.058tn is earmarked for Recurrent expenditure items, including debt servicing, overheads and personnel costs.

RECURRENT EXPENDITURE

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For the 2017 budget, Recurrent Expenditure jumped by 13.2% from 2016 levels of N4.47tn to N5.058tn.

Recurrent Expenditure and associated costs of governance are now a whopping N892bn above 2014's N3.535tn, a tremendous rise that fails to mirror the reality of falling revenues brought on by supply gluts and plummeting prices for crude.

This sustained rise in Recurrent Expenditure started in 2015. From 2012, 2013 and 2014 levels of N3.386tn, N3.603tn and N3.535tn respectively, Recurrent Expenditure stood at N4.166tn in 2015. The largest chunks this year are personnel costs and costs for servicing the FG's debt. Overhead costs are on an upward swing, after flattening out for some years.

We reiterate that this component of the budget is persistently bloated by the provision of statutory allocations that remain a secret kept away from the light of public scrutiny, including monies scheduled for disbursement to the Judiciary and National Assembly.

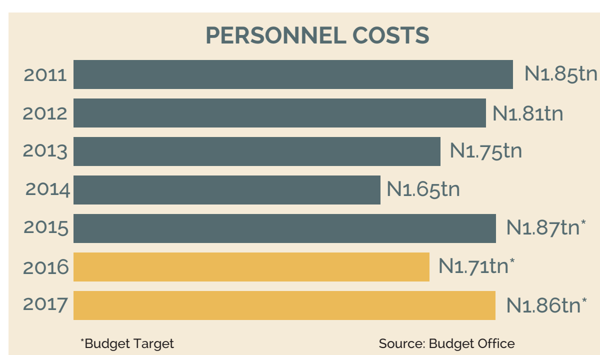
PERSONNEL COSTS

Nigeria will spend N1.86tn in 2017, or 25.5% of total expenditure on the salaries and remuneration of its workforce - N200bn more than 2014 standards, where oil prices came under pressure and production exceeded demand. As the markets remain uncertain, we would expect the FG keeps its operational costs down and pushes for efficiency but the figures above prove this is not the case.

The benefits of the much-publicised migration to a central payroll management system, to curtail the incidence of ghost workers and associated fraud within the civil service remain unknown, as there have been no changes to personnel costs, which amounted to N1.66tn in 2014, before the crude price correction.

Of the total budget for Personnel Costs, N1.32tn will be paid out as salaries, and N65.24bn (or 3.5% of the budget) will be expended on health insurance, under the National Health Insurance Scheme. In addition, the FG plans to pay up to N82.43bn into the retirement accounts of individuals on its payroll.

We also recapitulate our argument that all personnel costs for the FG may not be fully captured in this budget, as remuneration "in kind" is known to still find its way into line items and programmes at Ministry, Department and Agency level. Also, the recruitment of 500,000 teachers by the Federal Government under its Npower programme will continue to push personnel costs higher in the near-term.



DEBT SERVICING

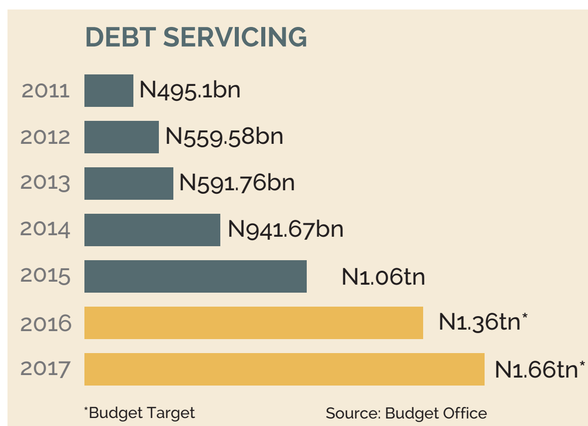
A third of the FG's revenue in 2017 will go into servicing its debts. From 2015 projections of N953.62bn, the debt service costs are now N1.84tn, and entering uncharted territory - about 37.23% of projected revenue. Given the fundamentals threatening the realisation of Projected Revenue, it is fair to assume the larger figure of approximately 50% of Actual Revenue may ultimately go into servicing debts.

In the first half of 2016, about 64.1% of Federal government's revenue uptake of N951.5bn was spent servicing overhanging debts, while N891.3bn was expended on Personnel Costs, all of which forces the standpoint that Nigeria may be sliding into the tightening noose of a debt trap.

The country also plans to borrow big in 2017, at a time when yields on Eurobonds periodically attain highs and the cost of funding from domestic sources is more often than not astronomically prohibitive. Inflation, which many fixed income investors seek at the minimum line in terms of interest on debt, is now above 18.55%. These cumulative effects may further feed into amounts dedicated to servicing the debt, driving this noted figure upwards. Worse still, over the fiscal year we are hard-pressed to see clear links between debts and projects which can offset debt.

