



REVIEW OF THE 1996 BUDGET AND PRIORITIES FOR THE 1997 BUDGET

OCTOBER 31, 1996



OUTLINE

- Overview
 - The Journey to 1995
 - 1996 Budget Highlights
 - 1996 Results/Outlook
 - 1997 Objectives/Priorities
 - 1997 Balanced Scorecard
 - The Way Forward
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THE JOURNEY TO 1995

- No growth per capita for 25 years
 - Inconsistent policies and U-turns
 - Particularly 1994
 - 1995 faced reality and began to lay a foundation for growth
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THE 1995 CROSSROADS

- Oil Boom mindset
 - Response to oil bust
 - Retrenchment
 - SAP
 - Reflation
 - Loss of control
 - Pause to rethink (1993)
 - U-turn (1994)
 - Facing Reality (1995)
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FACING REALITY IN 1995

- Fiscal/Monetary Discipline
 - Tight and coordinated
 - Cash basis surplus
 - Attack on inflation
 - Major Reforms
 - FX
 - Investment
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FACING REALITY IN 1995 (contd)

- Upstream Revenue
 - Cash calls
 - NLNG on track
 - FX - Available and stable
 - Built reserves
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FACING REALITY IN 1995 (contd)

- Limited Progress on -
 - MTP/debt negotiations
 - Transparency/accountability
 - Revenue collection
 - Sanitizing financial systems
- Not growth oriented

1996 BUDGET HIGHLIGHTS

- Macro Policy Continuity
 - Surplus budget
 - Tight money
- Tax Reform
 - Aimed at savings and investment
- PTF Startup
 - Infrastructure/social services focus

1996 BUDGET HIGHLIGHTS (contd)

- **Many Promises**
 - Capital markets - "common rules"
 - Parastatals - study results
 - competition
 - full commercialization
 - Phase out - sectorial credit allocation
 - stabilization securities
 - Contractors debt
 - Pension reform
 - MTP/debt negotiations

1996 BUDGET HIGHLIGHTS (contd)

- **Unfinished Business**
 - Interest rates
 - Dual FX system
 - Privatization
 - Subsidy removal
 - Upstream petroleum under funded
 - Growth measures

1996 BUDGET HIGHLIGHTS (contd)

- **Appraisal**
 - Realistic/achievable budget
 - Continued deflation
 - No per capita growth
 - Solid foundation for 1997 recovery

1996 RESULTS/OUTLOOK

- Will Exceed Targets For -
 - Inflation
 - Budget surplus
 - FX reserves
- Will *not* achieve more than marginal per capita growth

1996 RESULTS/OUTLOOK (contd)

- Greatly Sanitized Economy
 - Inflation
 - Corruption
 - Productivity
 - Efficiency
 - Continued Recession with No End in Sight
 - Unless bold measures introduced in 1997
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1997 OBJECTIVES/PRIORITIES

Objectives

- 1997 Budget Must Start the Recovery
 - Policy Reforms Must be Consistent with Sustainable Economic Growth
 - Set Bold but Realistic Targets

	1997	1998-2000
Inflation	<10%	< 8%
Real GDP Growth	5+%	6-10%
Per Capita GDP	2+%	3-7%
Savings/Investments	<15%	< 25%
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1997 OBJECTIVES/PRIORITIES (contd)

Objectives

- Must address poverty -
 - Create jobs
 - Improve productivity
 - Raise standard of living
 - Must Link to Medium Term Economic Plan Which Opens Negotiations for Debt Relief
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1997 OBJECTIVES/PRIORITIES (contd)

Priorities

- Continue Macro-economic Discipline
 - Spend Reserves Wisely
 - Stimulate Non-Inflationary Demand
 - Start Investment Led Growth
 - Raise Living Standards
 - Fund Long Term Development
 - Reorient Industrial Strategy
 - Achieve Transparency and Accountability
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1997 PRIORITIES

- Continue Macro-economic Discipline
 - Cash budget surplus
 - Tight money policy
 - Single digit inflation
 - Spend Reserves Wisely
 - Upstream petroleum
 - PTF
 - Debt reduction
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1997 PRIORITIES (contd)

- Stimulate Non-Inflationary Demand
 - Tax reform to put money in private sector hands. (Reduce PIT, CIT, CGT Tariffs and Excise duties vs VAT increases)
 - Cut costs of doing business
 - In addition to tax reform, improve infrastructure and simplify port processes
 - Stimulate Competition
 - Free up markets, eliminate monopolies and open the borders for free trade
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1997 PRIORITIES (contd)

- Start Investment Led Growth
 - Give priority to infrastructure that makes business efficient -
 - . roads
 - . telecommunications
 - . ports and transport
 - Restart privatization on a major scale, starting with -
 - . infrastructure
 - . upstream petroleum
 - . downstream petroleum
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1997 PRIORITIES (contd)

- Start Investment led Growth (contd)
 - Improve capital markets efficiency and capacity
 - . Link to major incentives for private managed savings and pensions
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RAISE LIVING STANDARDS

- Reorient Budget Spending
 - Shift *from* administration, internal and defence spending *to* infrastructure, education and health (from 53% vs 38% to 39% vs 55%)
 - Start increase in Civil Service Pay to private sector levels
 - Dual exchange rate vs increased revenues
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FUND LONG TERM DEVELOPMENT

- Move Upstream Spending to \$5-6 Billion Level -
 - Privatize to extent necessary
 - Give priority to gas and NLNG
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REORIENT INDUSTRIAL STRATEGY

