



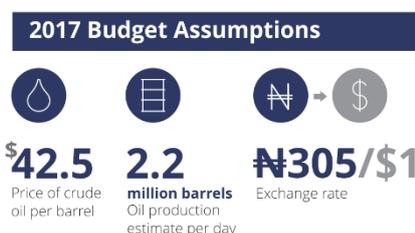
2017 Federal Government Budget Proposal

“Regardless of the realities of 2016 budget performance, it is hoped that the 2017 budget performance versus proposal would be such as would stir Nigeria on the path to true economic growth and recovery”.

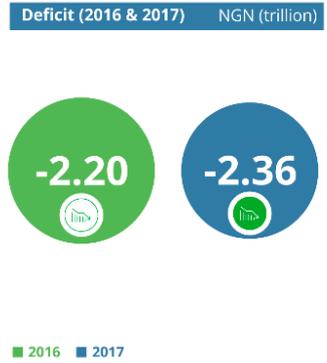
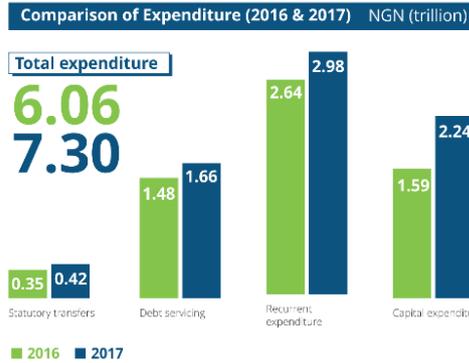
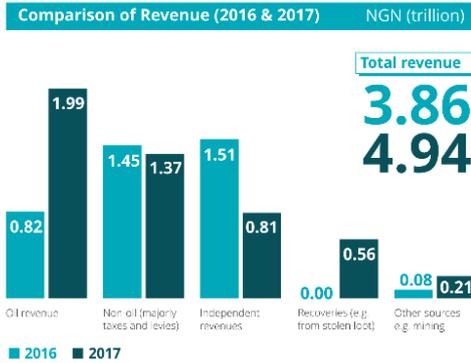
On Wednesday, 14 December 2016, President Muhammadu Buhari presented the 2017 budget of **₦7.3trillion** to the National Assembly for consideration. The budget which is tagged, budget of recovery and growth and expected to be financed by increased borrowings, is aimed at providing a roadmap to revive the nation’s troubled economy.

Assumptions

The budget is hinged on the following underlying assumptions:



The revenue for 2017 is estimated to be **₦4.94trillion**, with 40% expected from oil revenue and the remaining 60% from non-oil and other revenue sources. The aggregate spending is estimated at **₦7.3trillion**, which is a 20% increase over 2016 budget. The charts below show comparisons of key budget summaries between 2016 and 2017:



The 2017 budget deficit of ₦2.36trillion is expected to be financed primarily through external and internal borrowings.

Highlights

- **Oil revenue:** About 40% of expected revenue for 2017 is expected to be sourced from oil revenue. This, in comparison with 21% oil revenue in 2016, shows that the country’s dependence on oil revenue is far from over.

The benchmark oil price of \$42.5pb appears plausible, but the projected oil production of 2.2million barrel per day (mbpd) may be unrealistic considering the activities of militants and vandalism in the Niger-Delta region, which currently puts the nation’s production at about 1.7mbpd. Until the issues within the Niger-Delta region are resolved, it is unclear how this projection will be achieved.

- **Non-oil revenue:** This source is projected to generate 28% of the total estimated revenue for 2017 and the bulk of this revenue will be from tax, custom duties and levies. With the current hardships faced by the populace, the projected tax revenue is likely to be seen as continuation of the pressure being faced by corporate and individual taxpayers.

An appropriate action will be to sustain the current efforts at

expanding the taxnet, bringing more taxpayers into the net and lessen the pressure on the struggling businesses.

- **Deficit financing:** The budget deficit for the year is estimated at ₦2.36trillion which is about 32% of the total proposed expenditure. This shows an increase of 7% over 2016 estimates of ₦2.20trillion.
- **Capital expenditure:** The sum of ₦2.24trillion is earmarked for capital project. This represents 31% of the total outlay and an increase of 41% over 2016 estimates of ₦1.59trillion. With increased allocation to capital projects, there is optimism that there may be improvements in the economic space. It is therefore left to be seen if a substantial portion of the allocation to capital projects would be utilised unlike what has been witnessed in the last few years.

Debt servicing and increased borrowing:

Over the years, the nation has run a deficit budget resulting in accumulated debts that are currently being serviced. This, coupled with the fact that further loans will still be sourced by the government to finance capital projects during 2017. This has necessitated allocation of a whopping ₦1.66trillion which is about 23% of total expenditure towards debt servicing. With this significant debt burden, the ability to achieve sustainable economic growth becomes a major concern.

- **Diversification of the economy:** A proposed allocation of ₦92 billion to the agricultural sector is expected to boost production and ultimately exports in 2017. There are other allocations in the budget for recapitalization of Bank of Industry and Bank of Agriculture; expanding export processing zones; and export

2017 Capital Expenditure



expansion grant especially for the agricultural and mining industries.

Hopefully, all of these efforts, which are geared towards varying and expanding the nation's revenue sources will turn the economic fortunes around.

- **Provision for special intervention programmes:** The allocation for special intervention programmes has been increased by over 60% from ₦300billion in 2016 to ₦500billion in 2017. This aims at helping to cushion the effect of current hardship experienced in the country.

Conclusion

The proposed increase in the 2017 budget focuses mainly on capital expenditure in order to revive the economy. Nonetheless, the funding of such projects may result in heavy borrowing by the government, which may be counterproductive in the long run.

Over the years, Nigeria has witnessed numerous budgets being passed, which eventually differ greatly from actual performance. A glimpse into 2016 budget performance report would have given an indication of whether things are different under the current administration. Regardless of the realities of 2016 budget performance, it is hoped that the 2017 budget performance versus proposal would be such as would stir Nigeria on the path to true economic growth and recovery.

Contact us:

Seye Arowolo

Partner, Tax & Regulatory Services

Mobile: +234 817 458 6604

Email: oarowolo@deloitte.com.ng

Yomi Olugbenro

Partner, Tax & Regulatory Services

Mobile: +234 805 209 0545

Email: yolugbenro@deloitte.com.ng

Patrick Nzeh

Partner, Tax & Regulatory Services

Mobile: +234 805 209 0483

Email: pnzeh@deloitte.com.ng

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