



Budget of Consolidation

*Speech by **Malam Nasir El-Rufai**, Governor of Kaduna State, at the presentation of the proposed 2018 Budget Estimates to the Kaduna State House of Assembly; Lugard Hall, Kaduna, on Thursday, 12th October 2017.*

PROTOCOLS

Mr. Speaker,
Honourable Members,

1. Permit me to begin by expressing my gratitude for the opportunity to address you today. All of us from the Executive Branch appreciate the strong partnership we share with this honourable House in the service of our people. Since 2015, this House has been prolific in considering and passing legislation to reform the governance, policy and financial framework of the state, to orient it towards socio-economic development.
2. Your diligence and hard work have ensured that we are consistently able to sign the coming year's budget in the preceding year. You have my heartfelt thanks for putting our state in the proud position of always aligning the fiscal and calendar years. There is no doubt in my mind, Mr. Speaker, Honourable Members, that when the history of this state is written this House will be

remembered for its unique role in strengthening the legal and regulatory foundation for accelerated development in the state.

3. Mr. Speaker, Honourable Members, we are here today to present for your consideration the estimates of revenues and expenditures for the 2018 fiscal year. In the last few weeks, our Ministries, Departments and Agencies have prepared and defended their respective proposed 2018 estimates before the appropriate Executive committees. These estimates have been collated, published online and subjected to discussion at a town hall meeting. On Monday, 9th October 2017, the Kaduna State Executive Council approved the 2018 budget estimates for presentation to the Kaduna State House of Assembly.

We stand for progressive goals

4. At moments like this, it is crucial to restate the core principles and aspirations of our party, and the objectives the APC is committed to realising in government. Our governing agenda is based on the Restoration Programme, the Kaduna State-specific iteration of the APC manifesto on which we campaigned for the responsibility to lead the state. The Restoration Programme committed us to delivering on the following:
 - a. Invest in education, healthcare and social welfare
 - b. Foster the security of lives and property
 - c. Institute a good governance system that is founded on a competent and responsive public service with zero tolerance for corruption.

- d. Maintain, rebuild and expand Infrastructure in water supply, electricity, and road networks, to accelerate economic growth that will create jobs, jobs and more jobs;
 - e. Promote agriculture and food security and reform of land administration as a basis for wealth creation and capital formation, while preserving and enhancing environmental management.
5. Our budgets are not a list of contracts; they are detailed plans to set us on the clear path to development as outlined during the campaign. The pro-people thrust of this manifesto is propelled by a desire to advance social justice and promote equality of opportunity for all citizens. It has been integrated into the core priorities of government through the State Development Plan, 2016-2020 and the Sector Implementation Plans derived from the SDP by our MDAs. Our budgets are the mechanism to put these plans into action. That is why we take them seriously. As a sub-national government with no control over monetary policy, the budget is our most important tool to stimulate our economy and improve the lives of our people.
6. Our purpose in government is to promote equality of opportunity, to give every child the prospect of surviving pregnancy and infancy, with sound health; to absorb decent education and develop the skills necessary to make the best of life. It is to ensure that pregnancy is not a death sentence for our women. It is to secure for our young people employment opportunities in a vibrant

economy, regulated by a competent public service. It is about giving everyone a fair chance in the race of life! It is about building a new kind of citizen, healthy, safe, confident, and empowered. It is about ending mass misery and impoverishment.

7. These are the goals that drive our policy choices, and the partnerships that we pursue with local and international actors in the development field.

Review of 2016 and 2017 Budgets

8. Mr. Speaker, Honourable Members, it is necessary to review our budgeting in the last two and half years to show how far we have come, and explain the choices we have made.
9. You will recall that the 2016 Budget is the first full budget of this government. Its theme was **Sacrifice, Restoration and Change**, and it set out our conception of what change meant in practical terms. Its figures were arrived at using the Zero-Based Budgeting framework, allowing us to rethink the priorities of a government designed to serve the people. We used the lessons learnt from 2016 to prepare the 2017 draft estimates which we presented to this House on 12th October 2016. At the time, we made clear that Kaduna State was going for an expansionary budget as a tool against recession. Thus, you approved a budget size of N214.9bn, with N131.5bn (61%) earmarked for capital expenditure and N83bn for recurrent expenditure.

10. The capital budget was spread across the priorities of our governance agenda. Education took N44.8bn (35%) of the capital budget; Health N10.5bn, Works N24.5bn, Water Resources N8.6bn and Rural and Community Development N7.1bn. Like the 2016 budget, the 2017 **Budget of Jobs, Social Justice and Equity** was anchored on the pro-poor, pro-people thrust of the Restoration Programme.