Currently, full borrowing plans are not yet public but Nigeria has just achieved an oversubscribed $1bn Eurobond and plans another $300m Diaspora bond later in 2017. According to the Debt Management Office (DMO), every quarter, a maximum of N430bn will be put up for offer to investors for Q1 2017; annualizing this brings re-openings and new bonds to N1.6tn. Another $4bn is also expected from the AfDB/World Bank, out of which $600m has been disbursed.

There is also talk of a $30bn debt which the President wants to raise, but it appears this is not forthcoming, as the political climate might not favour such huge commitments. Other potential entries include the Chinese counterpart debt for roads and rail transportation, which have not been properly defined. Based on the above, we believe the government's budget proposal needs to be aligned to a concrete plan which shows how new debts will be raised and utilised, as well as how existing ones will be serviced, while the associated benefits of previous and intended debts should be appraised and documented.



OVERHEAD COSTS

Allocations for Overhead Costs (expenses incurred in running government) have jumped significantly by 40.65% from 2016 projections of N163.39bn to N227.81bn in fiscal year 2017; Overhead Costs amounted to N177.6bn in 2015. The government's decision to readjust the unit cost of electricity and realign fuel prices should not warrant a 40.65% jump in the cost of governance. Rather, we expect increases in Overhead Costs to be in line with the inflation rate, which stands at 18.55%.

In most cases, allocations towards Overhead Costs cannot be justified. For example, Electricity Charges for Yaba College are pegged at N3.969m, while some agencies in tinier premises - including the Bureau of Public Sector Reform, have electricity charge allocations running upwards of N10m.

The FG also plans to buy stationery and computer consumables worth N5.22bn for its workforce; spend N686.16m on books, another N477.98m on magazines and periodicals, as well as N494.34m on newspapers. A further N32.48bn will cover travels, while the bulk of the balance will be for utility bills and general maintenance.

We submit that, with its Efficiency Unit set up by the Ministry of Finance, the FG needs to perform a holistic review and rationalizing of Overhead Costs, simultaneously pursuing collective bargaining based on the proven, pressing needs of each Ministry. It is disappointing that years on, several line-items as noted earlier still exist, or are marked up in budget proposals that are tagged as zero-based.

25.5%

"Nigeria will spend N1.86tn in 2017, or 25.5% of total expenditure on the salaries and remuneration of its workforce"

40.65%

"Allocations for Overhead Costs (expenses incurred in running government) have jumped significantly by 40.65% from 2016 projections of N163.39bn to N227.81bn in fiscal year 2017"

CAPITAL EXPENDITURE

CAPITAL EXPENDITURE

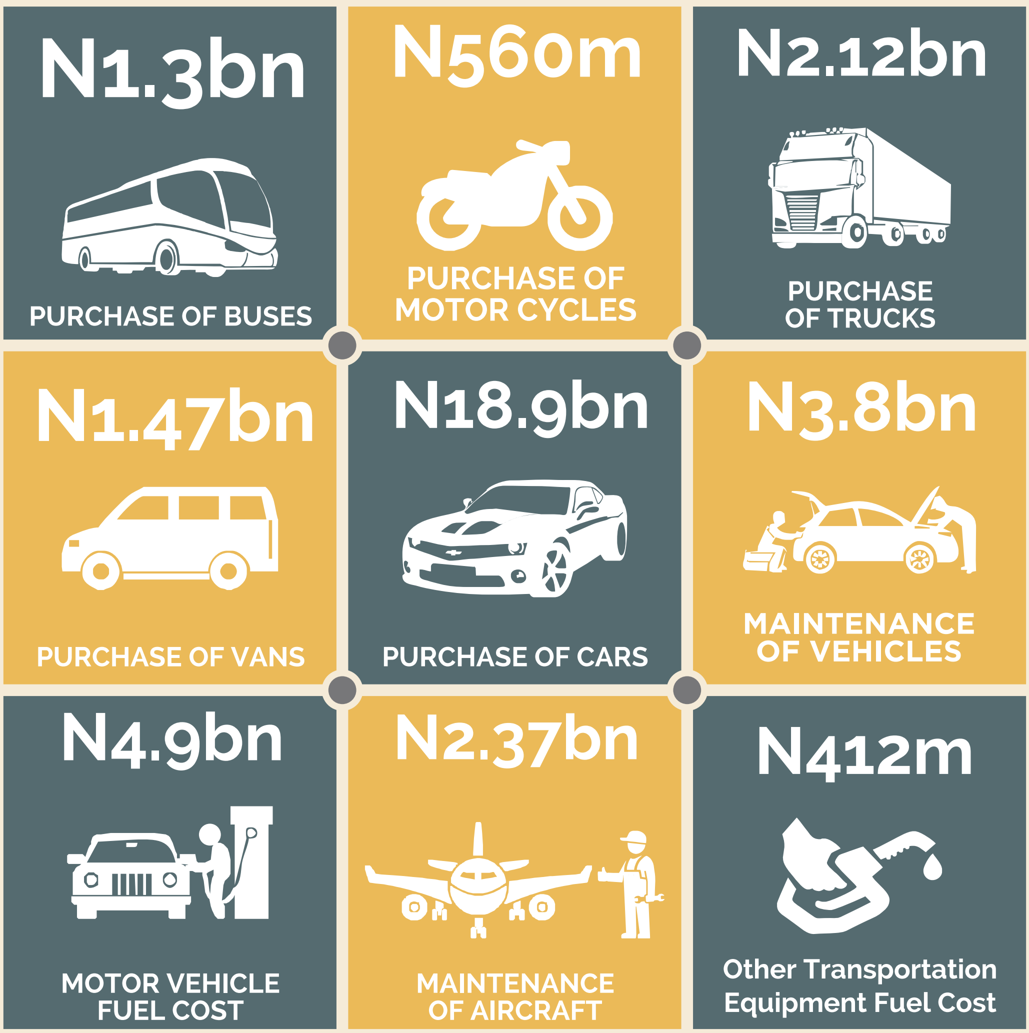
Capex in the 2017 spending plan is N2.24tn - a 24.44% rise from N1.8tn in the 2016 budget. Increased capital expenditure allocations commit more resources to critical sectors including: Works, Power and Housing - N529bn; Transport - N262bn; Special Intervention Programmes - N150bn; Defence - N140bn; Water Resources - N85bn and Interior - N63bn.