- Must Switch from Import Substitution to Export Orientation
 - Focus on Competitive Advantage
 - Rubber (exports)
 - Petroleum (added value)
 - Low cost/productive labour
 - Agric-business
 - Etc.
 - Must Open up both Regional and Global Markets
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ACHIEVE TRANSPARENCY AND ACCOUNTABILITY

- Incorporate off Budget Items
 - PTF
 - Windfalls - FX
 - Crude oil
 - Restate 1995 Budget for Comparability
 - Timely Quarterly and Annual Reports
 - Period to period
 - Actual vs plan
 - Actual vs target
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1997 BALANCED SCORECARD

	1997 Priority	1997 Budget
•	Clearly define objectives and targets	
•	Macro-economic discipline	
•	Wise spending of reserves	
•	Demand stimulus with low inflation	
•	Investment led growth	
•	Reorient budget spending	
•	Long term funding	
•	New industrial strategy	
•	Transparency and accountability	

THE WAY FORWARD

- #1 Objective = Public Interest
 - Low inflation
 - Growing cake equitably sliced
 - Investment in People
 - Efficient infrastructure
 - Incentives for hard work, productivity savings and investment
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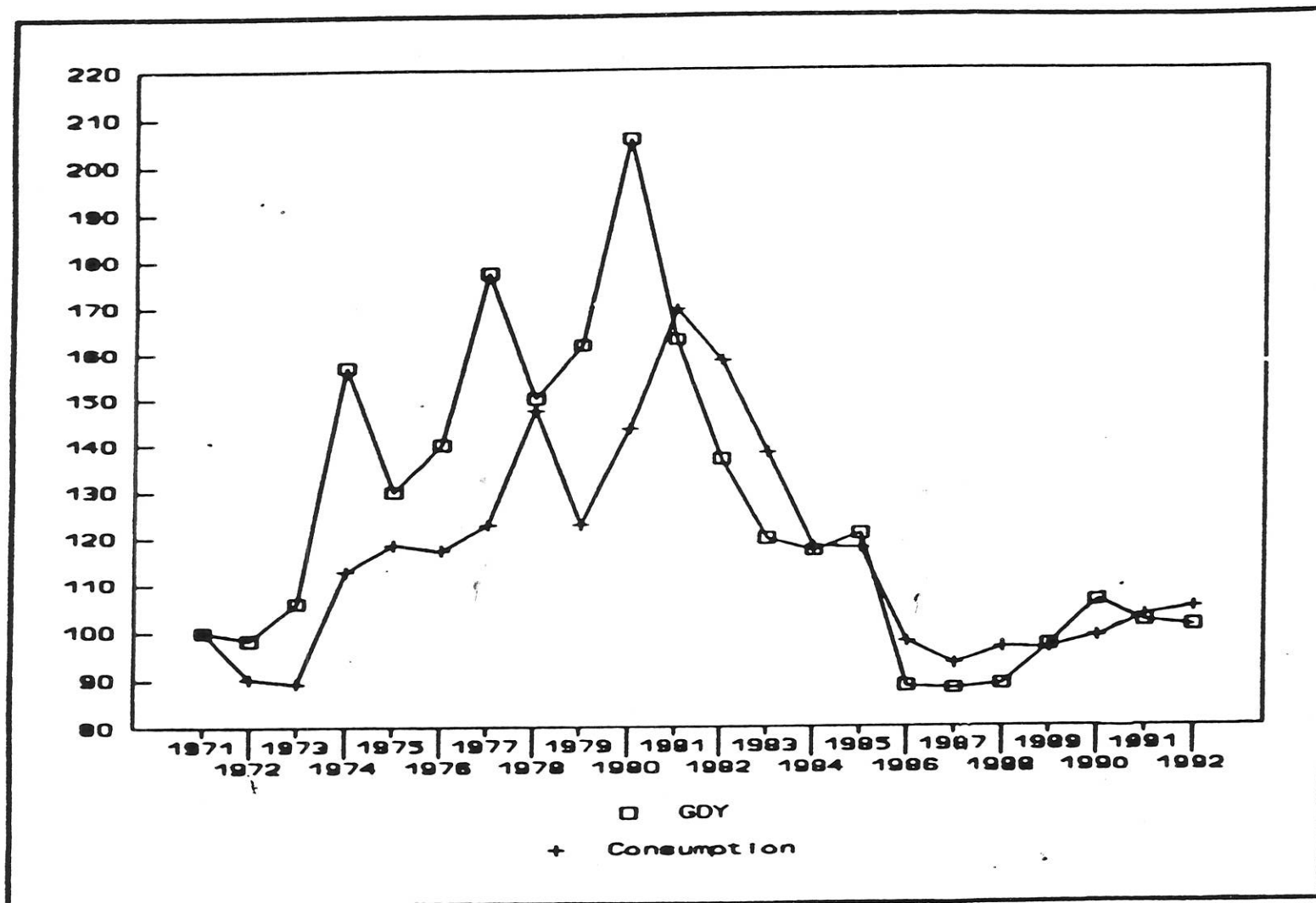
THE WAY FORWARD

- We Have Made Progress But Can't Maintain Status Quo in a Competitive World
 - There Is No Alternative (TINA)
 - Time is Not on Our Side
 - Bold Steps are Therefore Necessary
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THE WAY FORWARD

- Foundation Has Been Laid
 - Need to Aim High -- We Need a Quantum Leap Forward
 - Aim = Nigeria as the Powerhouse of Africa
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Figure 1.1: Indices of Per Capita Income (GDY) and Consumption, 1971 to 1992



Source: Nigeria - Structural Adjustment Program: Policies, Implementation, and Impact
 By: World Bank

Nigeria: The journey so far and the road ahead

