OFFICE OF THE REGISTRAR/CHIEF EXECUTIVE

COMMUNIQUE ISSUED AT THE 2024 BUDGET SYMPOSIUM ORGANIZED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA (ICAN)

1. Preamble

The Institute of Chartered Accountants of Nigeria (ICAN) held its 2024 Budget Symposium on Thursday, January 18, 2024, virtually. The overall objective of the Symposium was to appraise the performance of the 2023 Budget and provide constructive critique and analysis of the Federal Government of Nigeria 2024 Budget. Another objective of the symposium was to contribute to the realisation of an effective and efficient budgeting process.

The Symposium was declared open by the 59th President of the Institute, Dr Innocent Iweka Okwuosa, FCA. The event was chaired by Alhaji Isma'ila M. Zakari, mni, FCA, a revered Past President of the Institute and featured seasoned and experienced resource persons. The keynote speaker was Dr. Muda Yusuf, while Dr. Muhammad Sagagi and Mr. Tope Kolade Fasua served as panelist. A total of 3,335 participants registered to attend while 1,957 participants attended the virtual event.

The keynote speaker, Dr Muda Yusuf, meticulously examined key focus areas within the 2024 budget, shedding light on crucial objectives. These included an emphasis on job creation to bolster employment opportunities, fostering economic growth, and striving for macroeconomic stability. The budget also aspires to cultivate an attractive investment environment, promoting enhanced human capital development, and implementing measures for poverty reduction. Furthermore, there is a strategic push towards deepening public-private partnerships (PPPs) in the realms of energy and transportation. The budget positions the nation to take on regional leadership in the global movement towards clean and sustainable energy practices. Additionally, it aims to ensure access to social security measures and enhance internal security for the well-being of the citizens.

2. Observations

The recently concluded Symposium delved extensively into the 2024 Appropriation Act, bringing to light several noteworthy observations as stated below.

Budget Objective:

i. Inconsistency arises from the absence of a singular master plan, as the budget encompasses three distinct plans: the Renewed Hope Agenda, the National Development Plan 2021 – 2025, and the MTEF 2024 – 2026. While it is legitimate for a budget to have multiple links, it is important to have consistency These three plans contain conflicting assumptions – for instance, GDP according to the Renewed Hope Agenda is expected to move from about 3.5% to 7% in 2024; the National Development Plan assumed 5.43%, while the Budget 2024 assumes a GDP growth rate of 3.76%.

ii. The objectives outlined in the 2024 budget, except for the growth objective, lack specificity and well-defined parameters, making it challenging to appraise the budget's performance.

Budget Assumptions:

i. The budget's projection of a 21.4% inflation rate proved to be off the mark, as the actual inflation rate stood at 28.9%, a significant deviation from the initial estimate.

ii. Despite the current oil price of $78 slightly surpassing the budget assumption of $77.98, the lack of a conservative estimate failed to consider potential oil volatility. This oversight has hindered the nation's ability to rebuild its excess crude oil account.

iii. The assumption of N800 to $1 in the budget is considered unrealistic, given the current exchange rate dynamics.

Revenue Sources:

i. The 2024 budget anticipated an oil output of 1.78 million barrels per day, a noteworthy increase of 0.48 million barrels per day from historical production levels. However, the lack of a conservative assumption in the budget regarding oil price volatility has impacted the nation's opportunity to rebuild its excess crude oil account. Furthermore, the budgeted production volume is significantly higher than the range of 1 million – 1.3 million barrels recorded in 2023.

ii. The budget heavily relies on conventional sources like taxes and debt financing to cover the deficit, neglecting the potential revenue growth from emerging sectors such as the blue economy, steel, gas, housing, creatives, digital, and solid minerals.

Expenditure:

i. With a total expenditure budget of N28.77 trillion, only N20 trillion represents the actual value to be spent after debt servicing. This dilutes the budget's impact on average Nigerians, with spending per head at approximately N130,000 and capital spending per head at N43,000.

ii. The budget fails to address concerns regarding the partial subsidy removal on petrol and its financing.

Size and Composition:

i. Economic challenges in 2024, including sluggish growth rates in manufacturing and oil sectors and weak infrastructure, pose a threat to budget implementation.

ii. The budget's allocation of 12% of GDP translates to a meager N130,000 per person, falling below the standards observed in peer countries.

iii. The ambitious GDP growth target of 3.88% in the 2024 budget exceeds projections by reputable institutions, potentially posing implementation challenges.

iv. Slow economic growth has significant implications for the Federal Government's revenue targets and its ability to impact citizens substantially.

