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2022 Budget: A Commitment To Repositioning The Economy On Growth, Resilience

- **Defence, Education, Health, Women, Youths, Social Development Favoured**

To underscore President Muhammadu Buhari's administration's commitment to firmly return Nigeria to a January-Decemebr budget cycle, the federal government's 2022 Budget of Economic Growth and Sustainability is expected to reposition the country's economy on the path of growth and resilience. ***Tony Tagbo, Felix Omoh-Asun,*** *and* ***Musa Ibrahim*** *write.*

Justifying why the revised 2022-2024 Medium Term expenditure Framework (MTEF) was increased, the Federal government argued that it was necessitated by the need to reflect the new fiscal terms in the Petroleum Industry Act (PIA) 2021, as well as other critical expenditures in the 2022 budget.

President Muhammadu Buhari had in a letter to the Senate dated October 4, 2021, explained that the underlying drivers of the 2022 fiscal projections, such as oil price benchmark, oil production volume, exchange rate, gross domestic product (GDP) growth, and inflation rate reflect emergent realities and the macroeconomic outlook, and remain unchanged as in the previously approved 2022-2024 Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF-FSP).

The President had

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Mrs. Zainab Ahmed, Minister of Finance, Budget and National Planning, and Director-General, Budget Office of the Federation, at the 2022 budget presentation

Fintech Companies Attracted Over $500m In 5yrs
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FG To Tackle Illicit Financial Flow In Nigeria
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NES#27 Is To Galvanise, Prioritise Pursuit Of Nigerian Economic Growth – Agba
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NDIC's Drive For Digital Banking Protecting Customers' Deposits, Encouraging Financial Inclusion
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FG Projects N350trn To Fund 2021-25 National Development Plan

Ikechukwu Samuel

Minister of State for Budget and National Planning, Prince Clem Ikanade Agba, said on Wednesday, October 13, 2021, that the federal government had projected the funding requirement for the National Development Plan (2021-2025) at N350 trillion.

Prince Agba made this disclosure at a press briefing in Abuja where he announced the 27th National Economic Summit (#27NES). He said the amount had been captured in the 2022 budget.

Themed: "Building Partnership for Resilience", the 27th NES is billed to commence on October 25, 2021 in Abuja.

Agba explained that out of the amount, N300 trillion would come from the private sector while N50 trillion would come from the government.

"The N50 trillion is with regards to funding requirements for the National Development Plan capital projects for 2021 to 2025.

"With the projects that have been projected and costed, there will be a requirement of about N350 trillion and out of this, N300 trillion is expected to flow in from the organised private sector in terms of investments and all of that.

"And the government will be contributing about N50 trillion. The government here is federal and states. The portion of federal government is about N30 trillion. For the state (sub-nationals) it is about N20 trillion," he said.

The minister also

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Treasury House

OFFICE OF THE ACCOUNTANT GENERAL OF THE FEDERATION

Government Will Deal With IPPIS Role Players Involved In Infraction - *AGF Idris*

Integrated Payroll and Personnel Information System (IPPIS) Role Players in Ministries, Departments and Agencies (MDAs) will be held responsible for their activities on the IPPIS platform and any of them that is culpable in infraction will be dealt with decisively according to the laws by the government.

This warning was handed down by the Accountant General of the Federation, Ahmed Idris FCNA at the final phase of the nationwide training for IPPIS Role Players held in Minna, Niger State.

In a speech at the training, Idris said, "Let me remind you that there is no room for compromise and the government will deal decisively with any Role Player involved in any kind of infraction. Your schedule is a trust and you are expected to be above board".

IPPIS Role Players are staff of Ministries, Departments and Agencies (MDAs)including tertiary institutions and the Police that have been granted access to carry out certain roles on the centralised IPPIS platform. Recently, the Office of the Accountant General of the Federation announced the decentralisation of the operations of the IPPIS, an action aimed at enabling Ministries, Departments, Agencies, tertiary institutions and the Police to handle some issues in their payroll without necessarily having to come to the IPPIS headquarters in Abuja.

The Accountant General of the Federation, who was represented at the occasion, reminded the IPPIS Role Players that they are an important part of the complex machinery meant to sustain a flawless payroll system and advised that they should be honest, diligent and correctly apply the ideas gained at the training in carrying out the responsibility assigned to them.

On the Presidential directive that all government personnel should be enrolled on the IPPIS, Idris maintained that although some individuals and associations have attempted to discredit the policy, a large percentage of government personnel have been enrolled on the IPPIS platform. He assured that more efforts will be made to get the remaining government employees onto the IPPIS platform.

In his remarks at the closing of the training, the Director (IPPIS), Dr. Ben Nsikak FCA appreciated the Accountant General of the Federation for approving the training exercise.

He expressed optimism that with the training, the IPPIS Role Players have been adequately equipped to carry out updates and variations in their payroll and advised the Role Players to limit themselves to the activities that are expected of them.

"At the back end, you can carry out updates, however there are updates that you are not entitled to do at the back end like updating date of first appointment and date of birth. Limit yourselves to the activities that you are expected to do", he said.

He explained that in order to checkmate the abuse of the processes, updates and variations carried out by the Role Players are to be reviewed by internal auditors in the respective MDAs. Furthermore, the accounting officers in the MDAs are to sign up and take responsibility for whatever updates have been carried out.

While reechoeing the need for the Role Players to be alive to their responsibility, Dr. Nsikak confirmed that if and when an anomaly is observed, such would be easily traced back to the individual concerned through the audit trail.

The nationwide training has been successfully held in the six geopolitical zones for IPPIS Role Players in various geopolitical zones of the country.

Signed

Henshaw Ogubike mnipr
Director (Information, Press and Public Relations)

Open Transparency Portal: Information On Government Financial Transactions Now Accesible - *AGF Idris*

Through the Open Transparency Portal (OTP) recently inaugurated by the Federal Government, information on financial transactions by Ministries, Departments and Agencies (MDAs) are readily available and can be easily accessed.

The Accountant General of the Federation, Ahmed Idris FCNA made this known while addressing the Governing Council of the Federal University of Technology Akure, led on a courtesy visit to him by the Pro Chancellor/Chairman, Governing Council of the institution, Ambassador (Dr.) Godknows Igali OON.

According to him, "through the Open Treasury Portal, financial transactions by agencies can be seen clearly by whoever desires their pattern of expenditure, their funding and the authority behind a specific expenditure. Interested individuals, organisations and investigative agencies can now get on the Open Transparency Portal (OTP) and see for themselves all the information they need concerning patterns on expenditure".

While recounting the successes recorded by the various financial management reform initiatives of the Government, Idris noted that the Open Transparency Portal (OTP) has further demonstrated the Federal Government's commitment to transparency, accountability and efficient management of public finances.

He congratulated the Chairman and members of the Governing Council of the institution on their appointment and expressed optimism that their presence on the Board will add value in no small measure to the development of the institution.

In his response to a request by the Governing Council for partnership with the Treasury, the Accountant General of the Federation noted that such partnership will be of mutual benefit to both organisations.

He said officials of the Office of the Accountant General of the Federation will sit with key personnel of the institution to map out strategies for effective partnership and expressed the readiness of his Office to let the institution make use of the Treasury Academy, Orozo as its Abuja study centre.

In his remarks, the Pro Chancellor/Chairman, Governing Council of the Federal University of Technology Akure, Ambassador Godknows Igali, said the Council will work hard to fulfil the charge by the President that universities should be problem-solvers.

He commended the Accountant General of the Federation for the successes recorded in the implementation of the various reforms initiatives and proposed close working relationship between the university and the Treasury.

The Accountant General of the Federation, **Ahmed Idris**, FCNA

FAAC: **FG, States, LGCs Share ₦696.965bn for August, 2021**

Federation Accounts Allocation Committee (FAAC) Share:

₦289.257bn Federal Government

₦217.183bn State Government

₦696.965 billion

₦161.541bn Local Government

₦28.984bn Relevant States at 13% of Derivation Revenue

Statutory Revenue ₦477.504bn

Value Added Tax (VAT) ₦166.228bn

Exchange Gain ₦2.830bn

Excess Bank Charges ₦0.403bn

Non-Oil Revenue ₦50bn

Cost Of Collection, Statutory Transfers And Refunds ₦72.295bn

The balance in the Excess Crude Account (ECA) $60.857mn

Value Added Tax (VAT)

Gross VAT ₦178.509bn

Increase ₦151.134bn

JULY ₦27.375bn

Allocation To NEDC ₦5.141bn

₦7.140bn Cost Of Revenue Collection

Distributable Value Added Tax (VAT) Revenue

₦166.228bn

State Government ₦83.114bn

Local Government Councils ₦58.180bn

Federal Government ₦24.934bn

Statutory Revenue Distribution

₦477.504bn

Federal Government ₦236.437bn

State Government ₦119.924bn

Local Government Councils ₦92.456bn

Derivation ₦28.687bn Relevant States at 13% Derivation Revenue

Exchange Gain Revenue ₦2.830bn

Federal Government ₦1.334bn

State Government ₦0.677bn

Local Government Councils ₦0.522bn

Relevant State as 13% Derivation Revenue ₦0.297bn

Excess Bank Charges - ₦0.403bn

Federal Government ₦0.212bn | State Government ₦0.108bn | Local Government Councils ₦0.083bn

Non-Oil Revenue - ₦50bn

Federal Government ₦26.340bn | State Government ₦13.360bn | Local Government Councils ₦10.300bn

According to the Communiqué, in the month of August 2021, Value Added Tax (VAT) and Import Duty increased significantly, while Petroleum Profit Tax (PPT), Companies Income Tax (CIT), Oil and Gas Royalties and Excise Duty recorded decreases.

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2022 Budget: A Commitment To Repositioning The Economy...

sought the approval of the National Assembly to increase the 2022 appropriation bill from N13.98 trillion to N16.45 trillion in a revised 2022-2024 Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF-FSP) amendment forwarded to the legislative arm.

According to him, "the fiscal effects of Petroleum Industry Act (PIA) implementation are assumed to kick in by mid-year 2022. The revised 2022-2024 Fiscal Framework is premised on hybrid of January-June (based on current fiscal regime) and July-December (based on PIA fiscal regime), while 2023 and 2024 are now fully based on the PIA".

Arising from this and other critical expenditure that should be accommodated in the 2022 appropriation bill, the President explained that changes in the projections in the framework included a N341.87 billion decrease in gross revenue projection from N8.870 trillion to N8.528 trillion.

He also said that the federal government's aggregate expenditure (including government owned enterprises (GOEs) and project-tied loans) was projected to increase by N2.47 trillion, from N13.98 trillion to N16.45 trillion.

President Buhari further explained that there was a N100 billion additional provision for Independent National Electoral Commission (INEC) to prepare for 2023 general elections in the country.

The letter, which was read at Tuesday Plenary in the two chambers by Deputy Senate President, Senator Ovie Omo-Agege who presided at Senate plenary, and House Speaker, Hon Femi Gbajabiamila, read in part, "It is with pleasure that we forward the Revised 2022-2024 MTEF for the kind consideration and approval of the House of Representatives. The fiscal effects of PIA implementation are assumed to kick in by mid-year 2022.

"The revised 2022-24 Fiscal Framework is premised on hybrid of January-June (based on current fiscal regime) and July-December (based on PIA fiscal regime), while 2023 and 2024 are now fully based on the PIA.

"The provision of N54 billion to National Agency For Science And Engineering Infrastructure (NASENI) which represents one percent federal government of Nigeria Share of Federation Account. Additional provision of N510 billion in the Service Wide Votes to cater for National Poverty Reduction with Growth Strategy (N300 billion), Police Operations Fund (N50 billion), Hazard Allowance for Health workers (N50 billion), Public Service Wage Adjustments (additional N80 billion), and Ministries departments and agencies (MDAs') Electricity Bills Debt (additional N37 billion).

"Additional Capital provision of N1.70 trillion, attributed to projected increases in Capital Supplementation by N179.1 billion, GOEs Capital by N222.1 billion; Tertiary Education Trust Fund (TETFUND) Expenditure by N290.7 billion; Multilateral/Bilateral Project-tied Loans by N517.5 billon, and MDAs' Capital Expenditure by N390.5 billon (including N178.1 billion provision for population and housing census to be carried out in 2022.