The investments in infrastructure and security are meant to support the Agriculture, Solid Minerals and other core job-creating sectors of the economy. This is one area where such an increase is welcome, provided allocations go on to be disbursed to achieve pre-set goals for the benefit of all Nigerians, and are thereafter audited speedily to gauge implementation.

Beyond the blanket allocations, Nigeria plans to spend N150.94bn on the construction and provision of electricity; N57.1bn on housing; N347.9bn towards road construction; N219bn on the construction of railways and N19.1bn for the construction and retrofitting of Nigeria's airports/aerodromes.

HIGHLIGHTS

WHAT GOVERNMENT PLANS TO SPEND ON TRANSPORTATION EQUIPMENT AND MAINTENANCE



Source: Budget Office, BudgIT Research

SELECTED ROAD PROJECTS

N5bn
REHABILITATION OF ONITSHA-ENUGU DUAL CARRIAGEWAY IN ANAMBRA AND ENUGU STATES

N31.5bn
RECONSTRUCTION OF LAGOS-SHAGAMU-IBADAN DUAL CARRIAGE WAY SECTIONS I & II IN LAGOS & OYO STATES

N9bn
REHABILITATION OF ENUGU-PORT HARCOURT DUAL CARRIAGEWAY SECTIONS I-IV IN ENUGU, ABIA AND RIVERS STATES

N14bn
DUALIZATION OF KANO-MAIDUGURI ROAD IN KANO, BAUCHI, YOBE AND BORNO STATES

N7.83bn
REHABILITATION OF APAPA-OSHODI ROAD EXPRESSWAY IN LAGOS PHASE II SECTIONS I & 2

N12bn
CONSTRUCTION OF 2ND NIGER BRIDGE INCLUDING ACCESS ROADS PHASES 2A & 2B IN ANAMBRA & DELTA STATES

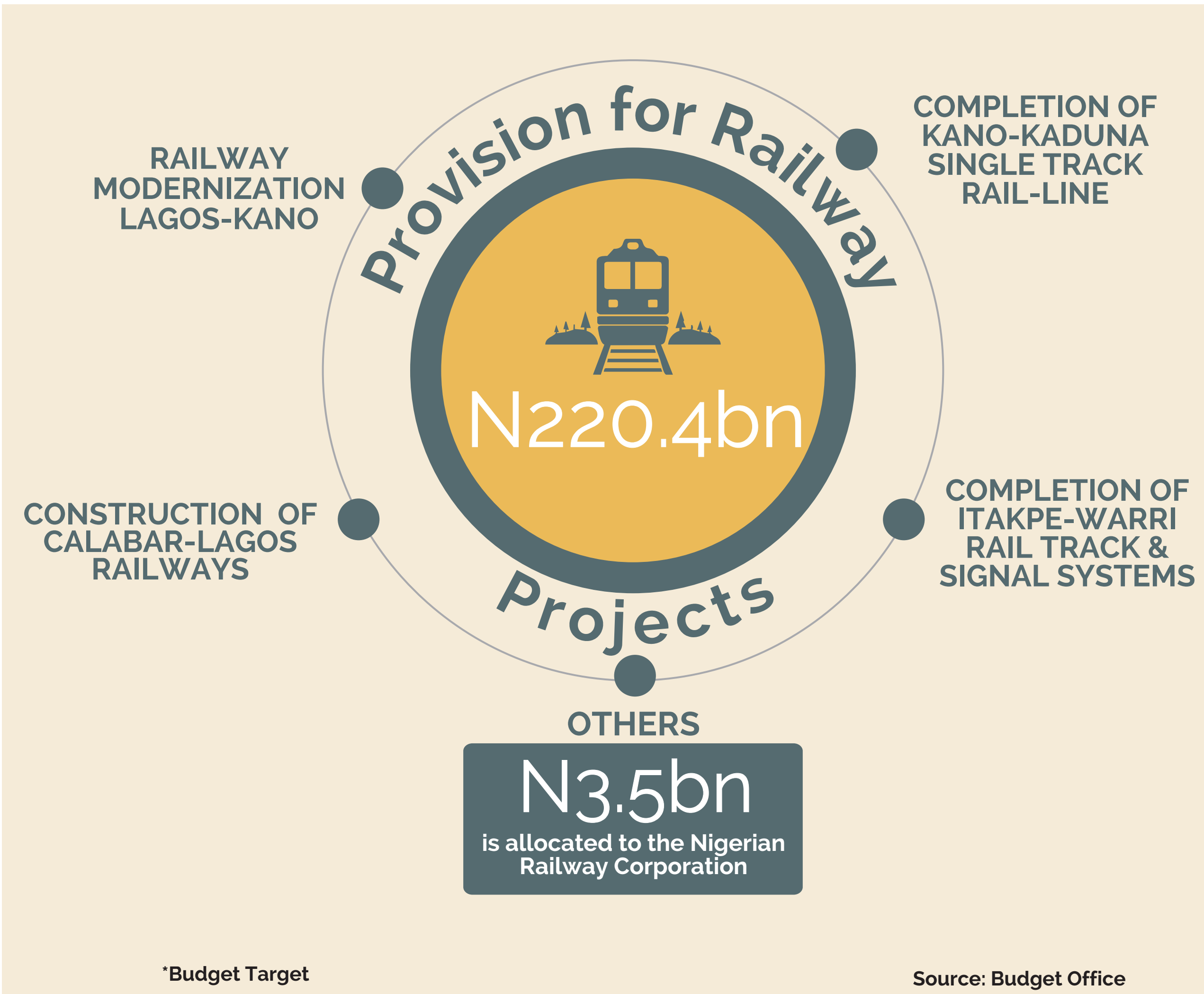
N7bn
CONSTRUCTION OF OJU/LOKO-OWETO BRIDGE TO LINK LOKO AND OWETO WITH APPROACH ROADS C/NO.6108