Sub-Nationals:

While public attention often centers on the Federal Government budget, the Symposium emphasized the substantial funds regularly received by states from the Federation Account, considering their closer proximity to the people.

3. Recommendations

The following recommendations and suggestions were made:

Budget Objective:

i. To address the issue of inconsistency resulting from the absence of a singular master plan, it is crucial to streamline and integrate the various existing plans, including the Renewed Hope and the National Development Plan. A comprehensive and cohesive master plan should be formulated, ensuring alignment and synergy among different policies. This consolidation will provide a unified framework, minimizing conflicting elements and promoting a more coherent and effective approach to national development. Regular reviews and updates of this master plan should be conducted to adapt to evolving circumstances and maintain consistency in policy implementation.

ii. The Institute advocates for the development of specific, measurable, achievable, relevant, and time-bound (SMART) objectives in the budget. Clearly defining parameters for each objective will facilitate a more accurate appraisal of the budget's performance.

Budget Assumptions:

i. **Inflation Projection**: The Institute recommends conducting a thorough analysis to improve the accuracy of future inflation projections, considering the historical deviation. Collaboration with economic experts and institutions can enhance the reliability of inflation estimates.

ii. **Oil Price Assumption**: To enhance predictability in revenue allocation, it is advisable to adopt a more conservative approach in budgeting for oil prices. Instead of relying on a fixed value, consider incorporating a range that accounts for potential volatility in the oil and gas sector. This approach introduces a buffer against market fluctuations, providing a more flexible framework to estimate and allocate revenues. By embracing this strategy, the government can navigate uncertainties more effectively and ensure a more stable flow of funds into the excess crude account. Regular monitoring and adjustment of the oil price range can further refine the budgeting process and improve revenue management.

iii. **Exchange Rate Dynamics**: We propose a periodic review of exchange rate dynamics to ensure budget assumptions align with the prevailing economic conditions. Establishing a dynamic exchange rate mechanism or using a more realistic rate in budgeting can enhance accuracy.

Revenue Sources:

i. **Oil Output and Price Volatility**: The Institute advocates for a comprehensive risk assessment in oil revenue projections, including an analysis of potential price volatility. This can inform the development of risk mitigation strategies and a more robust approach to managing the excess crude oil account. A more conservative crude oil price assumption would offer opportunities to rebuild the excess crude oil account.

ii. **Diversification of Revenue Streams**: We encourage the exploration of revenue sources beyond traditional avenues. The government should actively invest in and promote emerging sectors such as the blue economy, steel, gas, housing, creatives, digital, and solid minerals to diversify revenue streams and reduce reliance on oil.

iii. **Novel Funding Alternatives**: To enhance revenue generation, the government should explore alternative funding options, including private sector-led initiatives and non-debt financing for infrastructure projects. Embracing domestic debts instead of relying on foreign debts is recommended to mitigate high servicing costs. This strategic shift will contribute to a more sustainable financial framework and facilitate effective infrastructure development.

Expenditure:

i. **Effective Utilization of Budgeted Funds**: The Institute recommends a detailed review of expenditure priorities to ensure that budgeted funds are allocated efficiently, with a focus on impactful projects that directly benefit citizens. Implementing performance-based budgeting can enhance accountability and transparency in resource utilization.

ii. **Addressing Fuel Subsidy Concerns**: We suggest a clear and transparent plan for addressing concerns related to the partial subsidy removal on petrol. This includes outlining how the subsidy removal will be financed without adversely affecting citizens and creating a plan for communication to manage public expectations.

iii. **Strengthened Analysis of Economic Challenges and Spending Priorities**: The precarious economic foundation, coupled with uncertainties surrounding revenue targets and the escalating challenge of poverty alleviation, raises skepticism about the budget's capacity to invigorate the economy. To overcome these hurdles, it is imperative to exercise prudence in allocating and utilizing the limited resources earmarked in the budget. By ensuring judicious spending, the government can significantly contribute to achieving a baseline standard of living for its citizens, thereby mitigating the adverse effects of economic fragility, and fostering sustainable development.