11. Mr. Speaker, Honourable Members, I am delighted to report that despite the persistence of severe revenue constraints, we continue to deliver on our manifesto commitments. Through our stimulation of the local economy in 2016 and 2017, we are certain that Kaduna State was not in recession in those years. Our State Bureau of Statistics has done extensive research on our local economy which has shown modest growth from 2015. I urge the National Bureau of Statistics to share the disaggregated national economic data on a state-by-state basis.

12. Our policies in Education have raised primary school enrollment from 1.1m to 2.1m, as of September 2016. We expect much higher enrollment when the school census for September 2017 is reported in the next few weeks. Taking nearly a million children into classrooms implies the need to ensure they get decent public education for a better future.

13. You will recall that when I first appeared before this honourable House on 10th June 2015, I presented a report on

what we had gathered from the official briefings we took in our first week in office. One of the most shocking disclosures was that at least 50% of our school pupils sat on floors because they lacked school furniture. We have been addressing this, together with the dilapidation of the schools. But fixing 4,250 public primary schools that often lack doors, roofs, windows, water and sanitation facilities is not an easy or inexpensive undertaking. We have so far supplied 186,000 units of school furniture to reduce the deficit, rehabilitated about 400 primary schools and we are now aggressively renovating our secondary schools. A lot more needs to be done, and as quickly as resources permit.

14. Reversing the inherited legacy of neglect of public education is very expensive, but it must be done to accommodate the burgeoning population of school-age kids. One school in Rigasa alone has 29,000 pupils! The Rigasa school we were so upfront about has now secured a N30m grant from the World Bank/DFID Global Partnership on Education. We have acquired land in the ward and we are constructing two more primary schools to spread the pupil population of that mega-school across three, more-manageable schools.
15. As a governance principle, we don't hide or minimise the many problems we have inherited or pretend that our coming into office has wished them away. Rather, we acknowledge our burden and seek solutions, propose a way out and invite support where

we can! Our approach in Education is an exemplar of how our APC administration confronts the sorry legacy it found in many sectors.

16. By the time we settled in office and had spent nearly N6bn to rehabilitate and equip over 400 primary schools by the end of 2016, we knew we needed some N60bn to rehabilitate and equip the nearly 4,000 such schools remaining, within the shortest possible time. It was clear that this level of commitment cannot be met from the monthly trickles of the federation account and our still small internally generated revenues. We therefore compiled pictures showing the dismal state of our primary schools and I took this album to the Honourable Minister of Finance and, subsequently, to some of our development partners to demonstrate the scale of investment required to upgrade our educational facilities and personnel, including teacher training and development.

17. This is what triggered the process that culminated in the World Bank's decision on 20th June 2017 to grant Kaduna State a long-term budget support facility of \$350m. We are grateful to the Bank for the rapid response to our request and the Federal Ministry of Finance for supporting the grant of the facility. Once the National Assembly approves the Federal Government's borrowing plan for 2017, the process to access these funds for the rapid economic growth and social development of our state will begin in earnest.

18. In Health, our programme to tackle maternal and infant mortality by refitting our primary health centres is nearing completion. These primary health centres will have appropriate equipment, and will be staffed and administered in collaboration with community leaders. We are providing cash cover so that our senior citizens from age 70 and above can enjoy free hospital treatment, for conditions such as diabetes and hypertension. We eagerly await the passage of the Contributory Health Insurance Bill into law by this Honourable House to enable our government pursue the goal of Universal Health Coverage for every resident of Kaduna State by 2020, by God's Grace.

19. Our goal of empowering vulnerable groups, particularly women and youths is being robustly pursued. We have been running various entrepreneurship and low-interest financing programmes like KADSTEP and KADAT, targeting young people and creating hundreds of start-ups and small businesses. In 2018, our flagship KADEEEA programme will start to train young people in the fields of electrical installations, electronics, renewable energy, and entrepreneurship at the city campus of the Kaduna State University. We have similar programmes in Agriculture, like wheat, pulses, sorghum and beans farming on demonstration basis in Kubau and Ladugga. Our state cabinet has just approved a new Kaduna State Women Empowerment Programme (KADSWEP), which will improve financial inclusion and provide our women access to low-interest loans to begin new, or expand existing businesses. This government has done a lot for jobs, skills

acquisition and vocational training, often in productive public-private partnerships.

