



AN OVERVIEW OF THE PROPOSED FEDERAL GOVERNMENT OF NIGERIA'S 2023 BUDGET ESTIMATES FOR THE MANUFACTURING SECTOR



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LIST OF ACRONYMS

FMITI	Federal Ministry of Industry, Trade, and Investment
FMFBNP	Federal Ministry of Finance, Budget, and National Planning
SON	Standard Organization of Nigeria
NISER	Nigerian Institute of Social and Economic Research
NOTN	Nigeria Office for Trade Negotiations
SWV	Service Wide Vote
AfCFTA	African Continental Free Trade Agreement
NBS	National Bureau of Statistics
MAN	Manufacturing Association of Nigeria

EXECUTIVE SUMMARY

President Muhammadu Buhari presented Nigeria’s 2023 budget proposal on Friday, 7th October 2022, christened “Budget of Fiscal Sustainability and Transition.” According to the president, the main aim of the budget is to maintain the country’s fiscal viability while a seamless transition to the incoming administration. The 2023 Appropriation bill is based on the following benchmark assumptions for the budget cycle.

INDEX	VALUE
Oil Price	\$70/barrel
Oil Production	1.69mbpd
Exchange Rate	₦435.57/\$1
GDP Growth	3.75%
Inflation	17.16%
Oil GDP	₦214,049.5 bn
Non-Oil GDP	₦11,457.8 bn
Nominal GDP	₦225,507 bn
Nominal Consumption	₦121,933.1 bn
Imports	24,385.6

Table 1: 2023 FGN Budgetary benchmark assumptions

The assumptions are pretty optimistic for the most part; for instance, the average price of crude oil has been \$89.76 so far in 2022, and the inflation rate in Nigeria, which stood at 20.52% when the president made this presentation, increased just a few weeks after and now stands at 20.77% (September 2022). The government has stressed its intent to improve the capacity of the non-oil sector and trigger an uptick in manufacturing and industrialization in Nigeria as stipulated in the National Development Plan 2021-2025. This report is an overview of the proposed expenditure for the manufacturing sector in the 2023 FGN Appropriation Bill in strengthening productivity, incentives for export, encouraging foreign and local investments, and allocations for infrastructural development in Nigeria.

HIGHLIGHTS

- Total budget size is ₦20.5 trillion
- Allocation for infrastructure is ₦998.93 billion (5% of the total budget)
- Total allocation for the Federal Ministry of Industry, Trade, and Investment was reduced by 48.66% from the 2022 Amended budget.
- Government recommits to tax restructuring and increased revenue generation drives.

The 2023 appropriation bill has a total budget size of ₦20.5 trillion and, like others in Nigeria, contains four critical fiscal components that shape its allocation structure. These are Statutory Transfer, Debt Servicing/Sinking Fund, Recurrent Expenditure, and Capital Expenditure. The budgetary allocation for each component is displayed below.

BUDGET COMPONENT	2023 PROPOSED ALLOCATION	AS % OF THE TOTAL BUDGET
Statutory Transfer	744,109,468,797	3.63
Debt Servicing/Sinking Fund	6,557,597,611,797	31.97
Recurrent Expenditure	8,271,882,354,405	40.34
Capital Expenditure	4,934,352,745,705	24.06
TOTAL	20,507,942,180,704	100%

Table 2: Federal Government 2023 Budget Components

OVERVIEW OF THE 2022 FGN BUDGET ESTIMATES FOR MANUFACTURING

The 2022 FGN Budget had a total budget size of ₦16.39 trillion, the composite expenditure plan. However, this was later amended to ₦17.32 trillion to accommodate the increased demand for fuel subsidies and streamline governmental expenditure in light of dwindling revenue. The major allocation line in terms of infrastructure and manufacturing affected by the budget amendment was the allocation for the National Agency for Science and Engineering Infrastructure, NASENI, which was reduced from ₦56.14 billion to ₦44.54 billion.

Specifically for the manufacturing sector and infrastructural development, ₦1.42 trillion was allocated for infrastructure, which was 8.3% of the total budget. The ₦5.35 trillion allotted for capital expenditure (32.64% of total expenditure) was an improvement from the 2021 budget and showed an increased focus on infrastructural development by the government. However, the budget also includes introducing an excise duty charged on carbonated drinks at ₦10/liter. It also reflects an increased focus on taxation and government levy collections to raise internal revenue to service the budget deficits. A comparative analysis of the allocation for the primary budget components between the Amended FGN 2022 budget and the proposed FGN 2023 budget is illustrated below.