"The Aggregate Deficit (inclusive of GOEs and Project-tied Loans) is projected to increase by N692.0 billion or to 3.42 percent of GDP from 3.05 percent of GDP. I herewith forward the Revised 2022-2024 MTEF. As the 2022 budget of the federal government will be prepared based on the parameters and fiscal assumptions of the approved Revised 2022-2024 MTEF. I seek the cooperation of the National Assembly for expeditious legislative action on the submission", he added.

The federal government hinted of its plan to borrow more to finance the N6.258 trillion deficit in the proposed 2022 budget.

According to the Honourable Minister of Finance, Budget and National Planning, Mrs Zainab Ahmed, the administration would continue to borrow to fund infrastructure projects as the government does not get much from its revenue sources.

Justifying government's position, Honourable Minister of Finance, Budget and National Planning, Mrs Zainab Ahmed, said that Nigeria's revenue could barely accommodate services, noting that despite the concerns, its borrowings are still within acceptable limits as the total money borrowed as at July 22 was 23 percent of the Gross Domestic Product (GDP).

"If we just depend on the revenues that we get, even though our revenues have increased, the operational expenditure of government, including salaries and other overheads, is barely covered or swallowed up by the revenue. So, we need to borrow to be able to build these projects that will ensure that we are able to develop on a sustainable basis.

"Nigeria's borrowing has been of great concern and has elicited a lot of discussions. But, if you look at the total size of the borrowing, it is still within healthy and sustainable limits. As at July 2021, the total borrowing was 23 percent of GDP. When you compare our borrowing to other countries, we are the lowest within the region, lowest compared to Egypt, South Africa, Brazil, Mexico and Angola.

"We do have a problem of revenue. Our revenues have been increasing. We just reported to Federal Executive Council (FEC) that our revenues from non-oil has performed, as July, at the rate of 111 percent, which means outperforming the prorated budget.

"But our expenditure, especially staff emoluments, have been increasing at a very fast rate, making it difficult to cope with funding of government.

"So, what we have to do is a combination of cutting down our cost, as well as increasing revenue to be able to cope with all that is required for government to do, including salaries, pensions, debt service and capital expenditure."

The Honourable Minister also noted the changes in the 2022-2024 fiscal projections based on implementation of the Petroleum Industry Act (PIA) 2021 and other necessary expenditures that should be accommodated in the 2022 budget.

She predicated the key assumptions and targets underlying the budget provisions to include oil price at $57 per barrel; oil production at 1.88mbpd; exchange rate at N410.15/US$; oil revenue at N3.15 trillion and non-oil revenue at N2.13 trillion.

Other assumptions are federal government's independent revenue of N1.82 trillion; total projected Federal Government revenue of N10.13 trillion; debt service of N3.61 trillion; statutory transfers of N768.28 billion (including N462.53 billion capital component) and personnel costs and pensions of N4.69 trillion.

"The resultant deficit of N6.258 trillion will be financed by new borrowings of N5.012 trillion; drawdowns on Project-tied Multilateral/Bilateral loans – N1.156 trillion; and privatisation proceeds of N90.73 billion," she stated.

The Senate, in its recommendation, approved the aggregate expenditure of N16.39 trillion from the previous N13.98 trillion for next year.

Nigeria has, in recent years, adopted an expansionary fiscal stance while the revenue mobilisation capacity has either contracted or remained stagnant. In many cases, projected fiscal deficits exceeded projected shortfalls by as much as close to 100 percent as revenues dip.

Mrs. Zainab Ahmed, Minister of Finance, Budget and National Planning, and Minister of Information and Culture, Alhaji Lai Mohammed, at the 2022 budget presentation

> *On the expected impact, Ahmed said the 2022 budget estimate is expected to further accelerate the recovery of our economy; attain more inclusive GDP growth that would lift millions of our citizens out of poverty*

According to the performance document just released by the Budget Office of the Federation, half-year actual revenue was 20 percent short of the estimated N4.2 trillion the federal government aspires to realise.

Within the six months, the government's total revenue generated was N3.38 trillion. But, for the accruable revenue from the value-added tax (VAT), which was eight percent above the targeted N1.7 trillion, the shortfall would be worse.

The revenue and expenditure outturn of the federal government resulted in a fiscal deficit of N3.5 trillion (4.4 percent of prorate GDP) in the first half of 2021. This was N1.038 trillion (42.5 percent) above the projected half-year deficit of N2.4 trillion.

It was also above the N2.8 trillion deficits posted in the first half of 2020. The Budget Office said the deficit was financed through domestic borrowing of N1.2 trillion thereby reflecting negative net financing of N2.2 trillion. This has been the trend in recent years.

In 2020, less than 51 percent of N10.8 trillion targeted total revenue was achieved. The 49.4 percent shortfall shot up the projected fiscal deficit of N6.6 trillion. The amount was N2 trillion or 43 higher than the projected fiscal deficit of N4.6 trillion for the year. The 2020 fiscal deficit was also higher than the N4.2 trillion recorded in 2019.

Meanwhile, federal government has prioritised spending on defence and security, infrastructure and education with the sectors getting a combined N5.15 trillion allocation in the 2022 budget proposal.

From the proposal, defence and security got N2.41 trillion (15 percent); infrastructure N1.45 trillion (8.9 percent); education N1.29 trillion (7.9 percent); health N820 billion (5 percent) and Social Development and Poverty Eradication N863 billion (5.3 percent) of the entire allocation.

Mrs. Ahmed disclosed this at the public presentation and breakdown of the highlights of the 2022 Appropriation Bill.

A breakdown of N16.39 trillion estimated budget shows that recurrent spending for the projected year is N6.83 trillion, repressing 41.7percent of total expenditure and 18.5 percent higher than the 2021 budget.

From the estimate, aggregate capital expenditure of N5.35 trillion is earmarked, representing 32.7 percent of total expenditure.

This provision is inclusive of capital components of statutory transfers, Government Owned Enterprises capital

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The Nigeria Deposit Insurance Corporation (NDIC) is an agency of government of the Federal Republic of Nigeria. It was established in 1988 and is responsible for administering deposit insurance in the country. It protects depositors and guarantees payment of insured funds in the event of failure of an insured licenced deposit-taking financial institution, thereby helping to maintain stability in the financial system.

The NDIC's Public Policy Objectives (PPOs) are: To Protect depositors by providing an orderly means of compensation in the event of failure of an insured financial institution; Enhance public confidence by providing a framework for the resolution and orderly exit of failing and failed financial institutions; and Contribute to financial system stability by making incidence of bank runs less likely. The NDIC had achieved these PPOs through the implementation of its following Mandates:

DEPOSIT GUARANTEE

Insurance of deposit liabilities of licensed deposit-taking financial institutions (banks) and guaranteeing payment to a maximum amount as stipulated in the NDIC Act, in the event of failure of a licensed financial institution. Thus, the sum of N500,000.00 or US$1,613 is paid to each depositor of Deposit Money Bank, Primary Mortgage Bank and Non-Interest Bank while the sum of N200,000.00 or US$645 is paid to each depositor of a Micro-Finance Bank;

BANK SUPERVISION

Supervision of banks to reduce the potential risk of failure, ensure effective payment system and healthy competition in the banking system; hence contributing to financial system stability;

DISTRESS RESOLUTION

Provision of financial and technical assistance to failing or distressed eligible insured institutions, in the interest of depositors; and

BANK LIQUIDATION

Orderly and efficient closure of failed institutions with minimal disruption to the banking and payment system.

NDIC's activities over the years had contributed to the development of the Nigerian economy through the promotion of soundness and safety of the banking system thereby enhancing confidence in the country's financial system.

More adult Nigerians now have access to formal financial services and are deriving numerous benefits through access to savings, credits, insurance and pension. NDIC, in collaboration with other Safety-net Players such as the Central Bank of Nigiera (CBN), has contributed to reducing the percentage of adult Nigerians that do not have acess to financial services from 46.30% in 2010 to 39.50% in 2014 (EFInA Financial Inclusion Study, 2014) in line with the Financial Inclusion policy of the Federal Government.

NDIC is also involved in social and developmental endeavours. Over the years, it has supported many community-based projects. Most of the projects were in the areas of Education and Human Capital Development.

> "ENGENDERING CONFIDENCE IN THE BANKING SYSTEM, PROMOTING FINANCIAL INCLUSION AND EXCELLENT IN CORPORATE SOCIAL RESONSIBILITY ACTIVITIES TOWARDS SUSTAINABLE DEVELOPMENT IN NIGERIA"

OUR CORE MANDATES

- → Deposit Guarantee
- → Bank Supervision
- → Distress Resolution
- → Bank Liquidation

DBN and the Quest for MSMEs Development in Nigeria

Musa Ibrahim

Tony Okpanachi, Chief Executive Officer, DBN

Nigerian Micro, Small and Medium Enterprises (MSMEs) are considered the backbone of the economy as they contribute largely to about half of the country's gross domestic product (GDP), data from the National Bureau of Statistics has shown.

The role of MSMEs in enhancing economic growth and development has, over time, been widely acknowledged globally.

MSMEs contribute to the economy by creating value through the production of goods and services, thus enhancing the GDP. They also generate employment by creating much-needed jobs in the economy, as well as expanding the export sector largely through linkages with large firms that produce for the foreign sector.

However, over the years, one of the major challenges has been funding for the MSME sector to promote their development which will in turn contribute significantly to the economy.

In Nigeria, there are over 37 million MSMEs contributing to over 50 percent of Nigeria's GDP.

However, less than five percent of these businesses have access to credit in the financial system."

To bridge this funding gap, the Development Bank of Nigeria was established with the sole purpose of providing funding to boost the MSMEs sector.

In fulfilling their mandate, the DBN under the leadership of Mr. Tony Okpanachi, has embarked on a series of capacity building and funding activities to drive growth and development of the sector.

Recently, it organised a leadership summit for MSMEs, which provides a platform for a robust exchange of ideas to meet the challenges and opportunities that exist in the MSMEs segment of the economy.

It also plays a catalytic role in providing funding and risk-sharing facilities by incentivising financial institutions, predominantly Deposit-Money and Microfinance Banks, and augmenting their capacity and by providing them with funding facilities designed to meet the needs of these smaller clients.

In a major feat, the DBN recently announced that it has disbursed a total of N400 billion to MSMEs in the country in the past four years.

This is even as the African Export-Import Bank (Afrexim bank) stated that 62 percent of women-led SMEs have been adversely impacted by the COVID-19 pandemic, while between 27 percent and 30 percent of SMEs owned by men were affected.

During the disbursement, DBN managing director explained that "As a bank, we have championed this cause through all our three mandates of providing long term financing, capacity building and partial credit guarantees over the years.

Since commencing operations in 2017, we have disbursed over N400 billion in loans to over 150,000 Nigerian SMEs out of which 27 percent are women-owned and 26 percent men-owned businesses respectively. This has led to the creation of over 130,000 jobs.

He noted that in 2020 alone, the sum of N190 billion was disbursed through 19 participating financial institutions (PFIs) out of which N9.8 billion was to 6,935 first-time borrowers, N5.7 billion to 9,066 youths, and N11.8 billion to 25,171 women-owned businesses.

Cumulatively, he said, 83 per cent reported an increase in their sales after obtaining the loan, while 48 per cent were able to increase their staff strength after receiving the facility.

Additionally, 125 MSMEs were also trained as part of the bank's capacity-building initiative through the DBN entrepreneurship training programme, which was held in Abuja and Lagos.

Okpanachi disclosed that the 2021 DBN training programme has commenced and is financed by the bank under the platform of Enterprise Development Centre, Pan-Atlantic University, Google and Wider Perspectives Ltd.

> *It is at times as this that our mandate at the Development Bank of Nigeria Plc has captured in our vision which is to facilitate sustainable socio-economic development through the provision of finance to Nigerians on sound SMEs through eligible financial intermediaries*

On why the bank shows interest in SMEs, he explained that this was because "big things have small beginnings".