N9bn
DUALIZATION OF OBAJANA JUNCTION TO BENIN ROAD PHASE 2 SECTIONS I-IV IN KOGI AND EDO STATES

N5.35bn
EMERGENCY REHABILITATION/MAINTENANCE OF THIRD MAINLAND BRIDGE IN LAGOS, PART I, C/NO. 6238 (RESTORATION OF DEFECTIVE SUBSTRUCTURE PILES(UNDERWATER).

N5.5bn
RECONSTRUCTION OF OUTSTANDING SECTIONS OF BENIN-OFOSU-ORE-AJEBANDELE-SHAGAMU EXPRESSWAY IN ONDO AND OGUN STATES

Source: Budget Office



Provision for Railway Projects
N220.4bn
RAILWAY MODERNIZATION LAGOS-KANO
COMPLETION OF KANO-KADUNA SINGLE TRACK RAIL-LINE
CONSTRUCTION OF CALABAR-LAGOS RAILWAYS
COMPLETION OF ITAKPE-WARRI RAIL TRACK & SIGNAL SYSTEMS
OTHERS
N3.5bn
is allocated to the Nigerian Railway Corporation
*Budget Target
Source: Budget Office

SELECTED AVIATION PROJECTS

N300m
EXPANSION AND UPGRADE OF MMIA, WING D& E FINGERS(PHASE 2-3)