BUDGET COMPONENT	2022 AMENDED ALLOCATION	2023 PROPOSED ALLOCATION	% CHANGE
Statutory Transfer	817,699,410,210	744,109,468,797	-8.99%
Debt Servicing/Sinking Fund	3,978,087,110,437	6,557,597,611,797	64.84%
Recurrent Expenditure	7,108,621,131,849	8,271,882,354,405	16.36%
Capital Expenditure	5,415,296,438,523	4,934,352,745,705	-8.88%
TOTAL	17,319,704,091,019	20,507,942,180,704	18.40%

Table 3: Federal Government 2022 Amended and 2023 Proposed Budget Components

FGN PROPOSED 2023 BUDGET ESTIMATES FOR THE MANUFACTURING SECTOR

The 2023 proposed budget contains the largest appropriation in Nigeria's history at ₦20.5 trillion, but less than ₦1 trillion is allocated to infrastructure building. The figure is ₦998.93 billion, 5% of the total budget, a reduction from the 8% allocated for infrastructure in 2022.

The government is cognisant of the increased headwinds facing the economy due to low receipts from the sale of crude oil, the cost of servicing its debt obligations, and the high cost of the fuel

subsidy regime, so revenue generation is expected to be a key priority going into the fiscal year with a focus on improved tax administration and collection efficiency. The finance minister mentioned that the ministry would review the current government tax incentives. The budget also considered the reformed PMS subsidy framework by the government, which promises to phase out subsidy payments by mid-2023.

For this report, an analysis of the provisions in the 2023 FGN budget as it affects manufacturing is done with a focus on relevant allocation lines in two critical ministries – the Federal Ministry of Industry, Trade, and Investment and the Federal Ministry of Finance, Budget, and National Planning.

FEDERAL MINISTRY OF INDUSTRY, TRADE, AND INVESTMENT

Overall Budget Estimate

BUDGET COMPONENT	2022 AMENDED ALLOCATION	2023 PROPOSED ALLOCATION	% CHANGE
Total Allocation	83,257,054,476	42,738,715,093	-48.66%

Agencies/Departments

BUDGET COMPONENT	2022 AMENDED ALLOCATION	2023 PROPOSED ALLOCATION	% CHANGE
STANDARD ORGANIZATION OF NIGERIA	4,048,167,671	4,209,857,906	3.99%
NIGERIAN EXPORT PROMOTION COUNCIL	2,410,498,898	1,226,888,274	-49.10%
NIGERIAN EXPORT PROCESSING ZONES AUTHORITY	22,360,220,288	11,938,882,404	-46.61%
FEDERAL COMPETITION AND CONSUMER PROTECTION COMMISSION	1,347,553,855	--	--
SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA HQTRS.	27,950,307,788	5,837,306,845	-79.12%
NIGERIAN INVESTMENT PROMOTION COUNCIL HQTRS	1,168,649,933	1,028,339,996	-12.01%
NIGERIA OFFICE FOR TRADE NEGOTIATION (NOTN) ABUJA	924,779,975	732,720,061	-20.77%

MDA Projects

BUDGET COMPONENT	TYPE	MDA	2022 AMENDED ALLOCATION	2023 PROPOSED ALLOCATION	% CHANGE
International Investment Engagement Initiatives	Ongoing	FMITI	21,380,700	--	--
Industrial Policy Reforms and Enabling Business Environment	Ongoing	FMITI	190,081,630	--	--
Review of PEDEC Mandate and Implementation of Ease of Doing Business Initiatives	New	FMITI	--	35,200,000	--
Development of New Commodity Priority Products for International Market (35% Completion - 17 Policies Drafted and Validated)	Ongoing	FMITI	95,000,000	50,000,000	-47.37%
Export Expansion Grant (EEG)	Ongoing	FMITI	475,000,000	--	--
Implementation, Negotiations, And Signing of Bilateral Trade And Multilateral Agreements, Memoranda of Understanding And Approved AGOA Strategic Implementation of African Continental Free Trade Agreement (AfCFTA) - NAC Secretariat	Ongoing	FMITI	20,064,000	20,000,000	-0.31%
Implementation of Ten (10) Year National Cocoa Plan	Ongoing	FMITI	665,000,000	106,000,000	-84.06%
Programmes to Improve Ease and Cost of Exporting Locally Produced Goods	Ongoing	FMITI	28,500,000	35,000,000	22.81%
Developing Capacity for MSMEs to Access Financing at Single Digit Interest Rates	New	FMITI	--	42,800,000	--
Implementation of Strategies Towards Creation Of 100million Jobs and Lifting People Out of Poverty	New	FMITI	--	65,600,000	--
Establishment of Nigeria Trade Office Accra, Ghana to AfCFTA Secretariat	New	FMITI	--	25,000,000	--