The DBN boss said: "It is at times as this that our mandate at the DBN has captured in our vision which is to facilitate sustainable socio-economic development through the provision of finance to Nigerians on sound SMEs through eligible financial intermediaries."

In his remarks, the Chairman of the Board of the DBN, Shehu Yahaya, said over the years, the bank has focused on avenues to make SMEs thrive.

He alluded to DBN's five-year strategic plan, which includes expanding its reach, advocating for MSMEs and expanding its capacity, among others, adding that this has become more crucial in the face of difficulties in the country.

Also speaking, the President and Chairman, Board of Directors, African Export–Import Bank, Prof. Benedict Oramah, said that the impact of the COVID-19 pandemic on SMEs called for more concentration on SME funding's.

Oramah, who was represented by Afrexim bank's Executive Vice-President, Finance, Administration and Banking Services, Denys Denya, said 62 percent of women-led small businesses have been strongly impacted by the pandemic, while between 27 percent and 30 percent of SMEs owned by men were impacted.

Celebrating Worthy Partners in Progress

In view of the fact that synergy between private and public sector is crucial in economic growth the DBN has also acknowledged the need for collaborations with financial institutions to drive growth.

As such, in commemoration of the 2021 Customers Service Week, DBN celebrated its participating financial institutions (PFIs), with a Service Ambassadors Awards ceremony, to honour them with regards to their contribution to the growth of MSMEs.

At the event held in Lagos recently, Access Bank, LAPO Microfinance Bank, Fidelity Bank and First City Monument Bank received recognition awards from DBN as most active PFIs in loan disbursement to MSMEs in Nigeria for the year 2020.

Categories of awards included PFI with highest disbursement count to women, to youths, to DBN focused locations, DBN PFI with most impact in terms of total end-borrowers financed business, and special recognition awards respectively.

Presenting the awards to the recipients, the DBN boss who was represented by Mr. Bonaventure Okhaimo, Chief Operating Officer (COO), said the banks were chosen based on their performances in the metrics used for assessment by the development finance bank.

According to the citation read for Access Bank, the bank won the heart of the awarding institution for its contribution towards SMEs just as it was recognised for assisting a portfolio of over 400,000 MSMEs.

Over the past three years, Access Bank is said to have provided innovative solutions to support MSMEs by offering 20, 866 loans worth over $233m.

Besides, the bank's commitment to SMEs development has seen over 200, 000 MSMEs benefitting thus far with over 120,000 SMEs onboarded.

FCMB earned plaudits for its support for SMEs. The bank has provided over N23billion loan guarantee for SMEs.

Wema Bank earned the special recognition award as the first commercial bank to draw from the DBN financing scheme and being committed to driving growth in the MSMEs ecosystem.

Platinum Service Ambassador awards were also presented to banks and individuals.

German Government Pledges ₦101.09m For Development Programmes In Nigeria, says Agba

Imaobong Udoh

The government of the Republic of Germany has pledged €101.09m for development programmes in Nigeria.

Minister of State, Budget and National Planning, Prince Clem Ikanade Agba, disclosed this at the bilateral negotiations meeting on development cooperation between the governments of the Federal Republic of Nigeria and Federal Republic of Germany, held recently, in Abuja.

Agba acknowledged the continuous support and interventions of the government of Germany in Nigeria as well as the cordial bilateral relations between the countries since Nigeria's independence, 61 years ago.

The minister said that the government of Germany had pledged one million COVID vaccines to Nigeria as part of its assistance towards combating the COVID-19 pandemic.

He noted that the donation would further help the Nigerian government succeed during health crises.

Agba further disclosed that the Nigerian government was in the process of publishing a new/mid-term Economic Development and Recovery Plan.

During the negotiations, both sides agreed on three core areas of cooperation which are:

- Training and sustainable growth for decent jobs with a dual focus on (a) promoting a demand-driven vocational and educational training system and (b) on employers by supporting Micro/small/ medium-sized (MSMEs) enterprises through training and access to financial services, promoting private financial investment opportunities and promoting the digitalization of the economy. This also includes measures directed towards the reintegration of returning migrants as well as the promotion of a digital economy;
- A world without hunger with a focus on agriculture and food security; and,
- Responsibility for our planet – climate and energy with a focus on renewable energies and energy efficiency.

The summary record of the bilateral negotiations was signed by the Head of Nigerian delegation, Prince Agba, and Lars Wilke, Director, West Africa, Federal Ministry for Economic cooperation and Development, Bonn.

Prince Clem Ikanade Agba, Honorable Minister of State, Budget and National Planning, and Germany's Azande Tschabo, Senior Policy Officer for West Africa II, Federal Ministry of Economic Cooperation and Development.

Also speaking at the event, Lars Wilke said Nigeria was a young nation by age and the prospects for higher economic growth existed due to a young population entering working age.

He said to make the best use of a demographic dividend, investments the Nigerian education and health system were needed.

Nigeria was a young nation by age and the prospects for higher economic growth existed due to a young population entering working age

Lars further stressed that Nigeria was the biggest member state of the Economic Community of Western African States (ECOWAS); adding that without Nigeria, a peaceful and prosperous development in Africa, especially Western Africa was impossible.

The Deputy Head of Mission, German Embassy to Nigeria and ECOWAS, Abuja Helmut Kulitz also said at the event that "the fight for Independence was won 61 years ago but another fight for independence continues in Nigeria", namely: the fight for independence from fear, poverty and insecurity.

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FG Projects N350trn To Fund 2021-25 National...

explained that with the downward movement of inflation, the nation was on the positive trajectory.

In response to a question, he offered these clarifications: "What I said was that for 17 months, inflation was rising and in the last five months, it is still on a downward trend. For 17 years, it rose to 18.7 per cent. Currently, it is at 17.1 per cent. It is declining. And in the last one month, inflation also reduced for the first time. It shows that we are moving in the positive trajectory."

He said that the measures put in place by government were enough to put Nigeria on a positive economic trajectory.

Read him: "Measures put in place by the government of Nigeria have ensured that both health and economic data have continued to be on the positive trajectory. Nigeria's Gross Domestic Product (GDP) grew by 5.01 per cent (year-on-year) in real terms in the second quarter of 2021.

"The Q2 2021 growth rate was higher than the -6.10 per cent decline recorded in Q2 2020 and the 0.51 per cent growth recorded in Q1 2021 year-on-year, indicating the return of business and economic activity levels seen AfDB prior to the nationwide implementation of COVID-19-related restrictions.

"To sustain this growth trajectory, the Special-Industrial Processing Zones (SAPZs), an Initiative by African Development Bank Group, public and private sector will be established in all 36 states of Nigeria including FCT. It is a 10-year development programme to be financed under the African Development Bank (AFDB) which will guarantee steady annual growth rate of about 5 per cent over the next 10 years from year 2023.

"The private sector has capacity if pursued with desired commitment by the public and private sectors to provide 25 million permanent employments and 25 million housing.

"The plan, among others, is to add at least US$150 billion to the country's foreign reserves cumulatively from non-oil exports over the next 10 years; create at least 500,000 additional export linked jobs annually due, principally to increase in productive export activities; lift at least 10 million Nigerians out of poverty and empower each state and its people by integrating them into the export value chain.

"These efforts/initiatives, therefore, would unlock the potential of each state in the development and promotion of at least one crop for export."

The minister said that the theme of this year's Summit was designed to assess the current state of the Nigerian economy; foster a people-centred approach to refocus economic, social, and political challenges; galvanise a renewed commitment of stakeholders to urgently and actively prioritise the pursuit of economic growth that can sustainably create jobs.

Others, he said, included lifting millions out of poverty and enabling Nigeria to realise its economic potential on the global stage; and agreeing on a compact that compels stakeholders to take critical and immediate actions and institute an efficient monitoring mechanism to ensure key recommendations at the NES #27 are implemented.

The plan, among others, is to add at least US$150 billion to the country's foreign reserves cumulatively from non-oil exports over the next 10 years

In his remarks, the Chairman of Nigerian Economic Summit (NES #27), Mr Asue Ighodalo, regretted that the 27th Economic Summit was coming when the nation was facing huge economic woes which included currency devaluation, foreign exchange shortages, trade imbalances, budget deficits, mounting debts, high inflation especially food inflation and food insecurity.

Other Economic weaknesses, he noted, included "low manufacturing capacity, port inaccessibility, delays and high costs of moving goods and machinery through the ports."

EDITORIAL

Rallying Tax Revenues In Nigeria

A few years ago, low non-oil revenue mobilisation had affected the federal government's objectives to expand growth-enhancing expenditure priorities, foster higher growth and employment, and comply with its fiscal rule which limited the federal government's deficit to no more than three percent of gross domestic product (GDP). Then, it appeared there was no significant revenue potential from structural tax measures.

As a result of the above, there was need for a broad-based and comprehensive tax reform programme obviously needed in the short and medium term to address the objectives and generate sustainable revenue growth by broadening the bases of income and consumption taxes, closing loopholes and leakage created by corporate tax holidays and the widespread use of other associated tax expenditures, as well as creating incentives for the sub-national tiers of government to raise their own source revenues.

Meanwhile, Nigeria has a significantly higher revenue potential. A few empirical works show that internationally, there is a tipping point in the relationship between tax capacity and growth. A minimum tax-to-GDP ratio of a little over 12 percent is associated with a significant acceleration in the process of growth and development, and likely with changes in social norms of behaviour and state capacity.

Of course, taxation is not an end in itself, but an instrument for advancing citizens well-being as part of a well-functioning state. Therefore, tax is a core part of state-building and constitutes a visible sign of the social contract between citizens and the state, enshrining the principle of revenue for-service.

Estimates of tax potential in the past suggest that a non-oil tax capacity of 16 to 18 percent would be optimal for a country with Nigeria's economic structure and per capita income levels. The estimate implies space for additional tax collection of 12 percent of GDP.

The government authorities had in 2020 made a key development objective raising the non-oil revenue to GDP ratio three to15 percent. Both the economic recovery and growth plan (ERGP), which seeks to keep the fiscal deficit within the boundary established by the Fiscal Responsibility Act, and the draft budget emphasise the revenue target.

In recent days, it's quite apparent that increasing non-oil tax revenue could be realised through a series of tax administration initiatives (improving tax compliance, broadening the tax net, employing appropriate technology) combined with tax policy reforms (strengthening tax legislation, introduction of tax on luxury items, and other indirect taxes to capture a greater share of the informal economy).

Recent reform measures have sought to strengthen revenue collection at the federal level through information technology improvements and by expanding the number of registered taxpayers. The Federal Inland Revenue Service (FIRS) has implemented technology initiatives such as online portals for assessment and payment of stamp duties (e-stamp) which has dramatically reduced the time to register a company, the processing of tax clearance certificates (e-TCC), and the automation of withholding tax remittances by ministries, departments and agencies (MDAs).

The integrated tax administration system (ITAS) project had also been completed following its deployment in a majority of tax offices, although a major test for success remains that it also be actively used for compliance management. FIRS has also continued to expand the taxpayer register and has taken steps to create a specialised collection enforcement function and improve the integrity of the audit process. It has also continued to improve staff capacity and infrastructure.

Importantly, these measures are strengthening the foundation of tax administration, yet it appears compliance levels across all levels of tax payments still remain low. The strategy of relying on strengthened collection efforts and one-off initiatives such as the voluntary asset and income declaration scheme (VAIDS) as a first level intervention may not have been that effective in delivering higher revenues sustainably.

Additional revenue could be raised in the short term with tax and customs administration measures, one of which is strengthening the large taxpayers' offices (LTOs). Organisationally, it will be important to protect the investments that Nigeria has made in implementing taxpayer segmentation principles and allow the LTOs to focus exclusively on the administration of large tax payers.

Other measures include cleansing of taxpayer data in the LTO; updating taxpayer ledgers in ITAS and deactivating dormant taxpayers; strengthening audit and enforcement capacity by recruiting additional staff into the LTOs supported by a well-established mentoring programme, thus relying less on external auditors doing audit work; and by making full use of the recently—deployed ITAS to support the collection and audit functions.

