
1996 BUDGET OVERVIEW

29 FEBRUARY, 1996

LBSAA

1996 Pre-Budget Workshop

- 25 October, 1996 - With HBSAN
- Three priority areas
 - Tariff Policy
 - Taxation
 - Capital Markets
- Inputs to Government

1996 Budget Highlights

- Continuity and Consistency
- Major 1995 Achievements
- Key Reforms
 - Announced
 - Promised
 - Unfinished Business
 - Outlook
- Private Sector Challenge
- Reflections
- The Way Forward?

Continuity and Consistency

- “Consolidation”
 - Firm Foundation
 - Continued Deflation
 - Time for Mindset Change
- No U-Turn
 - Building Investor Confidence
- Judgement Call Re “Recovery”
 - When?
 - How?
 - Who Leads?

Major 1995 Achievements

- Fiscal/Monetary Discipline
 - Tight and Coordinated
 - Budget Surplus (Cash Basis)
 - Inflation Dropping
- FX and Investment Reform
- Cash Calls → Revenue Stream
- FX
 - Stable and Available
 - Built Reserves
- MTP and Debt Negotiations
- Better Transparency/Accountability

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Key Reforms

- Announced
 - Tax Reforms
 - Customs
 - PTF ← {
 - Infrastructure
 - Social Services
 - Tight Money Supply
 - Surplus Budget

Key Reforms

- Promised
 - Capital Market - "Common Rules"
 - Full Commercialization - Key Parastatals
 - Competition for NITEL/NEPA
 - Eliminate Sectorial Credit Allocations
 - Phase out Stabilization Securities
 - Pension Reform
 - Capital Market - Contractors Debt
 - MTP and Debt Negotiations

Key Reforms

- Unfinished Business
 - Interest Rates
 - Dual FX Systems
 - Subsidy Removal
 - Privatization

Key Reforms

- Outlook
 - 1996 Budget is Realistic/Doable
 - Won't Spark Recovery or Attract Major New Investment
 - Inflation = 20 - 30% Level
 - FX = N80 - 90 Range
 - Firm Foundation for Recovery which is a "Must" for 1997

Private Sector Challenge

- Wide Range of Consultations with OPS
 - Must closely work in partnership to assure policy/reform success
- In 1996 - OPS should address -
 1. Inflation Control
 2. Increased Productivity and Industrial Capacity Utilization
 3. Job Creation
- “We shall continue to dialogue with OPS”

Reflections

- Status quo vs. Dawn of Radical Change?
- Apparent Strategy = Tough Economic Decisions Entrenched by 1998?
 - Sound Economy Based on
 - Low Inflation
 - Strong Naira
 - Budget Surpluses
 - Reduced Waste/Corruption
 - Downsized Governments
 - Private Sector Engine of Growth

Reflections (Contd.)

- If so - Why the cautious approach?
 - Who are the opponents?
 - How can they be won over? Or, at least, neutralized?
- If so - Is it time to market Nigeria?
 - Media?
 - Academia?
 - Private Investors?
 - External Supporters? Critics?

The Way Forward?

- How to make 1996 Budget Work?
 - Implementation
 - Promises
 - Unfinished Business
- How to Build Confidence in Nigeria?
 - Understanding?
 - Continuous Reform
 - Performance Measurement
 - Private Sector Response

The Way Forward?

- What Role for LBS/LBSAA?
 - Research?
 - Education?
 - Fostering Reform?
 - Waking up the OPS?
 - Entrepreneurship?
 - Ethical Leadership?
 - Etc

THE NES INDICATOR OF ECONOMIC ACTIVITY

DAILY AVERAGE TRANSACTIONS AT THE CLEARING HOUSE CURRENT NAIRA. BASE: DEC. 1994 = 100

	%	(N bn)	Days of activity
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1994 June	78	1,110	22
July	86	940	21*
August	58	828	21*
September	86	1,226	22
October	79	1,130	21
November	90	1,287	22
December	100	1,430	21
1995 January	108	1,548	22
February	116	1,653	20
March	106	1,495	21
April	119	1,700	18
May	112	1,605	20
June	122	1,744	22
July	118	1,688	21
August	112	1,603	23
September	114	1,626	21
October	111	1,592	21
November	118	1,685	22
December	140	2,002	19
1996 January	110	1,569	22
February	-	-	-