AfCFTA Implementation and Phase II Negotiations	Ongoing	NOTN	34,064,370	20,320,312	-40.35%
Participation In the Second Phase of AfCFTA Negotiations on Competition, Investment And I.P.	Ongoing	NOTN	6,699,326	3,349,663	-50%

FEDERAL MINISTRY OF FINANCE, BUDGET, AND NATIONAL PLANNING

Overall Budget Estimate

BUDGET COMPONENT	2022 AMENDED ALLOCATION	2023 PROPOSED ALLOCATION	% CHANGE
Total Allocation	6,816,443,046,619	10,101,444,709,834	48.19%

Agencies/Departments

BUDGET COMPONENT	2022 AMENDED ALLOCATION	2023 PROPOSED ALLOCATION	% CHANGE
DEBT MANAGEMENT OFFICE	3,880,994,629,200	6,558,645,195,758	68.99%
BUDGET OFFICE OF THE FEDERATION	2,223,360,812	2,079,685,173	-6.46%
NATIONAL BUREAU OF STATISTICS	8,205,168,500	6,532,049,795	-20.39%

MDA Projects

BUDGET COMPONENT	TYPE	MDA	2022 AMENDED ALLOCATION	2023 PROPOSED ALLOCATION	% CHANGE
Enterprise Technology Infrastructure Deployment	Ongoing	FMFBNP	--	500,000,000	--
Accelerating Economic Growth and Development Through Agriculture And SMEs	Ongoing	FMFBNP	44,650,000	34,111,367	-23.60%
Monitoring On Utilization of IDEC And Registration Under ETILS/CKD (Tech Services)	Ongoing	FMFBNP	30,000,000	25,000,000	-16.67%
Trade Statistics	Ongoing	NBS	29,983,000	13,492,350	-55%
Presidential Enabling Business Environment Council (PEBEC)	Ongoing	SWV	1,000,000,000	1,000,000,000	0%
Statistical Advocacy	Ongoing	NBS	25,000,000	2,486,980	-90.02%
African's Intraregional Trade and Implication to AfCFTA	Ongoing	NISER	--	8,000,000	--

INSIGHTS AND ADVOCACY AREAS

The analysis in this report paints a less-than-optimistic picture for the manufacturing sector as there is an almost 9% decrease in allocation for capital expenditure. There is also a reduction in allocation for statutory transfer and a massive increase in allocation for debt servicing, which may result in an uptick in taxation, fines, and levy regimes, especially for manufacturers in 2023.

A review of the presented data shows that promoting non-oil exports is a top priority for the federal government in the coming fiscal year. This is seen in the budget allocations towards specific new projects under FMITI to boost the international distribution channels of locally made goods. However, there is a noticeable reduction in the budget allotment for most MDAs charged with facilitating trade and promoting export activities such as NEPC, NEPZA, and NIPC. Furthermore, the 2023 budget shows no allocation for the Export Expansion Grant (EEG), a non-oil export incentive with a ₦475 million allocation in the FGN 2022 amended budget.

Still, on external trade facilitation, the FGN 2023 budget estimates reflect a marked reduction in allotments for implementing the Africa Continental Free Trade Agreement (AfCFTA) in the country. The allocations for trade negotiations by the NOTN on the second phase of the implementation and the negotiations on intellectual property/competitiveness were reduced by about 50% and 40%, respectively. In comparison, the allotment for the National Action Committee on AfCFTA was drastically reduced by 84%. However, ₦25 million was earmarked for establishing a Nigeria Trade office at the AfCFTA Secretariat in Accra, Ghana. In comparison, ₦8 million was allocated to NISER to research the implications of the trade agreement in Nigeria.

Internally there is a renewed commitment to the ten-year National Cocoa plan as reflected in the 22.8 percent in the allocation of funds to support the plan relative to 2022. For 2023, the budget for Presidential Enabling Business Environment (PEBEC) allocation of ₦1 billion is maintained with ₦32.5 million kept for developing ease of doing business initiatives.

To boost manufacturing in Nigeria, we recommend continuous engagement by the stakeholders in the sector with the federal government and relevant MDAs to advocate for implementing and executing capital projects that would boost the capacity to produce goods in Nigeria. This could be done by leveraging the Manufacturing Association of Nigeria, MAN, and other interest groups.

Also, with the current economic realities and debt profile, the government, in managing the economy to increase its revenues, would look towards implementing specific fiscal and monetary policies, which may increase tax rates, interest rates, duties, etc. It is, therefore, pertinent for the manufacturing sector to continuously engage with the government to ensure the implementation of favorable policies that would ease doing business and not further alleviate the challenges faced by the players in the sector.



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