20. In infrastructure, the effort to construct township roads, install solar street lighting and improve potable water supply is clear. We commissioned the 150 million litres per day water treatment plant in Zaria, the only portion of the Zaria Water Project that was solely financed by the Kaduna State Government. Outstanding works to connect all households via transmission and distribution pipework are due for completion by March 2018 by God's Grace. We are also refitting and retrofitting 12 water works across the state, while planning the expansion of water supply for Kaduna Metropolis from the proposed Itisi Dam near Kujama, being constructed by the Federal Ministry of Power.
21. The results of our investment drive are beginning to show. Last month, we commissioned two large-scale private agro-industrial investments: the Olam Poultry and Feedmill in Chikun and the Sunseed Feedmill in Zaria. These are bringing the promise of direct and indirect jobs. We continue to pursue the commencement and completion of other projects with the Dangote Group, Vicampro, Mahindra Tractor Assembly plant and other Agricultural/Industrial investors.
22. The Kaduna State Geographic Information Service (KADGIS) is continuing its programme to digitise the land registry, recertify existing titles and give title documents to those who have never

had them through the systematic land titling and recertification process. And our programme of public service reform that will ensure the injection of youth into government is continuing in the teaching, state and local government services.

23. In 2016, we recorded the highest ever annual capital expenditure in the history of the state, at N62bn. Internally Generated Revenue in the same year reached a peak of N23bn. We hope to build on these achievements to reduce our dependence on monthly federation account allocations.

24. To achieve the goals outlined in our manifesto, we have published a record number of tenders for capital projects in the last 30 months. These procurements have resulted in the commencement of multiple projects across the state, in all our priority sectors. For instance, as at mid-2017, there were 443km of township roads and 16 intercity roads with a distance of 414.8km at various stages of completion. In addition, 17 rural feeder roads with distance of 172 km are being constructed. There are many schools being rebuilt, hospitals being upgraded and equipped, water works being refitted, rehabilitation centres being fixed. We are very proud to have initiated these projects in the interest of our people. And we have been clearheaded enough to take on inherited projects that we consider feasible and viable!

25. We shall be prioritising completion of these projects in the coming year. We are in a time of consolidation, and the budget

reflects this thrust. Development is a continuum, and we are building on the foundations we have laid in the preceding years.

26. Mr. Speaker Sir, Honourable Members, it is therefore my duty and honour to present to you the 2018 revenue and expenditure estimates, the Budget of Consolidation.

Details of the Budget of Consolidation

27. The 2018 revenue and expenditure estimates are based on a robust medium-term expenditure framework (MTEF) which assumes a \$42 benchmark price for crude oil at production levels of 1.8 million barrels per day, 17.5% annual inflation, 1.9% projected real GDP growth and an exchange rate of N305 for the US Dollar.

28. The proposed size of the Budget of Consolidation is **N216,550,173,912.55** with Recurrent Expenditure of N85,440,998,051.95 and Capital Expenditure of **N131,109,175,860.60**. This represents 60.54% Capital Expenditure and 39.46% Recurrent Expenditure, consistent with our agenda to spend more on investing in the people than on running of the government.

SUMMARY OF THE 2018 DRAFT REVENUE AND EXPENDITURE ESTIMATES

A. RECURRENT REVENUE PROJECTION 2018

1. Opening Balance	10,000,000,000.00
2. Internally Generated Revenue	42,820,096,876.11

3. Statutory Allocation from Federation Account	<u>34,810,814,484.75</u>
	<u>N87,630,931,360.86</u>

B. RECURRENT EXPENDITURE ESTIMATES 2018

1. Public Debt Charges (Repayment)	4,307,330,421.24
2. Consolidated Revenue Fund Charges	1,293,367,538.00
3. Personnel Cost	40,898,859,821.93
4. Overhead Cost	44,542,138,230.02
5. 10% Statutory Transfer to Local Government Councils	<u>400,000,000.00</u>
	<u>N85,440,998,051.95</u>

C. TRANSFER TO CAPITAL BUDGET

Recurrent Revenue	<u>87,630,931,360.86</u>
Less Recurrent Expenditure	<u>85,440,998,051.95</u>
Recurrent Budget Surplus	<u>N2,189,913,308.91</u>