It is in place that a comprehensive independent review of the ITAS system will be necessary to assure completeness of deployment and identify major strengths and areas in need of improvement, including strategies for transitioning fully to the automated system.

Considering initiating large scale data analysis and cross matching, using the Taxpayer Identification Number (TIN) and the Unified Taxpayer Identification Number (UTIN) as part of a broader compliance management framework, it is worth noting that data analysis and cross matching offers real potential for enhancing revenue, reducing both administrative and compliance costs, and strengthening the working relationship between the FIRS and the Nigerian Customs Service (NCS). Developing a repeatable data matching methodology for deployment, initially for a small group of data sets, will be needed.

This should be supported by legislative, policy and procedural changes to support long term data acquisition and management. This would also require further capacity development, better coordination, and progressively increasing data capture and analysis, as well as integrating the results into information systems and operational process, in particular risk assessment.

Fintech Companies Attracted Over $500m In 5yrs

- **As CBN reiterates commitment towards regulating fintech sector**

Musa Ibrahim

As the world migrated to digital platform for transactions and other related activities, the Central Bank of Nigeria (CBN) has announced that from 2015 to 2020, indigenous firms invested over $500m in Nigeria's Payment System,

CBN Governor, Mr. Godwin Emefiele, stated this at the 31st Seminar for Finance Correspondents and Business editors, which held in Enugu.

The Governor, who was represented by the Deputy Governor of the bank, Edward L. Adamu, spoke on the theme "Trends in Nigeria payments system: regulating the Fintech digital playing field."

As the global economy recovers from COVID-19, Emefiele said it is obvious that FinTech will play a more important role towards resilient and sustainable recovery.

As a country with one of the largest millennial population in the world, the apex bank boss said that Nigeria remains primed to be an active playground for digital transformation and cannot afford to ignore the Fintech challenge.

Speaking on the efforts to cushion the effect of the pandemic, Emefiele said that among other things, the Bank implemented measures aimed at reducing the risk to financial stability.

The result of these efforts, he stated includes a resilient payment system that has continued to meet the needs of households and businesses in Nigeria.

"The high level of confidence in our payment system, between 2015 and 2020, has attracted the investment of about $500m in firms run by Nigerian founders," he added.

The Governor also noted that as part of the bank's effort to drive development in the financial sector by leveraging latest technology, it will be introducing the eNaira in a few days.

Reiterating the importance of the eNaira, he said, "The CBN decided to introduce a central bank digital currency, the eNaira, which would help in attaining our goals of fostering greater inclusion using digital channels, supporting cross border payments for businesses and firms as well as providing a reliable channel for remittances inflows into the country.

"With the deployment of the eNaira, Nigerians in remote areas can conduct financial activities using their digital as well as features on phone devices. Partnering with our stakeholders in the financial industry, I believe that more Nigerians will be financially included."

He explained that the payment system in the country has evolved over the years through technological advancements and regulatory backing by the CBN to become a robust system.

He, however, pointed out that, similar to other sectors, the financial industry was impacted by the disruptions occasioned by the COVID19 pandemic which led to an accelerated shift towards digital services.

This trend, according to him, is expected to attract more investments from fintech companies, calling for an increased scrutiny by regulators to monitor developments and ensure the continuous safety and soundness of the sector.

"It is therefore imperative that Regulators must keep pace with these exponential developments and leverage new knowledge and technology tools such as Regtech and Suptech to enhance the efficiency and effectiveness of their mandate.

"From all indication, digital revolution will be a focus for Financial Institutions in the months ahead therefore making Fintechs a major driver of the industry." He concluded.

Nigeria's Fintech market is gradually expanding as more Nigerians are embracing different digital platforms to make payments.

Financial technology is basically an initiative that aims at delivering financial services to consumers – the technologies may include internet, apps, mobile phones and other technological devices.

Today, different companies are battling for customers to make payments on their platform which has multiplier effects on profit.

These companies offer services such as money transfer, depositing a check with your mobile phone, applying for credits, raising funds for business.

Topmost amongst them include Flutter wave, Interswitch, Paystack which was established in 2015 by Shola Akinlade and Ezra Olubi. It makes payment processes consistent for both consumers and the businesses they are attempting to pay.

Others include Paga which was founded in 2009 by Tayo Oviosu but launched in 2011. Through Paga, you can pay bills, make bank deposits and even pay in certain stores. It acts as a mobile wallet where customers perform transactions on their mobile devices.

Similarly, Remita which is deeply rooted in Nigeria was developed by system specs in 1991 by John Obaro. It assists SMEs, multinationals, state governments, government agencies, NGOs, educational institutions and individuals to receive and make payments electronically.

Also, Kuda Money was rebranded to Kuda Bank. It was founded in 2017 by Babatunde Ogundeyi and performs similar functions like other fintech companies.

Digital Economy: The New Wealth Waiting To Be Tapped

*Recently, financial experts, tax administrators, among others, gathered in Abuja under the auspices of West African Tax Forum (WATAF) to deliberate on how Africa, nay Nigeria, can leverage taxes from digitalised economy to grow and expand national economy, writes **Felix Omoh-Asun.***

The recent high-level dialogue in Abuja of the West Africa Tax Forum (WATAF), which coincided with its 10th years anniversary, gave some take away on taxation in a digitalised economy.

The event which held between September 22 and 23, attracted participants from the Economic Communities of West Africa States (ECOWAS), mostly players in the taxation sector, including tax administrators, financial experts from the academia, ministries of finance, stakeholders, among others.

They all gathered to ventilate their thoughts on the novel idea - Digital Economy and how African countries can explore the untapped revenue resources in it.

Nigeria's Secretary to the Government of the Federation (SGF), Boss Mustapha, declared open the 17th General Assembly, after the Executive Secretary of WATAF, Tunde Oladipo had given his opening remarks.

Oladipo noted that tax in West Africa has realised its potential as engine for fuelling economy of West Africa countries. He said from the initial five countries that started the forum, it was gladdening to note that it has grown to 15 countries. Chairperson of the forum, Yankuba Darboe, said in his remarks, that countries of the world are focusing on how to move along with digital economy and West Africa should not be left behind.

There were goodwill messages from ECOWAS President, Jean Claude Brou and Country Director, World Bank Group, Nigeria, Shubhan Chaudhuri.

Nigeria's Minister of Finance, Budget and National Planning, Dr. Zainab Ahmed and Executive Chairman of the Federal Inland Revenue Services (FIRS), Muhammad Mami presented addresses at the occasion.

The event was facilitated by WATAF, with support from Federal Inland Revenue Service (FIRS), Nigeria, OSIWA, Africa Tax Forum (ATAF), OXFAM, Ford Foundation, and other donors.

Digital economy, a new language of world commerce of today, no doubt, requires new thinking, new economic policy framework, especially taxation policies, to give Africa nations a robust economic advantage. The new technological innovations without argument have transformed the way businesses are carried out.

With the world tilting towards e-economy, a novelty exposed by the COVID-19 pandemic, the high-level policy dialogue, interrogated issues surrounding taxation in the new economic order.

The six panels dwelled essentially on how West African nations, albeit Nigeria, can tap from e-commerce through taxation.

After deliberations on the various sub-themes of the high-level policy dialogue under the title: The Taxation of the Digital Economy: Exploring Untapped Revenue Sources in African, there were recommendations on how African nations can fathom in and leverage from digital economy.

The various speakers agreed that working from home was no longer an option but a necessity because of the COVID 19 pandemic which brought about a major economic shift. This demands that Africa countries develop a "Fit-in Purpose Approach to digital taxation and revenue mobilisation in taxing e-businesses that are not officially registered.

The participants, having identified huge financial involvement in developing structures to leverage on digital economy, called on government of the sub-region to channel resources to tackle challenges of e-economy.

They advocated for global approach to find a way to tax e-preneurs with the attendant challenge of non-registration of their businesses with the Corporate Affairs Commission (CAC) in Nigeria.

In an attempt to mobilise for untapped resources in digital economies, the participants tasked African nations to upgrade infrastructure to meet with the current trend and develop purpose driven strategy to embrace modern tax administration. They were advised also to be proactive rather reactive; and always engage in impact assessment. This is by seeking Knowledge, a key to tax administration.

The event resolved that ability to develop laws to manage e-economy, upgrade old system, spend more on local revenue mobilisation than looking up to foreign donors, are all essential to a robust tax administration and economic growth.

It was agreed that governments across board need to invest heavily in the technological infrastructure, by engaging experts to develop soft wares to track e-prenuers in other for them to pay tax to grow the nation's economy.

The high-level dialogue agreed that ECOWAS countries were lacking in infrastructure development to leverage from the new economic order, and therefore urged to develop technologies that will enhance tax collection both in individual countries and the region as a whole. This, according to the speakers, is the way to cope and leverage from the opportunities embedded in the economy that is changing and adapting to technological growth.

Double taxation and/or being biased in taxation of e-businesses, which speakers agreed could be an over kill, should be avoided in other not to harm small scale

enterprises struggling to survive.

To get the best for nations, tax policy makers should think out of the box and come up with new tax administration module with the fact that income taxation is under threat by the digital economy, noting that there is a vast opportunity which Africa is yet to benefit from in terms of taxation.

Towards this end, nations were advised to implement an effective collection mechanism, leverage on power of digital platforms to enhance Value Added Tax (VAT) collection. All that was needed is create efficient basis for right to tax inbound international online sales, while at the same time facilitate compliance and strengthen enforcement modern, data driven, risk management and administration cooperation among other countries of the world to maximize advantage inherit in digital economy.

The panelists accepted that digitalisation of the global economies has created new challenges as many African countries have been unable to tax highly digitalized businesses based on the current international tax rules. According to them rapid digitalisation of African economies often enables multinational enterprises (MNEs) to carry out business in African countries with no or very limited physical presence. The panel noted with dismay the current nexus and profits allocation rules that are weighted too heavily in favour of the residence jurisdiction to the detriment of the source (African) jurisdiction.

The panel identified three key factors prevalent in certain highly digitalized businesses to include: 1) cross jurisdictional scale without mass; 2) reliance on intangible assets including IP, and 3) data- user participation and their synergies with IP

As a way forward, tax policy and administration were called upon to be a vital part of African governments policy and enhance Domestic Resource Mobilisation (DRM). It was also accepted that coming together of Africa Tax Association (ATAF) and other regional organisations such as the WATAF will support African countries in achieving the set objectives.

The need to begin to make facebook, googles and other social media providers pay tax in all African countries was emphasised.

To this extent, African countries should be proactive by adjusting their local legislation to be effective.

The way to go is to tax on the content and services, create a new tax, expand the scope of existing income tax or agreed on treaties whether to call it any type of levy.

However, the reactions to unilateral measures from other countries on new international tax proposals will be a challenge but Africa should create new model article to tax payments for automated digital services and rationalise on the domestication of tax laws and rules.

Although, they said it will be impossible to have global concession on standard to achieve success on collection of digital tax, African countries, nevertheless, have to begin with minimum standard.

...ability to develop laws to manage e-economy, upgrade old system, spend more on local revenue mobilisation than looking up to foreign donors, are all essential to a robust tax administration and economic growth in the African continent

NEWS IN PICTURES

The Federal Government during the week launched the long expected EUROBOND Issuance in New York, United States of America. The launch is coming on the heels of the promise made by the Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, that Nigeria would be holding road shows for the dollar denominated issuance . The Nigerian Economic team at the show were Mrs. Zainab Ahmed, Governor, Central Bank of Nigeria, Mr. Godwin Emefiele, Director-General, Debt Management Office, Ms Patience Oniha, Director-General, Budget Office of Nigeria, Ben Akabueze, among others. Then, Honorable Minister had audience with Candi Wolff, Global Head of Government Affairs, Citi Bank.