N3.03bn
CONSTRUCTION OF TERMINAL BUILDING AT ENUGU AIRPORT

N472.23m
COMPLETION OF CONTROL TOWER AT ILORIN AIRPORT

N2.03bn
AIRSIDE REHABILITATION OF NAIA AIRPORT ABUJA

N451.04m
COMPLETION OF CONTROL TOWER AT KADUNA AIRPORT

N555.09m
COMPLETION OF CONTROL TOWER AT MAIDUGURI AIRPORT

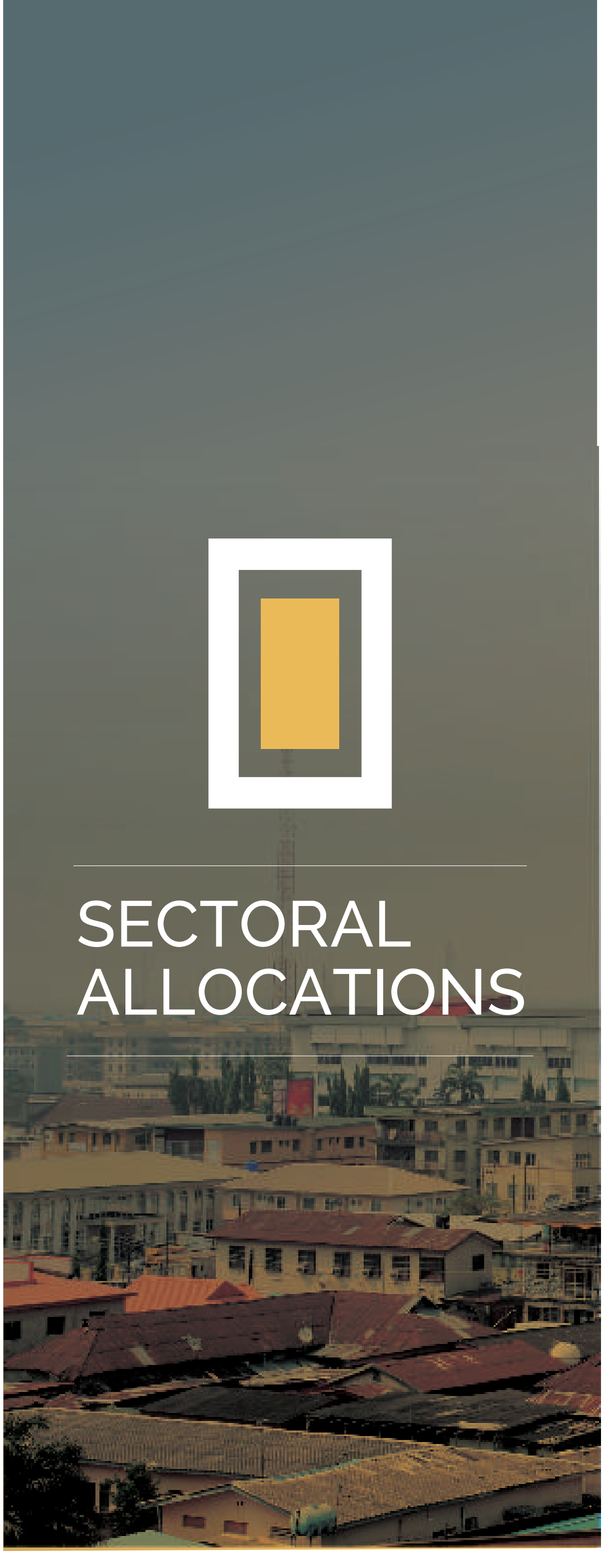
N432.5bn
COMPLETION OF CONTROL TOWER AT AKURE AIRPORT

N512.33m
COMPLETION OF CONTROL TOWER AT IBADAN AIRPORT

N499.75m
COMPLETION OF CONTROL TOWER AT BENIN AIRPORT

N400m
COMPLETION OF CORPORATE HQ BUILDING IN ABUJA

Source: Budget Office



SECTORAL ALLOCATIONS

Amount in Naira

Federal Ministry of Power, Works & Housing

	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	564.21bn	16.41bn	18.46bn	529.34bn
2016	456.94bn	15.51bn	18.46bn	422.97bn

Federal Ministry of Interior

	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	545.63bn	448.14bn	34.23bn	63.26bn
2016	513.66bn	419.06bn	32.88bn	61.71bn

Federal Ministry of Defence

	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	465.49bn	285.49bn	39.99bn	140bn
2016	443.08bn	278.42bn	33.79bn	130.86bn

Federal Ministry of Education

	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	448.44bn	375.12bn	22.89bn	50.43bn
2016	443.08bn	426.85bn	17.99bn	35.43bn

Federal Ministry of Health

	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	304.19bn	248.38bn	4.49bn	51.32bn
2016	250.06bn	217.47bn	3.94bn	28.65bn

Amount in Naira

Federal Ministry of Transportation

Year	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	276.86bn	13.36bn	1.50bn	262.34bn
2016	202.34bn	12.49bn	1.17bn	188.68bn

Federal Ministry of Agriculture

Year	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	123.44bn	30.21bn	1.58bn	91.64bn
2016	75.81bn	28.05bn	1.58bn	46.17bn

Office of the National Security Adviser

Year	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	110.49bn	54.83bn	12.45bn	43.21bn
2016	88.88bn	48.34bn	8.45bn	32.08bn

Federal Ministry of Water Resources

Year	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	92.45bn	6.41bn	886.26bn	85.15bn
2016	53.30bn	6.33bn	886.26bn	46.08bn

Federal Ministry of Trade and Investment

Year	Total Allocation	Total Personnel	Total Overhead	Total Capital
2017	91.66bn	9.07bn	1.74bn	80.86bn
2016	16.29bn	8.77bn	1.64bn	5.89bn

Amount in Naira

Federal Ministry of Youth & Sports Development

2016 2017

Total Allocation 83.42bn	Total Personnel 65.93bn	Total Overhead 12.49bn	Total Capital 4.99bn
Total Allocation 75.79bn	Total Personnel 60.05bn	Total Overhead 12.25bn	Total Capital 3.49bn

Office of the Secretary to the Government of the Federation

2016 2017

Total Allocation 72.97bn	Total Personnel 44.24bn	Total Overhead 7.75bn	Total Capital 20.98bn
Total Allocation 66.21bn	Total Personnel 40.50bn	Total Overhead 5.38bn	Total Capital 20.31bn

Federal Ministry of Petroleum Resources

2016 2017

Total Allocation 69.55bn	Total Personnel 61.29bn	Total Overhead 1.16bn	Total Capital 7.09bn
Total Allocation 60.64bn	Total Personnel 53.17bn	Total Overhead 1.16bn	Total Capital 6.30bn

Ministry of Foreign Affairs

2016 2017

Total Allocation 66.66bn	Total Personnel 35.59bn	Total Overhead 21.28bn	Total Capital 9.79bn
Total Allocation 46.52bn	Total Personnel 24.85bn	Total Overhead 14.59bn	Total Capital 7.07bn

Federal Ministry of Science & Tech.