D. CAPITAL ACCOUNTS FUNDS 2018

1. Transfer from Recurrent Budget Surplus	2,189,913,308.91
2. Value Added Tax	13,294,559,591.54
3. Internal Loans	820,420,000.00
4. External Loans	89,094,959,566.18
5. Internal Grants	9,363,299,057.61
6. External Grants	4,538,558,050.00
7. Sale of Government Quarters	<u>11,607,466,286.36</u>
	<u>N131,109,175,860.60</u>

E. CAPITAL EXPENDITURE ESTIMATES 2018

The sum of N131,109,175,860.60 has been allocated as Draft Capital Estimates across sectors as follows:

Economic Sector

Agriculture and Forestry	4,013,798,115.48
Commerce, Industry and Tourism	1,113,265,626.16
Rural and Community Development	5,112,347,400.59
Works, Housing and Transport	<u>28,393,245,375.27</u>
Economic Sector:	<u>38,632,656,517.50</u>

Social Sector

Education	33,008,940,822.65
Health	17,522,174,630.75
Social Development	<u>941,472,400.00</u>
Social Sector:	51,472,587,853.40

Regional Sector

Environment and Natural Resources	3,455,946,260.00
Water Resources	<u>11,211,327,690.59</u>
Regional Sector:	14,667,273,950.59

General Administration

Executive	20,238,895,141.92
Governance	3,203,067,000.00
Law and Justice	2,348,374,667.20
Legislature	<u>546,320,730.00</u>
General Administration	26,336,657,539.12

Grand Total - Capital **N131,109,175,860.60**

RECURRENT AND CAPITAL **N216,550,173,912.55**

29. Mr. Speaker, Honourable Members, at N51.4bn, the Social Sector, comprising Education, Health and Social Development, once again takes 39.2%, the largest proportion of the capital budget. With N33bn, Education alone is 25% of the Capital Budget, while Health at N17bn takes 12%. This is in accord with our manifesto commitments and our desire to promote social justice through these vehicles of human capital development. The entire capital budget is itself only slightly less than the N131.4bn proposed for 2017, showing consistency and realism.

30. Mr. Speaker, Honourable Members, you have kindly passed the law establishing the Kaduna State Roads Agency (KADRA) which has the mandate to construct and maintain all roads in the state. A relatively big budget is proposed for this new agency because all township, rural roads and road-related infrastructure have been pulled into KADRA's budget.
31. In 2018, we will be energizing our push for more jobs through a programme of infrastructure development for job creation. The main objective of this proposed N2.3bn budget item is to curate massive job-generating opportunities in small packages that can affect the lives of our people faster. We hope to spend most of these resources in labour-intensive projects to secure public land and facilities in every local government in the state, to kick-start community collaboration and job creation efforts.
32. There is increased vote for the Ministry of Justice. This is to cater for the recruitment of 50 new lawyers in 2018, in addition to 20 that were employed in 2017, fund the Witness Protection programme and enhance the ability to hire external lawyers. With this new batch of lawyers, the government will appeal any court order, ruling or judgment on which it believes it has a strong case. These appeals, in civil and criminal matters, will be pursued up to the Supreme Court as our contribution to developing the law. We are pursuing the construction of more courts so that we can increase the number of High Court judges and reduce their

currently excessive workload. Kaduna State needs at least 40 high court judges and we will pursue this goal in collaboration with the judicial leadership.

33. Mr. Speaker, Honourable Members, we can take great pride in the fact that this legislature, the people's House, has been very hard working and productive. And we have seen the value being added by the training and study tours members have undertaken. There is need to do more, and this budget proposal for 2018 provides for this.

34. This House has in 2017 passed significant legislation, including the Mortgage Foreclosure, the Penal Code, the Administration of Criminal Justice and School-Based Management Committee laws. In 2018, we shall be approaching you with further implementation of our legislative agenda, which would include the following bills for consideration and enactment of:

1. Anti-Corruption Law;
2. Audit Law;
3. Whistleblower Law;
4. Community-based Hospital Management Law;
5. Persons with Disability (Protection) Law;
6. Prohibition of Illegal Entry and Forceful Occupation of Land Law;
7. Forestry Law;
8. Livestock and Dairy Regulation Law;
9. Social Protection Law;

10. Town and Country Planning Law;

35. Mr. Speaker, Honourable Members, a commitment to social justice has inspired the policies of this government. We have been innovating not merely for the pleasure of it, but because we needed to reorient the purpose of government. In the last two and half-years, we have put the people back at the centre of governance, pushing capital spending to record highs and investing in Education and Healthcare as vehicles for human capital development, and thus promoting equality of opportunity.