NEWS IN PICTURES

*Accountant-General of the Federation, **Ahmed Idris**, FNCA at Ahmed Musa Sports and Fitness Centre, Kano State, as a Special Guest of Honour, during the final of a football tournament for Medical and Health Institutions in Kano recently.*

Budget Office of the Federation
Federal Ministry of Finance,
Budget and National Planning

2022 BUDGET

BUDGET OF ECONOMIC GROWTH AND SUSTAINABILITY

> "Nigeria is currently emerging from a very difficult economic challenge. We must continue to cooperate and ensure that our actions are aimed at accelerating the pace of economic recovery so that we can achieve economic prosperity and deliver on our promises to the Nigerian people"
>
> **-President Muhammadu Buhari, GCFR**

Mr. President laid the FGN 2021 Budget Proposal on October 8, 2020. The National Assembly (NASS) passed the Bill by December 21, and Mr President signed into law on December 31, 2020.

This underscores the Administration's firm commitment to sustain the return to a predictable January – December fiscal year, as well enact annual Finance Acts to facilitate the implementation of the budget.

A supplementary budget of N982.73bn was also passed by the NASS on the 7th of July, 2021, and Mr. President assented to it on the 26th of July, 2021 bringing the total appropriated expenditure for 2021 to N14.57 trillion.

The Nigerian economy lapsed into recession in Q3 2020, after two successive quarters of negative GDP growth, but quickly emerged from the recession with a positive 0.11% GDP growth in Q4 2020.

Q2 5.01 growth, largely due to the effective implementation of government's Economic Sustainability Plan and the easing of COVID-19 induced restrictions on economic activities.

The growth was mainly driven by the non-oil sector, which rose by 6.74% YoY, masking the deterioration in oil GDP by -12.65% YoY.

Parameters & Fiscal Assumptions Underpinning the 2022 Appropriation

1. **$57** Per Barrel
2. Daily Oil Production **1.88** Million Barrels per day (inclusive of Condensates of 300,000 to 400,000 barrels per day)
3. Exchange Rate **N410.15** per US Dollar
4. GDP Growth **4.20%**
5. Inflation **13.00%**

Budget 2022: Global, Regional and Domestic Developments

Global

The global economy is projected to grow by 6.0 percent in 2021 and 4.9 percent in 2022.

The Euro Area is projected to rebound to a 4.6% growth in 2021. The recovery is anticipated to be driven by pent up demand and higher household incomes.

China's economy is projected to grow by 8.1% in 2021 and 5.7% in 2022.

Africa

Despite the adverse impact of COVID-19 pandemic, Egypt grew at 3.6% in 2020 owing to high domestic consumption. Real GDP growth is projected to hit 5.3% in 2022.

Economic activities in the Sub Saharan Africa region are expected to pick up in 2021 and 2022 albeit unevenly. GDP is projected to expand by **3.4% in 2021** and **4.1% in 2022**.

South Africa is projected to recover from **-7.0% decline** and grow by **4.0% in 2021** and **2.2% in 2022**.

Nigeria

Nigeria's economy posted a **5.01%** year-on-year growth in the second quarter of 2021 signaling a rebound.

The non-oil sector is a significant contributor to the economic performance in Q2, 2021 with growth of **6.74%** in real terms.

The IMF has reviewed upward Nigeria's GDP growth forecast to **2.5%** and **2.6%** in 2021 and 2022 respectively.

Where the Money Coming from

The projected aggregate revenue available to fund the 2022 budget of **N10.13 trillion** is *24.8% higher than the 2021 projection of* ***N8.12 trillion.***

To promote fiscal transparency, accountability & comprehensiveness, allocations to TETFUND and the budgets of 60 GOEs are integrated in the FGN's 2022 Budget proposal.

In aggregate, 34.9% of projected revenues is to come from oil-related sources while 65.1% is to be earned from non-oil sources.

Where the Money is Going

The 2022 Aggregate FGN Expenditure (inclusive of GOEs and project-tied Loans) is projected to be **N16.39 tn,** which is 12.5% higher than the 2021 Budget.

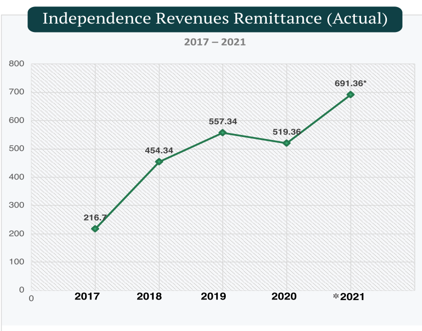
Recurrent (non-debt) spending, estimated to amount to **N6.83tn,** is 41.7% of total expenditure, and 18.5% higher than the 2021 Budget.

Aggregate Capital Expenditure of **N5.35tn** is 32.7% of total expenditure. This provision is inclusive of Capital component of Statutory Transfers, GOEs Capital & Project-tied loans expenditures.

At **N3.61tn,** debt service is 22% of total expenditure, and 35.6% of total revenues.

Provision to retire maturing bonds to local contractors / suppliers of **N292.7 bn** is 1.79% of total expenditure. This provision is in line with the FGN's commitment to offset accumulated arrears of contractual obligations dating back over a decade.

Independent Revenues Remittance (Actual)

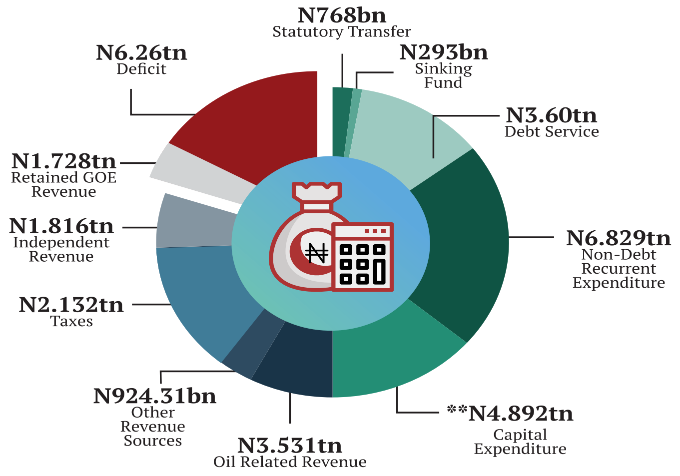


* January - August 2021 collection

- The trend in the graph shows a steady improvement of our independent revenues over the years.
- As at August, 2021, we had surpassed all collections for FGN independent revenues from 2017 to date. This reflects performance of our revenue growth initiatives for this revenue stream.
- At the current run rate, we are now firmly in a position to surpass the N1 trillion mark collection for independent revenues. Analysts have always considered our projections unrealistic, but we have always insisted on the potentials that exist to grow FGN independent revenues.

FGN's 2022 Budget Breakdown

N16.39tn
Proposed Budget



N10.132tn Revenue | **N16.391tn** Expenditure

Other revenue sources include Dividends, Minerals & Mining, Electronic Money Transfer Levy, Special Accounts Draw Down, Domestic Recoveries, Grants & Donor Funding, Education tax

Overview of Nigeria's Debt Sustainability

We resort to borrowing to finance our fiscal gaps. However, we believe that the debt level of the Federal Government is still within sustainable limits

Borrowings are for Investments in Infrastructure and Human Capital Development, and specific strategic projects funded via debt can be verified publicly.

Having witnessed two economic recessions we have had to spend our way out of recession, which necessitated a resort to growing the public debt.

It is unlikely that our recovery from each of the two recessions would have grown as fast without the sustained government expenditure funded by debt.

Our target over the medium term is to grow our Revenue-to-GDP ratio from about 8 percent currently to 15 percent by 2025. At that level of revenues, the Debt-Service-to-Revenue ratio will cease to be worrying.

Overall, we do not have a debt sustainability problem, but a revenue challenge which we will tackle to ensure our debts remain sustainable.

We use the loans to finance critical development projects and programmes aimed at improving our economic environment and ensuring effective delivery of public services to our people.

An Overview of the Deficit, Financing & Critical Ratios

FISCAL ITEMS		2021 Budget Passed by NASS + Supplementary Budget	2022 Proj. As Passed by NASS	VARIANCE
Total Fiscal Deficit (including GOEs and Project-tied Loans)		(6,449,345,005,577)	(6,258,566,796,031)	190,778,209,546
GDP		142,694,417,135,112	184,381,975,950,038	41,687,558,814,926
DEFICIT/GDP (including GOEs and Project-tied Loans)		(4.52%)	(3.39%)	1.13%
Capital Expenditure as % of Non-Debt Expenditure		47%	43%	(4%)
Capital Expenditure as % of total FGN Expenditure		36%	33%	(3%)
Capital Expenditure (Inclusive of Transfers, but exclusive of GOEs Capital & Project-tied loans) as % of FGN Expenditure		33%	26%	(7%)
Recurrent Expenditure as % of total FGN Exp (incl. GOEs + Project-tied Loans)		64%	67%	3%
Debt Service to Revenue Ratio (incl. GOEs + Project-tied Loans)		38%	36%	(3%)
Deficit as % of FGN Revenue (incl. GOEs + Project-tied Loans)		79%	62%	(18%)
ADDITIONAL FINANCING				-
a	Sales of Government Property			-
b	Privatization Proceeds	205,153,707,813	90,731,800,000	(114,421,907,813)
c	Non-Oil Asset Sales	-	-	-
d	Multi-lateral / Bi-lateral Project-tied Loans	709,685,716,725	1,155,823,207,500	446,137,490,775
e	Restructured Loans	39,627,660,000	-	(39,627,660,000)
f	Foreign Aid / Grant (in Cash)	6,000,000,000	-	(6,000,000,000)
g	New Borrowings	5,488,877,921,039	5,012,011,788,531	(476,866,132,507)
	Domestic Borrowing	*2,744,438,960,519*	*2,506,005,894,266*	*(238,433,066,254)*
	Foreign Borrowing	*2,744,438,960,519*	*2,506,005,894,266*	*(238,433,066,254)*
Sub-Total		6,449,345,005,577	6,258,566,796,031	(190,778,209,546)

- Overall **budget deficit** is **N6.26 tn** for 2022. This represents **3.39% of GDP.**
- Budget deficit is to be financed mainly by borrowings:
Domestic sources: ***N2.51 tn***
Foreign sources: ***N2.51 tn***
Multi-lateral /bi-lateral loan draw-downs: ***N1.16 tn***
And Privatisation Proceeds – **N90.7 bn**

An Overview of the Expenditure Framework

FISCAL ITEMS		2021 Budget Passed by NASS + Supplementary Budget	2022 Proj. As Passed by NASS	VARIANCE
STATUTORY TRANSFERS		496,528,471,273	768,276,616,843	[illegible]
DEBT SERVICE		3,124,380,000,000	3,609,241,188,615	484,861,188,615
SINKING FUND		200,000,000,000	292,711,793,138	92,711,793,138
RECURRENT (NON-DEBT)		5,765,302,234,844	6,829,015,483,447	1,063,713,248,603
a	Personnel Costs (MDAs)	[illegible]	[illegible]	[illegible]
b	Personnel Costs (GOEs)	[illegible]	[illegible]	[illegible]
c	Overheads (MDAs)	[illegible]	[illegible]	[illegible]
d	Overheads (GOEs)	[illegible]	[illegible]	[illegible]
e	Pensions, Gratuities & Retirees Benefits	[illegible]	[illegible]	[illegible]
f	Other Service Wide Votes (including GAVI/Immunization)	[illegible]	[illegible]	[illegible]
g	Presidential Amnesty Programme	[illegible]	[illegible]	[illegible]
h	TETFUND - Recurrent	[illegible]	[illegible]	[illegible]
SPECIAL INTERVENTIONS (Recurrent)		350,000,000,000	350,000,000,000	-
AGGREGATE CAPITAL EXPENDITURE		[illegible]	[illegible]	[illegible]
a	Capital Supplementation	[illegible]	[illegible]	[illegible]
b	Capital Expenditure in Statutory Transfers	[illegible]	[illegible]	[illegible]
c	Special Intervention Programme (Capital)	[illegible]	[illegible]	[illegible]
d	Amount Available for MDAs Capital Expenditure	[illegible]	[illegible]	[illegible]
e	GOEs Capital Expenditure	[illegible]	[illegible]	[illegible]
f	TETFUND Capital Expenditure	[illegible]	[illegible]	[illegible]
g	Grants and Donor Funded Projects	[illegible]	[illegible]	[illegible]
h	Multi-lateral / Bi-lateral Project-tied Loans	[illegible]	[illegible]	[illegible]
i	FGN Share of Oil Price Royalty Transferred to NSIA	[illegible]	[illegible]	[illegible]
Capital Expenditure (% of Non-Debt Expenditure)		[illegible]	[illegible]	[illegible]
TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans)		[illegible]	[illegible]	[illegible]
TOTAL FGN BUDGET (Including GOEs & Project-tied Loans)		[illegible]	[illegible]	[illegible]

Rationale for the Revision of the 2022-2024 MTEF

- The underlying drivers of the 2022 fiscal projections, such as oil price benchmark, oil production volume, exchange rate, GDP growth, and inflation rate remain unchanged as in the previously approved 2022-24 MTEF&FSP.
- However, there have been key changes in the medium-term fiscal framework. The revision was necessitated by the need to reflect the new fiscal terms in the Petroleum Industry Act (PIA) 2021, as well as other critical expenditures in the 2022 Budget.
- The fiscal effects of PIA implementation are assumed to kick in by mid-year 2022. The revised 2022-24 Fiscal Framework is this premised on hybrid of January-June (based on current fiscal regime) and July-December (based on PIA fiscal regime), while 2023 and 2024 are now fully based on the PIA.