2016 2017

Total Allocation 65.14bn	Total Personnel 25.11bn	Total Overhead 2.69bn	Total Capital 37.33bn
Total Allocation 52.56bn	Total Personnel 22.86bn	Total Overhead 2.69bn	Total Capital 27.01bn

Amount in Naira

Federal Ministry of Information & Culture

2016 2017

Total Allocation	Total Personnel	Total Overhead	Total Capital
83.42bn	4.49bn	8.38bn	49.64bn
44.80bn	34.74bn	3.98bn	6.07bn

State House

2016 2017

Total Allocation	Total Personnel	Total Overhead	Total Capital
42.92bn	12.78bn	10.17bn	19.97bn
44.68bn	13.14bn	8.53bn	23.00bn

Federal Capital Territory Administration

2016 2017

Total Allocation	Total Personnel	Total Overhead	Total Capital
69.55bn	0bn	0bn	37.29bn
29.29bn	0bn	0bn	29.29bn

Federal Ministry of Niger Delta Affairs

2016 2017

Total Allocation	Total Personnel	Total Overhead	Total Capital
35.50bn	1.09bn	727.09m	33.69bn
21.41bn	1.24bn	727.28m	19.44bn

Federal Ministry of Environment

2016 2017

Total Allocation	Total Personnel	Total Overhead	Total Capital
25.71bn	14.22bn	1.97bn	9.52bn
19.47bn	13.05bn	1.47bn	4.96bn

12 STRATEGIES OUT OF THE RECESSION

- Privatization of ‘selected’ public assets
- Cutting the Cost of Governance
- Restoration of crude oil production to 2.2 million barrels per day (mbpd), targeting 2.5mbpd by 2020
- Prioritising critical infrastructure, principally those that support investment
- Revamping the country’s refineries
- Expansion of social investment programmes
- Improving the ease of doing business in Nigeria
- Accelerated implementation of the National Industrial Revolution Plan
- Agricultural Transformation
- Expedite higher non-oil revenue generation figures
- Align monetary, trade and fiscal policies
- Focusing on priority sectors with long-term economic benefits

REVIEWING 12 STRATEGIES OUT OF RECESSION

Privatization of 'selected' public assets

It is important to note that sale of assets should be considered, if these come with a burden on the fiscal balances of the Federal Government. We take the position that a sale or reduction in equity of Joint Oil Ventures should be sustainably undertaken, as the cash call commitments will continue to be a challenge for government revenues. On paper, ending cash calls is a good plan to shore up external reserves but we also have reservations on the sale of our government's equity in NLNG, given its premium place as West Africa's largest tax-paying entity.

Recession Bites: Privatization may proffer quick fixes but Nigeria needs to be selective with access, as foreign reserves can readily be boosted to improve Nigerian exchange rates. However, given the antecedents of the FG and the haphazard nature of Nigeria's economic expenditure plan, caution is strongly advised against a situation where privatization becomes a blank cheque of sorts.

Cutting the Cost of Governance

Recurrent Expenditure keeps soaring, in tandem with debt service obligations, while Personnel Costs have not been trimmed, despite the recent removal of hordes of ghost workers nationwide. Also, cuts have not been seen in Overhead Costs and the Efficiency Unit has not justified the initial enthusiasm that heralded its formation. Any trim in the cost of running our government must occur across all its institutions, including the independent revenue-generating agencies, to broadly expand Nigeria's revenue base.

Recession Bites: Given that the total Overhead Costs for government stands at N227.81bn or 3% of the budget, any savings made from overheads without cutting personnel costs will hardly make a dent in turning Nigeria away from fiscal ruin, as the country needs a GDP of approximately N100tn to ease itself out of recession.

Restoration of crude oil production to 2.2 million barrels per day (mbpd), targeting 2.5mbpd by 2020

As Nigeria does not produce enough crude to control global pricing, it is non-negotiable that she hits these optimal production targets. This will be dependent on prolonged peace in the Niger Delta, as current production levels hover between 1.6mbpd to 1.8mbpd. The resolution of JV cash call arrangements is expected to raise investment in the petroleum sector but it is best the FG pursues an expansion of social spending in the Niger Delta and develops a fiscal equity program which provides direct support to oil-producing communities, as planned in several iterations of the Petroleum Industry Bill.

Recession bites: Nigeria hitting production targets of 2.5mbpd has a direct impact on raising government revenue, and by extension the country's economy, if all subsequent proceeds are efficiently administered.