36. In cutting waste and redirecting public spending, we have not shied away from doing what is significant and consequential for the future of our state. For instance, while the state government happily supports our 32 graded emirs and chiefs, we have reduced the number of districts from 390 to 77 to enhance the capacity of the local government councils that fund them to survive and undertake capital projects that improve the well-being of the people. In 2015, when the Deputy Governor and I offered to take a 50% cut in salaries and allowances, drastically reduced the number of ministries and commissioners, and refrained from appointing the hundreds of special advisers and special assistants that used to be the norm, we signaled that we will cut fat wherever we can and will not be deterred by misplaced notions of elite entitlement.

37. Mr Speaker, Honourable Members, to us, Change is not a slogan to win elections! Change represents the hard work required to refocus our state on a path of progress. Many times, the decisions we take offer us no political advantages in a polity long accustomed to the false allure of populism. But we do what is necessary, not minding the direct impact on us, but conscious of the dire consequences of inaction for our people. It is irresponsible not to act when most of our primary school teachers cannot score 75% in a Class Four examination or to shrink from verifying workers and pensioners because those affected will scream and make the world believe that nobody is being paid any salary or pension! The APC got elected in 2015 because the people believe that while the one-time ruling party planned and schemed only to win the next election, we would plan for the welfare of the next generation.

38. Our focus on infrastructure is delivering new roads and expanded access to potable water. Despite a climate of orchestrated negativity, investors are responding to our considerable efforts to improve the Ease of Doing Business in our state and to leverage on our sectors of comparative advantage. Our efforts to reform and effect meaningful change are receiving deserved recognition for vision and positive impact on people. The United Nations honoured us at the last General Assembly by making our state the only sub-national to present a report on the Sustainable Development Goals (SDGs). The IMF refer to our state

as the model case for implementing Treasury Single Account policy.

39. Mr. Speaker, Honourable Members, I wish to appeal to all adult residents of this state to begin paying the N100 annual Development Levy. It is a tiny sum, but paying it represents a mighty civic contribution. The Ministry of Finance will also be more efficient in issuing demand notices for Land Use Charge in 2018. I urge all citizens to do their duty in promptly discharging their obligations on income tax, ground rent, land use charge and other taxes and levies. It is these contributions that convince us that you will demand greater accountability from all public servants – whether elected or appointed.

40. This government continues to promote peace and harmony, as part of a determination to reject the legacy of violent strife that has hobbled this state. We are tackling security challenges with the resources at our disposal. We have contained the despicable attempts made late in 2016 and early 2017 to tear our communities apart with the rhetoric and violence of ethno-religious division. The message is out there that conflict does not pay, and that nobody can expect any reward or settlement for stirring strife, except arrest, detention and a date with a judge!

41. The Executive branch has supported SIECOM with all the financial requirements to conduct local government election using Electronic Voting Machines. We welcomed SIECOM's release of the

timetable for the elections, before the House caused a postponement of the polls. I urge the House to promptly pass the relevant laws so that this exercise in local democracy can take place promptly.

42. We have received firm support from development partners for our efforts to implement progressive undertakings for our people. We are grateful to the United Nations system in Nigeria, DFID, the World Bank/IMF, the Bill & Melinda Gates Foundation, Dangote Foundation, and many others. We took on voluntary commitments to Open Budgeting in 2015. This year, we became the first Nigerian state to sign up to the Open Government Partnership.

43. The Federal Government of Nigeria (FGN) and its agencies have been eager partners of ours as we try to make this sub-national level to work for our people. The FGN is supporting states, including ours, with Social Investment Programmes, budget support and making strides on the economy, security and the anti-corruption fronts that will ultimately rebound in favour of sub-nationals. The FGN's vote of confidence in choosing Kaduna as alternative airport during the closure of Abuja airport has yielded massive dividends for our state. We built a new 5.2km road to link the airport and the train station. And the only international airline that used Kaduna as base decided to stay! We thank Ethiopian Airlines for linking us to its 100 global destinations, and look

forward to attracting more domestic and international airlines to fly out of Kaduna.

44. Mr. Speaker, Honourable Members, the hard work of governance continues despite the attempt to distract us with politics. The Kaduna State Government will stay focused on delivering on our promises. We shall not relent in promoting development and progress for the people who have invested their hopes and dreams in us. We took office at a difficult moment, but we have embraced it as an opportunity for lasting reform. Let us continue to work together in the service of our people.

45. Thank you, Mr. Speaker and Honourable Members, for your dedication and your service. May God bless this state that we call home. And may God bless our country.