The key impacts are as follows:

- Gross Federation Revenue projection decreased by N341.57 billion, from N8.870 trillion to N8.528 trillion.
- Deductions for Federally-funded upstream project costs and 13% Derivation, decreased by N335.3 billion and N810.25 million respectively.
- Net Federation Oil and Gas revenue projection thus declined by N5.42 billion from N6.540 trillion to N6.535 trillion

Despite the decline in Federation Account revenue, the FGN's Retained Revenue is projected to increase from N8.36 trillion to N10.13 trillion (inclusive of GOEs), largely based on:

- A projected increase in the retained revenues of Government Owned-Enterprises (GOEs) by N837.76 billion,
- MDAs Internally Generated Revenue by N697.6 billion;
- The introduction of Education Tax of N306 billion and Dividend of N8.3 billion from the Bank of Industry as revenue lines; and
- FGN share of oil price royalty of N96.9 billion which is expected to be transferred to the Nigerian Sovereign Investment Authority based on the provisions of the PIA.

Critical Sectoral Allocations in 2022

Education Sector: 1.290bn

N875.93bn Amount provisioned for Federal Ministry of Education and its agencies (Recurrent & Capital expenditure)

N108.10bn Amount provisioned for Universal Basic Education Commission (UBEC)

N306.00bn Transfers to the Tertiary Education Trust Fund **(TETFUND)** for infrastructure projects in Tertiary institutions

Health Sector: 820.2bn

N711.28bn Federal Ministry of Health and its agencies (Recurrent & Capital expenditure, including Hazard Allowance)

N54.87bn Gavi/ Immunization funds, including Counterpart Funding for Donor Supported Programmes, Including Global Fund

N54.05bn Transfer to Basic Healthcare Provision Fund **(BHCPF) 1% of CRF**

Defense

N2.41tn Amount provisioned for the Military, Police, Intelligence & Para-Military *(Recurrent & Capital expenditure)*

Infrastructure

N1.451tn This include provisions for Works & Housing, Power *(inclusive of PSRP Provisions)*, Transport, Water Resources, Aviation.

Social Development and Poverty reduction programmes

N863bn Amount provisioned for Social Investments / Poverty Reduction Programme

Initiatives to improve FGN revenues

Revenue generation remains the major fiscal constraint of the Federal Government.
The systemic resource mobilization problem has been compounded by recent economic recessions.
Several measures are being instituted under the Administration's Strategic Revenue Growth Initiatives to improve government revenue and entrench fiscal prudence with emphasis on achieving value for money. These measures include: Improving the tax administration framework including tax filing and payment compliance improvements.
Other measures:

- Evaluation of the process and policy effectiveness of Fiscal Incentives, including:
- Review of Sectors eligible for Pioneer Tax Holiday Incentives under the Industrial Development Income Tax Relief Act ('IDITRA');
- Dimensioning the cost of tax waivers/concessions and evaluating their policy effectiveness.
- Setting annual ceilings on Tax Expenditures to better manage their impact on already constrained government revenues.
- Ensuring that MDAs appropriately account for and remit their internally-generated revenue
- Identifying and plugging existing revenue leakages to enhance tax compliance and reduce tax evasion;
- Leveraging technology and automation; and
- Plugging fiscal drainers like subsidies

To further enhance Independent Revenue collection, Government aims to optimize the operational efficiencies and revenue generation focus of GOEs
Introduction of new and further increases in existing pro heath taxes for example, excise on carbonated drinks
GOEs' revenue performance / remittance will be enhanced through:
Effective implementation of the enhanced Performance Management Framework, including possible sanctions should they default on their targets; Tighter Expenditure control including enforcing of Finance Act 2020 provision limiting GOEs cost-to-revenue ratio to maximum of 50%; Regular independent monitoring and reporting of revenue and expenditure performance of GOEs by both the Budget Office of the Federation and the Office of the Accountant General of the Federation. Finance Bill, 2021 will contain measures to further advance the SRGI.

Conclusion

- The 2022 Budget is expected to further accelerate the recovery of our economy.
- We are optimistic of attaining more inclusive GDP growth as we focus on achieving our objective of massive job creation and lifting millions of our citizens out of poverty.
- Early passage of the 2022 Budget for implementation from January 1 will significantly contribute towards achieving government macro-fiscal and sectoral objectives.
- However, revenue currently remains our main fiscal challenge.
- Government remains committed to the effective implementation of the Strategic Revenue Growth Initiatives.
- In addition to the Strategic Revenue Growth Initiatives (SRGI), we are leveraging technology and automation, plugging fiscal drainers and ensuring more effective Independent revenue monitoring.

Efforts aimed at addressing revenue leakages include:

- Concluding the service-wide implementation of IPPIS;
- Dimensioning cost of tax waivers and promoting policy dialogue and transparency around tax waiver regimes;
- Elimination of regressive subsidies on petrol price and electricity tariffs.
- Cost-to-income-ratio cap for Government Owned Enterprises with a view to improving remittances to FGN's offers.

- Achieving government's budget objectives require bold, decisive and urgent actions. Government is determined to act as may be required.
- However, Government remains mindful of the need to provide safety nets to cushion the impact of reform measures on the vulnerable segments of the population.
- The goal of fiscal interventions will be to keep the economy active through carefully calibrated regulatory /policy measures designed to boost domestic value-addition, de-risk the enterprise environment, attract external investment and sources of funding, etc.
- A list of some key projects included in the 2022 Budget is attached as an Appendix to the presentation.

DMO Allays Fears Over Increased Debt Stock

- **As FG insist borrowing is meant for funding critical Infrastructure**

Musa Ibrahim

Ms Patience Oniha, Director-General, Debt Management Office, Nigeria

The Debt Management Office (DMO) has once again allayed fears over rising Nigeria's public debt stock which now stands at N35 trillion.

The Director General of the DMO, Mrs. Patricia Onehi disclosed recently that against public outrage as well as alarm raised by economists and other analysts, the country's debt situation is well managed and Nigeria has not exceeded its debt limit.

Recently, President Muhammadu Buhari submitted the 2022 budget to the national assembly with a total deficit of about N6 trillion.

The revelation has raised eyebrows as Nigerians and analysts are raising the alarm and fears over the rate of borrowings.

The deficit in the budget succeeded the earlier request by President Buhari to borrow N2.43 trillion recently

As such, the Debt Management Office (DMO) said request for N2.343 trillion new borrowing, was captured in the 2021 budget.

DMO made the disclosure after the President requested that the National Assembly should approve the new borrowing to fund critical capital projects in the 2021 budget.

"His Excellency President Buhari has recently written a National Assembly requesting for the approval, by resolution of N2.343 trillion new external capital raising; she said.

DMO explained that proceeds of the loan were to be deployed to capital projects in various sectors of the economy.

It further stated that, "President Muhammadu Buhari has recently written a letter to the National Assembly requesting for the approval, by resolution of N2.343 trillion new external capital raising.

"The proposed new capital raising, is the New External Borrowing already provided for in the 2021 Appropriation Act. It will be recalled that the President signed the 2021 Appropriation Bill which included new domestic and new external borrowing into law after the approval of National Assembly (NASS)."

According to the DMO, the presentation to NASS was in fulfilment of an enabling debt management legislature.

"Accordingly, the new capital raising has already been approved and is now being presented to NASS in order to fulfil the provisions of Sections 21 and 27 of the Debt Management Office (Establishment, Etc.) Act, 2003.

"The proceeds are to be deployed to capital projects in various sectors of the economy including power, transport, agriculture and rural development, education, health and water resources that are included in the 2021 Appropriation Act," it added.

> *...the proceeds are to be deployed to capital projects in various sectors of the economy including power, transport, agriculture and rural development, education, health and water resources that are included in the 2021 Appropriation Act*

The federal government has said it will borrow more money to fund critical infrastructure, saying Nigeria would not make any meaningful headway in its quest for development if it doesn't borrow more.

In another development, the federal government through the Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, at a press conference recently stated that despite a lot of hullabaloo over borrowing, the country was still below 25% debt to GDP ratio and within borrowing limit.

She maintained that the federal government is only borrowing to fund critical infrastructure in the country.

"I think it's useful to look at the budget for each year; look at the revenues, look at the expenditure, if you take out the new borrowing, really, what will the size of the budget be? How much can the government spend?

"So, there will be a lot of capital projects that are affected. So, we need to look at it that borrowing is, even as you see it in the budget every year, used to support infrastructural development. Otherwise, there will be a challenge".

In the same vein, the minister of Information, Mr. Lai Mohammed, who spoke recently in Maiduguri, Borno State, to corroborate the position of the DMO stated that the loans are being used to address critical infrastructure in the country.

"We are borrowing to build world-class infrastructure that will benefit generations of Nigerians. We have a lot to show for the loans we have taken.

"There is a road project in every state. Today, we have started the countdown to when the second Niger bridge, which successive administrations have built only on paper, will be completed. The list of projects we are handling with the loans we obtained is long," he said.

Mohammed, who lamented that the destruction of public infrastructure is worse than imagined, added: "For example, we were told that it would cost the federal government N3.8 billion to repair just four bridges that damaged by vandals and petrol-laden tankers.

"That's a huge amount that could have been used to build new infrastructure. It is common knowledge that massive infrastructure deficit is among the challenges we face in Nigeria.

FMFINSIGHTS reports that despite a borrowing plan of over N6 trillion in the 2022 budget earlier presented by President Muhammadu Buhari, the country has been living up to its debt service obligations.

FG To Tackle Illicit Financial Flow In Nigeria

Imaobong Udoh

The federal government has promised to tackle the illicit flow of funds as well as corrupt practices in the country.

The government also said it would ensure transparency in contracts awarded with the beneficial ownership disclosure in the extractive sector to disclose the real beneficiaries of registered companies.

Minister of State for Budget and National Planning, Prince Clem Ikanade Agba, made these known recently while giving his remarks at the Open Government Partnership (OGP) G&L meeting, in Abuja.

Also, declaring the 13th OGP National Steering Committee meeting open, the Minister, who is also the State Actors' Co-Chair, noted that Nigeria was able to win a seat to serve a second tenure in the OGP global Steering Committee.

He said that the second tenure would commence from 1st October, 2021 and run for three years.

Agba explained that the 13th OGP National Steering Committee (NSC) meeting served as the policy clearing house on issues bordering on effective implementation of OGP in Nigeria.

He urged the committee members to synergize and explore all options within the government and civil society space for collaborations to surmount any upcoming challenges.

The minister also said that Nigeria's efforts were being recognised globally due to the recent nomination to serve a second tenure on the OGP international Steering Committee.

He added that Nigeria also put in for country with the most impactful commitment under the NAP I, which had been sent to the International Reporting Mechanism (IRM) for assessment, and if progress was made, she would be announced in the global OGP International summit scheduled to hold in South Korea in December 2021.