* : 1994 crisis

Table 1

THE BUDGET

		<u>1 9 9 5</u>		<u>1 9 9 6</u>
		<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
1	Crude Oil Sales, PPT, etc.	154.02	174	175
2	Other Oil Revenues	46.62	53	39

3	Total Oil Revenue	200.64	227	214
4	Non Oil Revenue	150.02	127	126

5	Total Oil & Non Oil Revenue	350.66	354	340
Less:				
	a. Cash Calls	(50.60)	(45)	(39)
	b. National Priority Projects	(29.48)	(26)	(44)
	c. External Debt Service	(44.00)	(44)	(44)
	d. Petroleum Trust Fund	(61.00)	(35)	(20)
	<i>Total</i>	(185.08)	(150)	(147)

6	Total Federally Collectible Revenue	165.58	204	193
Less:				
	a. Fed. Govt. Independent Revenue (including VAT N6 bn)	(43.62)	(29)	(26)
	b. States VAT	(6.00)	(14)	(14)

7	Total Federation A/C	115.96	161	153
8	Distribution of Fed. A/C Revenue:			
	a. Fed. Govt. Share (48.5%)	56.24	79	74
	b. State Govt. Share (24%)	27.83	38	37
	c. Local Govt. Share (20%)	23.19	32	31
	d. Special Fund (7.5%)	8.7	12	11

	Total Federation A/C	115.96	161	153
Total Federal Govt. Revenue:				
	1. Fed. Govt. Share of Fed. Account	56.24	79	74
	2. Fed. Govt. Independent Revenue	37.62	21	18
	3. VAT, Fed. Govt. Share	6	8	8
	4. Petroleum Price Adjustment	61	35	20

	Total	160.86	143	120
	5. Loans, Grants, Subventions	-	-	2
	6. External Debt Service	44	44	44
	7. AFEM Intervention Profit	-	38	62

	Total	205	225	228

Table 2

FEDERAL GOVERNMENT CONSOLIDATED ACCOUNT

		<u>1994</u>		<u>1995</u>		<u>1996</u>
		Budget	Actual	Budget	Actual	Budget
1	Retained Revenue	110	59	144	152	144
2	AFEM Intervention	-	-	-	38	62
3	Subventions & Grants	-	-	-	-	2
4	Petroleum Price Adjustment	-	-	61	35	20
5	Total	110	59	205	225	228
6	Personnel Costs	(18)	(18)	(21)	(30)	(42)
7	Overhead Costs	(20)	(23)	(33)	(36)	(35)
8	Transfer to trust Fund	-	-	(61)	(35)	(20)
9	Debt Service	(41)	(60)	(57)	(74)	(61)
10	Fertilizer Subsidy	-	-	(1.5)	(5)	(3)
11	Recurrent Surplus (Deficit)	31	(42)	32	45	67
12	Capital Expenditure	(31)	(39)	(44)	(44)	(48)
13	(Deficit) Surplus for the year	0	(81)	(12)	1	19
14	% on GDP at current prices	-	(8.02)	-	0.06	1.15

Table 6

FOREIGN EXCHANGE BUDGET, 1996 (\$ million)

INCOME			
1	Official		9,717
	a. Crude Oil,		7,957
	* Government earnings	5,347	
	* Royalty, PPT	2,610	
	b. External Loans		650
	c. Public Sector Income		1,110
	* Interest on AFEM	19	
	* Interest on Reserves	46	
	* Parastatals, Bunkering	345	
	* Crude Oil for Domestic Consumption	700	
2	Private Sector		5,783
	a. Non-Oil Exports		450
	b. Other		870
	c. Purchase from Oil Companies		800
	d. Form M not valid for FOREX		3,663
	Total		15,500
ALLOCATION			
1	Official		9,424
	a. Debt Service		2,000
	b. Domestic		7,424
	* AFEM	2,000	
	* Cash-calls, priority projects	3,664	
	* Public Sector uses	2,053	
	* Letters of Credit	650	
	* International organisations, Embassies	250	
	* Accretion to Reserves	503	
	* Petroleum Products	400	
2	Private Sector		5,783
	a. Non-Oil exports		450
	b. Other		870
	c. Oil Companies Sales		800
	d. Form M not valid for FOREX		3,663
	Total		15,500 (sic)