Size and Composition:

i. **Recommendation for Budget Expansion to Enhance Living Standards and Infrastructure**: It is advisable for the country to consider enlarging the budget size as a strategic measure to elevate the standard of living for its citizens, bridge existing infrastructural gaps, and catalyze economic growth. By allocating more resources, the government can address critical developmental needs, ensuring a more substantial impact on the well-being of the populace while fostering long-term economic prosperity.

ii. **Mitigating Economic Challenges**: The Institute proposes targeted interventions to address the specific challenges faced by the manufacturing and oil sectors. Implementing policies to stimulate growth and improve the country's infrastructure base can contribute to overcoming economic hurdles.

iii. **Optimizing Sectoral Allocation**: We recommend a review of the sectoral allocation to ensure it aligns with the country's development needs. A higher allocation may be necessary to drive impactful projects and initiatives, in line with the standards observed in peer countries.

iv. **Realistic GDP Growth Targets**: We suggest aligning GDP growth targets with projections from reputable institutions to set realistic expectations. This ensures that economic goals are achievable, reducing potential implementation challenges. To achieve the GDP growth of 3.88% stated in the budget, there should be strict adherence to reforms and addressing the investment climate.

v. **Stimulating Economic Growth**: Propose comprehensive measures to stimulate economic growth, including targeted investments in key sectors. Collaboration with the private sector and international partners can enhance the effectiveness of these initiatives.

Sub-Nationals:

i. We encourage increased transparency and accountability in the utilization of funds by states from the Federation Account. Collaboration between federal and state governments can ensure that funds are directed towards projects that directly benefit local communities, improving overall governance and development outcomes.

ii. It is essential for citizens to direct their attention to State government budgets, recognizing their profound impact on the populace. By advocating for accountability and transparency, citizens can play a pivotal role in ensuring that the allocation and utilization of resources align with the needs and aspirations of the community. Putting State government budgets in the spotlight empowers the public to actively participate in the governance process, fostering a more informed and engaged citizenry.

Enhanced Monitoring and Evaluation: To ensure effective fiscal management, the government must establish a robust and transparent monitoring and evaluation system. This system should go beyond mere oversight, incorporating credible mechanisms to meticulously track budget performance. By doing so, the government will not only significantly reduce wastages but also guarantee the realization of key objectives. This heightened level of scrutiny will enable timely interventions, fostering accountability and optimizing the positive impacts of the budget on the nation's development.

4. Conclusion

In conclusion, the 2024 Budget Symposium, hosted by the Institute of Chartered Accountants of Nigeria (ICAN), played a pivotal role in critically assessing the Federal Government's budgetary framework. Commencing with an insightful keynote address highlighting key objectives, the symposium provided a platform for comprehensive observations and strategic recommendations.

The Symposium acknowledged the Institute's commitment to facilitating informed discussions and commended the substantial participation of over 1,900 attendees. This engagement underscores the shared responsibility of stakeholders in contributing to the realization of an effective and efficient budgeting process.

The observations presented in the symposium spotlighted critical aspects of the 2024 Appropriation Act, particularly concerning budget assumptions, revenue sources, expenditure patterns, the size and composition, budget objectives, and the role of sub-national entities. These insights served as the foundation for a series of thoughtful and actionable recommendations.

The Institute's recommendations advocate for a more accurate projection of inflation rates, a conservative approach to oil price assumptions, and a periodic review of exchange rate dynamics. Emphasis is placed on diversifying revenue sources, exploring alternative funding options, and ensuring effective expenditure management to optimize the impact on citizens.

Recognizing the profound impact of state government budgets on the populace, the Symposium underscores the importance of public scrutiny, transparency, and accountability at both federal and

state levels. The call for an enlarged budget size aligns with the vision of elevating living standards, bridging infrastructural gaps, and catalyzing economic growth.
Furthermore, the Symposium emphasizes the necessity of realistic GDP growth targets, stimulation of economic growth through targeted investments, and the development of specific, measurable, achievable, relevant, and time-bound (SMART) objectives in the budget.

Lastly, the recommendation for enhanced monitoring and evaluation mechanisms aims to ensure accountability, prevent wastages, and optimize the positive impacts of budgetary allocations on national development.

In closing, the Symposium calls upon the government and policymakers to earnestly consider and implement these well-thought-out recommendations. The Institute remains committed to fostering a culture of transparency, accountability, and efficient fiscal management for the betterment of the nation. It is our collective responsibility to actively contribute to the realization of a resilient and prosperous economy for the benefit of all citizens.

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59th President, ICAN