He applauded the steering committee members for the efforts they put in over the years to support Nigeria in the delivery of the 16 commitments she signed up to under NAP II.

> *He urged the committee members to synergize and explore all options within the government and civil society space for collaborations to surmount any upcoming challenges.*

"The assessment report from the IRM reported that Nigeria only gained limited progress on commitments 2, 6, 10 and 11.

"This calls for a more systematic and strategic effort to change the narrative and deliver on NAP II," he stressed.

Cont. from page 04

2022 Budget: A Commitment To Repositioning The Economy...

and project-tied loans expenditures.

The Honourable Minister said that a total sum of N10.132 trillion revenue is expected be raked in within the year under review to fund the budget, while N3.60 trillion was earmarked to fund debts.

Parameter & Key Assumptions

Oil price was benchmarked at $57 per barrel, in the year in view daily oil production was pegged at 1.88 million barrels per day for 2022. Exchange rate was put at N410.15 per US dollar and GDP growth rate was projected at 4.20 percent, while inflation was put at 13 percent.

Although, Nigeria's total oil production capacity is put at 2.5mbpd, current crude production is about 1.4mbpd and additional 300,000bpd of condensates, totalling about 1.7mbpd.

Key project allocations

A further breakdown of allocations to critical projects and programmes of the federal government showed that allocation for construction and rehabilitation of roads in every geo-political zone was N168 billion; N58 billion for renovation and construction of bridges.

In Education, N108.1 billion was provided for the Universal Basic Education (UBE), N1.2 billion for rehabilitation of classrooms/hostels, N392 million as takeoff grants for six federal science and technical colleges; N4.5 billion as scholarship allowances; and N2 billion as payment to 5,000 federal teachers scheme allowance.

In the social investment subsector, the government provided N410 billion for Federal Intervention programme, including home grown school feeding programme, government economic empowerment programme, conditioner cash transfers, among others.

For regional programmes, the government allocated N65 billion for Presidential Amnesty Programme for ex-militants in the Niger Delta, N46.2 billion to North-East Development Commission, and N98.7 billion to the Niger Delta Development Commission.

N10 billion was also provided for the East-West road in the Niger Delta with another N15 billion provided for other critical infrastructure, agriculture and health system projects in the region.

In the power sector, N300 billion was provided to bridge tariff revenue shortfall, N1 billion for the expansion of distribution infrastructure, and N114 billion for the completion of renewable energy projects by the rural electrification agency.

Mrs. Ahmed explained that government expenditure projection for 2022 also increased following additional provisions of N100 billion for the Independent National Electoral Commission (INEC) towards preparation for the 2023 general elections; N400 billion for national poverty reduction, N178.1 billion for population and housing census scheduled for 2022, N54 billion for the National Agency for Science and Engineering Infrastructure (NASENI), and N305.99 billion for TETFUND.

The Minister also moved to allay fears over Nigeria's rising debt profile, saying generating more revenue rather than debt level was the country's biggest challenge.

According to her, Nigeria's budget deficit to GDP (-4.7percent) and debt to GDP (21.6percent) ratios were the lowest among African countries.

"However, Nigeria's Debt Service/GDP ratio (73percent as at August 2021) is the highest among same African top economies; This is proof that what we have is not a classic debt sustainability problem, but a revenue challenge", she added.

She stressed that to boost government's revenue more Nigerians needed to pay tax, saying the tax base was abysmally low with just N41 million people paying tax in Nigeria.

"It is now critical to fix our revenue challenge, because cutting expenditure is not currently a viable option, as our Public Expenditure /GDP ratio is also the lowest among same Africa's leading economies;

"We must however continue to rationalise our expenditures as we cannot afford waste; In reality, our largest expenditure items are currently personnel cost, debt service and capital expenditure, which between them account for 85percent of the 2022 budget; There is very little scope for cut in any of these over the medium term;

"The most viable solution to our fiscal challenge therefore remains to grow our revenues and plug all leakages.

"Our target over the medium term is to grow our Revenue-to-GDP ratio from about 8 – 9 percent currently to 15 percent by 2025. At that level of revenues, the Debt-Service-to-Revenue ratio will cease to be a critical concern", she stated.

On why government has continued to borrow, the Minister said administration is borrowing for the right reasons and would ensure the funds are properly utilised to achieve the targeted goals.

She said Nigeria has not exceeded the borrowing limit to GDP ratio but admitted that the administration exceeded the limited once due to the advent of COVID-19 pandemic which posed additional financial burden on the government.

She disclosed that government was going to improve its revenue tracking and monitoring system to ensure that revenue generating agencies meet their revenue target for the year.

While warning that sanctions would be imposed on agencies that consistently fail to meet their revenue targets, she disclosed that the leadership of such agencies would face consequences.

Corroborating the Minister's position, the Director-General of Budget, Ben Akabueze, said that there was a moral underpinning the budget, hence the need for government to borrow in absence of expected revenue to meet the basic needs of the country.

He insisted that government had no option than to borrow to fund critical projects like security and infrastructure.

On his part, the Chairman of the Federal Inland Revenue Service (FIRS), Mohammad Nami, said that the service had collected a total of N4.2 trillion revenue as at 30th September 2021. Out of this sum, he said N950 billion was collected from oil related taxes, while N3.63 trillion was collected from non-oil sources.

On the sum, he disclosed that a total of N1 trillion was collected from 41 million tax payers so far captured in its tax net as against 40 million that paid same amount in 2020.

On the expected impact, Mrs. Ahmed said the 2022 budget estimate is expected to further accelerate the recovery of our economy; attain more inclusive GDP growth that would lift millions of our citizens out of poverty.

Despite revenue challenge, she assured that government remains committed to the effective implementation of the Strategic Revenue Growth Initiatives, plugging of drainages and ensuring more effective independent revenue monitoring.

2021 budget performance

In her review of the 2021 budget performance, she disclosed that at the end of August 2021, Federal Government retain revenue was N3.93 trillion which was 73percent of target.

A breakdown showed that federal government share of oil revenue was N754.2 billion (56.3percent of target), non-oil tax revenue was N1.15 trillion (115.7percent of target)

Companies income tax and value added tax brought in N547.54 billion (121percent) and N235.77 billion (148percent) respectively. Customs generated N338.66 billion (99percent of target).

Other revenues amounted to N1.71 trillion, of which federal government independent revenues was N691.36 billion while government owned enterprises' (GOEs) retained revenues was N873.52 billion.

On the expenditure side, she disclosed that N8.14 trillion (or 84percent) has been spent out of the N9.71 trillion prorata budget. "This performance is inclusive of expenditure estimates of the GOEs but exclusive of Project-tied loans", she added.

Mrs. Ahmed explained that of the expenditure, N2.87 trillion was for debt service, and N2.57 trillion for personnel cost, including pensions.

"As at August 2021, N1.759 trillion had been expended for capital. Of this, N1.723 trillion represents 81percent of the provision for MDAs' capital, and N36.01 billion as GOEs capital expenditure", the Minister explained further.

Regional and domestic development

Despite the adverse impact of COVID-19 pandemic, the Honourable Minister said that economic activities in Sub Sahara Africa region are expected to pick up from 2021 to 2022 albeit unevenly and GDP is projected to expand by 3.4percent in 2021 and 4.1percent in 2022.

On the local front, she said that Nigeria's economy grew by 5.01percent in Q2 2021 signalling rebound, with the non-oil sector contributing significantly to the economic performance in the Q2 with growth of 6.74percent in real terms.

She, however, informed that several measures are being instituted under the administration's strategic revenue growth initiatives to improve government revenue and entrench fiscal prudence with emphasis on achieving value for money.

Some of the measures include improving tax administration framework (including tax filing and payment compliance improvements); evaluation of the process and policy effectiveness of fiscal incentives; ensuring that MDAs appropriately account for and remit their internally-generated revenue; plugging fiscal drainers like subsidy; leveraging technology and automation and setting annual ceilings on tax expenditures to better manage their impact on already constrained government revenues.

To further enhance independent revenue collection, she said that government aims to optimise the operational efficiencies and revenue generation focus of government owned enterprises (GOEs).

Mallam Aliyu Ahmed, Permanent Secretary, Federal Ministry of Finance, Budget and National Planning, at the 2022 budget presentation

FG Sustaining Economy Through 'Sensible' Borrowings

Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning

Despite high rate of tax evasion by taxable Nigerians, the federal government has since sustained the economy through sensible borrowing to fund critical infrastructure and keep the economy afloat.

This is even evident as the country had a sharp rebound from recession with a Gross Domestic Product of 5.01 percent in the second quarter of 2021.

Consequently, the Honourable of Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, has urged citizens to always pay their taxes for government to use in funding critical infrastructure in the country.

Speaking at the public presentation/breakdown of the 2022 budget, she said "The money from taxes will go a long way, by providing social amenities, among others."

Ahmed said that efforts aimed at addressing revenue leakages, include dimensioning cost of tax waivers, promoting policy dialogue and transparency around tax waiver regimes.

She also said that achieving government budget objectives requires bold, decisive and urgent actions.

"The government remains mindful of the need to provide safety nets to cushion the impact of reform measures on the vulnerable segments of the population."

The Honourable Minister noted that Nigeria's problems are not about borrowing but how to make revenue that will be enough to cater for its teeming population.

She said, "Nigeria's debt service/GDP ratio of 73 percent as of August 2021 is the highest among African top economies.

"This is proof that what we have is not a classic debt sustainability problem, but a revenue challenge," she said.

She lamented that the tax rate compliance ratio is higher among the comparable countries.

Mrs. Ahmed continued, "The most viable solution to our fiscal challenge therefore remains to grow our revenues and plug all leakages.

"Our target over the medium term is to grow our revenues-to-GDP ratio from about 8-9 per cent currently to 15 percent by 2025.

Mrs. Ahmed said that it is critical to fix Nigeria's revenue challenges as reducing expenditure is not a viable option.

On the high borrowings, she said the country would have still been in recession without the government's aggressive borrowing to build infrastructure.

She said, "You borrow when you are compelled to. When you don't have enough revenue and you aspire to grow, especially grow your infrastructure and also bridge your human capacity gap, it is either you don't do it or you borrow to do it.

"We have resorted to borrowing to finance our fiscal gaps. However, we believe that the debt levels of the federal government are still within sustainable limits.

"Having witnessed two economic recessions we have had to spend our way out of recession, which contributed significantly to the growth in the public debt.

"It is unlikely that our recovery from each of the two recessions would have been as fast without the sustained government expenditure funded partly by debt."

Meanwhile, Muhammad Nami, the Chairman of the Federal Inland Revenue Service (FIRS), revealed that only 41 million pay taxes in Nigeria out of the over 200 million population in the country.

He said that in spite of the 41 million tax payers in the country, Nigeria still earned lower than what its counterparts across Africa generates from Personal Income Taxes (PIT).

"If you also compare that with South Africa that has a total population of about 60 million people, with just 4 million taxpayers, the total personal income tax paid in South Africa last year was about N13 trillion. You can now see that these things are not adding up.

"The number of billionaires in Lagos alone are more than the number of billionaires in the whole of South Africa but yet what we generated as PIT by Lagos State was low.

"So if we don't pay these taxes, there is no way the government will be able to provide the social amenities required, the critical infrastructure required for the wellbeing of the country," Nami said.

He said that the total collection up to September 31 this year which has not been fully reconciled with the Central Bank of Nigeria (CBN) and the Nigerian Customs stands at about N4.2 trillion. From this amount, oil related taxes accounted for only 22 percent which is N950 billion only, the non-oil taxes generated was within the period is N3.3 trillion.

"People are not willing to pay even when they are appointed as agent of collection, whatever they have collected they find it difficult to remit.

"We assume that we are a rich country, I do not think that is correct, we only have the potential to be rich, because we have a very huge population of about 200 million.

"If you look at it from the rate of taxes paid in Saudi Arabia with a population of 10 million people, the VAT rate is as high as 15 percent and what we have in Nigeria is just 7.5 percent," Nami said.

He also said that Nigeria, an oil-producing country, could not be compared to a small country like Saudi Arabia, saying "we are still not there."