Prioritising critical infrastructure, principally those that support investment

As evident in the fiscal programmes of this current administration, bullish plans are on course, to improve Nigeria's investments in infrastructure. It is expected that the FG will at some point expend $10bn on projects involving China, the Islamic Development Bank, World Bank and the African Development Bank. While is important to raise debt for infrastructure, pertinent questions must be asked about the self-liquidating power of these projects. Do most of these projects possess the necessary cash flow to yield commensurate returns or do they enmesh Nigeria further in currency exposure risks?. This component of the budget also needs to have local content provisions that effectively evaluate the number of jobs that can be created in the construction companies, and other related spillover effects.

Recession Bites: Expansionary funding for infrastructure requires greater consideration of cost and benefits. With increased domestic involvement, other aspects of Nigeria's economy, such as unemployment figures, can be salvaged.

Revamping the country's refineries

Nigeria has four refineries, renowned for functioning below capacity. Current performance levels (as published by the NNPC) are pegged at 23%. Overhauling these refineries will help reduce Nigeria's demand for FX for the importation of finished products, which account for 30% of imports value. Funding turnaround maintenance for refineries calls for stringent transparency, as recent attempts have proven to be solely conduits for political patronage. Should these refineries attain optimal performance standards, they would also have the potential to counterbalance the monopolistic tendencies of the Dangote Refinery, which is expected to come onstream in 2020.

Recession Bites: In these lean times, Nigeria needs to conserve foreign exchange earnings, necessitating further consideration of the cost benefits of expansionary funding for Infrastructure. Since importation of Petroleum products is the biggest draw on forex, Nigeria must fix its existing refineries and also pursue greater domestic involvement and local quotas in every aspect of the oil sector.

Expansion of social investment programmes

The FG's plan to inject N500bn annually into the populist programmes that formed the core of its pre-election manifesto could increase efficiency and reduce unemployment - specifically its N-Power scheme.

Over 200,000 graduates are expected to be employed to work in the education sector during an initial pilot of the N-Power programme. Though this could provide young people with skills that transcend their two-year year involvement in the scheme, we are the of opinion that this practice expands recurrent expenditure in the short term, decimating Nigeria's capacity to make lasting capital investments.

Recession Bites: Broad-based social investment schemes would have been a better fit, such as those that provide access to credit at concessionary rates and public works programmes that train the unemployed and under-employed as direct labour for the build-up of infrastructure.

Improving the ease of doing business in Nigeria

Nigeria jumped a point higher on the global Ease of Doing Business rankings for 2016. Asides the infrastructural provisions hindering the country's performance, one key area for the government to focus on is the registration of businesses in Nigeria, which will help increase the number of SMEs and generate tax revenue for the Government.

The FG has a high-level committee with a mandate to simplify business processes in Nigeria and therefore needs to engage the public and organized private sector on how best to formulate key metrics that it would want to be measured against. We advise that these metrics should include: Ease of starting a business; managing Construction permits; Property registration; Access to Credit; protecting Minority Investors; paying Taxes; trading across Borders and enforcing Contracts.

Recession Bites: We believe that unambiguous policies which support incentives for businesses must be enacted or enforced, where applicable. This should attract more entrepreneurs, especially if the Government augments its efforts with improved infrastructure.

Accelerated implementation of the National Industrial Revolution Plan

The National Industrial Revolution Plan (NIRP) is a welcome step towards improving Trade and Investment; increasing entrepreneurship, as well as concomitantly competitive and comparative advantages in both local and international fora. Revolutionizing Nigeria's manufacturing sector via the NIRP should contribute to the current revenue diversification expectations, import substitutions and gross domestic product (GDP) growth ratio in the next few years.

The success of the NIRP is hinged on the upgrading of power supply and its distribution, through the relevant Ministry and agencies of government.
Power remains a lifeline for manufacturers worldwide; a robustly implemented NIRP must therefore be backed with improved supply, to raise the Manufacturing sector's contribution to the revenue pool from its current quota of 4% of Nigeria's GDP.

Recession Bites: Nigeria's GDP growth has declined in the last three consecutive quarters. We believe institutional focus on the manufacturing industry should kickstart the economy, provided this is supplemented with improved power supply.

Agricultural Transformation

Despite being Nigeria's biggest employer of labour, the Agricultural sector continues to underperform. Policies that assist smallholder farmers to excel, and result in efficient use of the country's vast swathes of arable land and its significant water bodies, must assume pole position in the FG's ongoing initiatives.

Local prices of commodities continue to trade above international prices, with farms majorly vulnerable to smuggling, poor harvests and crop loss, all direct consequences of insecurity, poor infrastructure and outdated farming techniques. The situation is exacerbated by a dearth of breakthrough research; where any exists, it remains locked within tertiary institutes - the process of transferring and teaching new farming techniques nationwide seems to have failed monumentally.

Specifically, we note that allocations to the Ministry of Agriculture in the 2017 proposed budget blatantly neglect to prioritise some of the critical issues, including farm mechanisation, knowledge transfer across the agricultural value chain and the scaling of research into widespread practice.

A case in point: approximately 24% of the total allocation to Agriculture (or N29.6bn) will go to the 18 primary research institutions within the Ministry of Agriculture. Of this sum, the Institutes will spend more than half of what they receive (55.9%) not on research itself, but rather on Personnel Costs.

Furthermore, 10.64% (or N13.13bn) of the total budget for Agriculture is allocated to the Agricultural training colleges, while N4.5bn is earmarked for statutory regulatory agencies, the Veterinary Council of Nigeria, the National Agricultural Insurance Corporation, the National Agricultural Seed Council, the Office of the Permanent Representative to FAO and the Nigeria Agricultural Quarantine Service.

Recession Bites: The biggest share of the budget - totalling N76bn - is retained at the Ministry of Agriculture's headquarters. For Nigeria's agricultural products to attain global competitiveness, funding must be concentrated on the field and in actual crop research, with substantial and coordinated investments, subsidies and/or loan instruments needed to facilitate the acquisition of machinery, transportation infrastructure, research, irrigation (under the Ministry of Water Resources), fertilisers and cutting-edge storage facilities.

Expedite higher non-oil revenue generation figures

Crucial to getting Nigeria out of recession is a deliberate and prolonged approach to tangibly boost non-oil exports. The base for most economies lies in taxes - a fiscal instrument for wealth redistribution - and Nigeria does a poor job in this regard, with tax-to-GDP pegged at 6%.

The country needs to accelerate its growth levers and ensure such levers are explored and maintained beyond primary production levels. Considering the level of poverty in Nigeria, tax uptake will remain weak for the foreseeable future and the pervasive practice of multiple taxation will continue to hamper compliance. Nigeria must simplify taxation and taxes at local, state and federal levels; ramping up non-oil revenue has everything to do with providing a decent operating environment, favourable interest rates, as well as infrastructure that justifies any taxes and facilitates profitability for businesses.

Recession Bites: If the Nigerian government hopes to build a sustainable economy that is not tied to the periodic swings of the oil market, this component is non-negotiable. Expediting non-oil revenue generation, when matched with an expansion of job figures will be the most conspicuous bellwether of the FG's economic recovery plan.

Align monetary, trade and fiscal policies

We express a concern that Nigeria's monetary and fiscal policies are divergent, and could potentially work at cross-purposes. An example is the FG's expansionary plan to spur private capital, which would need cheap funds to energize the Nigerian economy. Meanwhile, the CBN has stuck to an interest rate floor of 14%, which has pushed government borrowing up to 16-18%, with dire implications for debt service costs. Interest rates have hovered between 25-27%, thereby limiting opportunities to grow the economy.

The thus-far uncoordinated approach to managing foreign exchange and foreign reserves has widened the official and parallel market rates, putting the country into economic crisis. Articulate, harmonised policies and a long-term view across the board are Nigeria's surest bet if it hopes to attract foreign capital/portfolio inflows in these times.

Recession Bites: A long-term plan that both the Central Bank and the Ministry of Finance can effectively commit to is overdue. The objective would not be to jeopardize the independence of the Central Bank but the Ministry of Finance must be proactive in its workings, and timeously anticipate and proffer policies that the CBN can have readily available for consideration in its frontline decisions.

Focusing on priority sectors with long-term economic benefits

Two years on, the FG is yet to define priority sectors for leverage towards economic recovery. We suggest a need for an intentional focus on agriculture, small manufacturing, technology, mining and import substitution, which are all proven mechanisms that drive economic growth. Nigeria has huge skills gaps, and standardization across these sectors remains less than stellar.

We record our dissatisfaction that at a time when apprenticeship and long-term skill acquisition schemes are broadening the economic base of other nations, allocations for education in Nigeria have been significantly reduced in the 2017 budget. To build a sustainable path out of recession and reduce dependency on oil, there has to be dedicated spending on improving technical skillsets across Nigeria.

Recession Bites: Expand spending on education training with a holistic plan focused on technical skills upgrade, technology transfer and also improving export/import procedures in Nigeria. Ensure access to these opportunities for the vast majority of the working and studying population, in order to generate jobs and entrepreneurs that in turn deliver more jobs.

CONCLUSION

The 2017 proposed budget is very bold with its record deficit and revenue projections, many of which come across as unjustifiably optimistic.

Still, the government's spending plan contains some high points, including the allocation of substantial funds to critical infrastructure and social services.

Borrowing substantially to reflate the economy is equally promising at face value, but with an increasingly tight domestic capital market environment, government may struggle to evade being in the red. Notwithstanding, provided the FG exhibits an ability to instil a sense of thrift in public service; adequately prices government contracts and also aggressively reforms its independent revenue agencies, Nigeria may achieve a distinct change towards the realisation of the fiscal targets contained in this proposed budget.

Should the recovery of misappropriated sums (such as the illegal payments from security funds and the Natural Resources Funds Account; the opaque sales of oil and other associated commodities) proceed apace, there is a greater chance that Nigeria's books will attain greater stability from their current precarious position.

We reiterate that the Treasury Single Account represents one of the surest opportunities to instil expenditure control in hundreds of independent revenue agencies and increase their contribution to the revenue pool.

There is a need to block all leakages, while expanding Nigeria's revenue base, otherwise the country risks languishing in self-inflicted fiscal subjugation, which could further escalate the current economic recession into a much undesirable, and undeserved depression.