Transparency, Synergy Key In Bridging Tax Collection Gab

President of the Chattered Institute of Taxation of Nigeria (CITN), Adesina Adedayo has said that there is a need for transparency on the part of government to attract more people into the tax net.

Adedayo, speaking to FMFinsights, said that if Nigerians see transparent process in how resources are being used, they will be encouraged to pay and spur an effective tax system needed to grow the economy and sustain economic hardship.

The CITN boss submitted that all nations required adequate revenue to fund their programmes and projects, however, an effective tax system would engender sustainable and adequate revenue mobilization.

"In the same vein, there cannot be an effective tax system if socio-economic development is challenged by the pandemic rampaging the world over. Sadly, this is the case with developing nations of the world, Nigeria inclusive.

"Thus, stakeholders in the socio-economic development must play their part for the country to achieve economic recovery in this challenging period."

He added that the conference was in line with the institute's policy to promote academic research and contribute to research development in Nigeria, especially in the area of taxation and fiscal policy.

Meanwhile, President Association of Capital Market Academics (ACMAN), Uche Uwaleke, has urged the Federal Government to borrow from multinational agencies and fund projects that will be self-liquidating.

Uwaleke also acknowledged revenue leakages and tax evasion as the major cause pushing government to borrow.

He however stated that to bring more people into the tax net and make the economy walk, the government must borrow to finance critical infrastructure so as to be able to use that as a yardstick to convince citizens to pay tax.

He said investing in critical infrastructure will also lead to employment and energize the economy.

According to Prof. Uwaleke: "The 2022 budget proposal has a deficit of over N6 trillion and the government is largely borrowing to fill this huge financial hole. In view of the present unsustainable high debt service burden, the government is advised to tie future loans to self-liquidating projects.

"Infrastructure financing will continue to pose a major challenge to government except the private sector is put on the driving seat. We commend the innovative financing schemes proposed in the 2022 budget including public private partnerships and Sovereign Green Bonds programme. Nevertheless, we advise the government to take full advantage of opportunities in the Nigerian capital market to address the infrastructure deficit in the country. These include the resort to revenue bonds as well as leveraging the benefits of asset securitisation.

"We recognise that part of the 2022 fiscal deficit will be financed through privatisation proceeds. However, the amount involved is not significant. The government is advised to identify more suitable assets for partial privatization and execute the process through the capital market. In this regard, we welcome the plan by the government to partially privatise the newly incorporated NNPC Limited through the Nigerian Exchange," he said.

The Association also called for synergy between fiscal and monetary authorities urging the CBN to continue its accommodative monetary policy stance which has had effect on the stock market while at the same time tackling the supply-side induced inflation.

Key Highlights/ Assumptions Of 2022 Budget

The 2022 to 2024 Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF/SP) sets out the parameters for the 2022 budget as follows:

Conservative oil price benchmark of $57 per barrel; daily oil production estimate of 1.88 million barrels (inclusive of condensates of 300,000 to 400,000 barrels per day); exchange rate of N410.15 per US Dollar; and projected GDP growth rate of 4.2 percent and 13 percent inflation rate.

2022 Revenue Estimates

Based on these fiscal assumptions and parameters, total federally collectible revenue is estimated at N17.70 trillion in 2022.

Total federally distributable revenue is estimated at N12.72 trillion in 2022.

Total revenue available to fund the 2022 federal budget is estimated at N10.13 trillion. This includes grants and aid of N63.38 billion, as well as the revenues of 63 government-owned enterprises.

Planned 2022 Expenditure

A total expenditure of N16.39 trillion is proposed for the Federal Government in 2022. The proposed expenditure comprises:

statutory transfers of N768.28 billion; non-debt recurrent costs of N6.83 trillion; personnel costs of N4.11 trillion; pensions, gratuities and retirees' benefits N577.0 billion; Overheads of N792.39 billion; capital expenditure of N5.35 trillion, including the capital component of statutory transfers; debt service of N3.61 trillion; and sinking fund of N292.71 billion to retire certain maturing bonds.

FMFinsights reports that the federal government has assured that from the impact so far the 2021 budget has had in terms of GDP growth, the 2022 budget is yet to build on the positive growth and maintain the trajectory.

The government remains mindful of the need to provide safety nets to cushion the impact of reform measures on the vulnerable segments of the population

NES#27 Is To Galvanise, Prioritise Pursuit Of Nigerian Economic Growth – Agba

Fatimah Bintu Yussuf

From left: Minister of State for Budget and National Planning, **Prince Clem Ikanade Agba**, and Chairman of NES, **Mr. Asue Ighodalo**, at the press conference.

Nigeria Economic Summit, (NES#27) is to galvanise a renewed commitment of stakeholders to urgently and actively prioritise pursuit of economic growth in pursuit of creating jobs, lift millions out of poverty and enable Nigeria to realise its economic potential on the global stage, according to the Honourable Minister of State, Budget and National Planning, Prince Clem Ikanade Agba.

He made this known at the World Press Conference briefing for the NES#27 recently held in the auditorium, Federal Ministry of Finance, Budget and National Planning, Abuja.

The theme of NES#27 Summit, 'Securing the Future: The Fierce Urgency of Now', he said, builds on conversations from last year's summit, which emphasised the importance of harnessing critical and strategic partnership to navigate the economy towards recovery and resilience.

According to Prince Agba, the theme of the summit also seeks to explore potential opportunities that will accelerate economic development.

In his words: "Summit discussions will be designed around five sub-themes - High and sustained growth; quality of life; national security political economy and digital transformation."

Still speaking on the theme, he also said: "The theme is designed to assess the current state of the Nigerian economy; foster a people-centred approach to refocus economic, social, and political challenges; and agree on a compact that compels stakeholders to take critical and immediate actions and institute an efficient monitoring mechanism to ensure that key recommendations at the NES#27 Summit are implemented."

The summit is organised annually by the Nigerian Economic Summit Group (NESG) and the federal government of Nigeria represented by the Federal Ministry of Finance, Budget and National Planning. "The summit provides a veritable platform for effective partnership and cooperation between the public and private sectors for the purpose of charting the course for stable and productive economy," he said.

"The summit brings together development partners, the civil society and academia as well as provides participants the unique opportunity to deliberate on contemporary economic and social issues", he stated.

Recall that the NES#26th, "focused on building partnership for resilience". Building partnership for resilience was a huge conversation held between the public and the private sector stakeholders to reflect on the state of the Nigerian economy, rethink the country's economic fundamentals and deliberate on the impact of the global COVID-19 pandemic. The NES#26 Summit also discussed and explored emerging trends that enabled the country explore new opportunities for sustainable economic growth and development.

"The NES#26th Summit's conclusions and recommendations have been forwarded to the Federal Executive Council (FEC) and distributed to all federal ministries, departments and agencies (MDAs) to implement relevant aspects of the summit's recommendations. The National Development Plan (NDP) 2021-2025 also benefited from some of the recommendations of the 26th Summit," the Honourable Minister disclosed.

The Summit, according to Prince Agba who inaugurated the joint planning committee (JPC) on July 28, 2021, is scheduled to hold from October 25 – 26, 2021 at the Transcorp Hilton Hotel, Abuja.

"I am informed that preparation for the 27th Summit has reached advanced stage and the pre-summit events have started. Some of these events covered the circular economy and health, and discussed, among others are ways to create a foothold for sustainable technologies; improve local pharmaceutical manufacturing capacity that will contribute to economic recovery and growth and; and foster self-sufficiency in pharmaceutical, while building a resilient health system.

The Honourable Minister also said that the summit will be anchored on plenary, CEO roundtable, briefings, insight sessions, debates, workshops, dialogues, co-creation labs and high-level panel discussions. "Stakeholders will be engaged in frank discussions that highlight the risks, opportunities and priorities that will accelerate and sustain inclusive economic growth driven by sub-national economies.

Recall that "the NES#22 was focused on 'Made in Nigeria' and we all agreed that to move the nation forward, we need to have a paradigm shift from an import-dependent and consumption economy to an economy that is self-sufficient in local production and export. As Mr. President says "we produce what we eat and eat what we produce."

"Some of the policies implemented to grow the economy are directed at retaining and creating jobs, using labour-intensive methods in key areas such as agriculture, facility maintenance and housing. Others are undertaking growth enhancing and job creating infrastructural investment in rail, roads, bridges, solar power and communication technology.

"Manufacturing and local production at all levels was promoted and measures were put in place for the protection of the very poor and vulnerable groups. The result of these measures is evident in the recent GDP growth for Q2 put at 5.01 percent. This indicates that the Nigerian economy is on a path to a strong recovery".

Minister of State for Budget and National Planning, **Prince Clem Ikanade Agba**

Sealing Leakages: The OAGF'S Efforts And Initiatives

Muhammad Ibrahim Mandawari

From left: **Ambassador Dr. Godknows Igali**, OON Pro Chancellor/ Chairman Governing Council, Federal University of Technology, Akure, The Accountant General of the Federation, **Ahmed Idris**, FCNA, and the Vice Chancellor, **Prof. Joseph Fawupe** during a courtesy visit to the Treasury house Abuja.

The idea of dwindling economy explains an occurrence wherein an economy is in a state of financial turmoil, often the result of a period of negative activity based on the country's Gross Domestic Product (GDP) rate. In recent history, the crash in global oil price and the global pandemic jointly made the problem of dwindling economy a global phenomenon. This occurrence, undesired as it were, in no small measure affected Nigeria, like many other countries, leading to dwindling finances.

The cardinal vision of the current administration is infrastructural development, and this cannot be accomplished and/or sustained with borrowings alone. The government should not continue to borrow to fund critical infrastructure. In the face of dwindling finances, the swiftness and effectiveness of government's reaction and search for remedy became imperative in order to once again steer the country into the path of growth and progress. The envisaged and plausible course of action was to address factors that militate against the growth of the economy. This thus threw up the need to look inward to discover what was not done right and what else needed to be done to shore up the country's finances.

The Office of the Accountant General of the Federation (OAGF), otherwise referred to as the Treasury of the Federation has become a central player in the quest to kick start the reversal of the country's dwindling revenue inflows. Established under Civil Service re-organisation Act No. 43 of 1988, the is currently headed by Alhaji Ahmed Idris, an experienced Accountant and public finance expert. Being responsible for the management of all receipts and payments of the Federal Republic of Nigeria, the OAGF is certainly aware of the sad financial situation.

As typical of a responsible agency, the Federal Treasury has evolved strategies, implemented measures and ceaselessly mobilised resources and men in a concerted effort to see an improvement in the revenue inflows. Under the leadership of Ahmed Idris, the OAGF has dared many forces in the campaign to seal leakages and stimulate increase in revenue inflows. The Accountant General of the Federation is also unrelenting in mobilising well-meaning individuals and agencies to evolve ideas that would lead to improvement in the situation.

In 2020, at a workshop for treasury directors in Kano State, the Minister of Finance, Budget and National Planning, Zainab Ahmed, announced the decision of the federal government to post treasury directors from the OAGF to revenue generating agencies as directors of revenue. In announcing the decision, the Minister charged the prospective revenue directors to be above board and work to ensure increased revenue generation by the Agencies.

This soothing announcement was the official confirmation of the strategy engineered by the Office of the Accountant General of the Federation to guarantee adequate monitoring of revenue accruals and ensure appropriate remittances by the revenue generating agencies.

The Integrated Personnel and Payroll Information System (IPPIS), certainly one of the foremost reform initiatives of the federal government, has helped eliminate the ghost workers syndrome, thereby blocking the conduit pipe for the wastage of government funds. At a training workshop in Uyo, Akwa Ibom States for IPPIS role players in the South-South geopolitical zone, the Accountant General of the Federation, Ahmed Idris, confirmed that the IPPIS has brought significant level of transparency in administration of government payroll system.

This confession by the Accountant General of the Federation was a glaring testimony to the efforts of the Office of the Accountant General of the Federation in ensuring the efficiency of the IPPIS. To entrench greater performance of the IPPIS, the has decentralised the operations of the IPPIS and promised not to relent in implementing new strategies to block all leakages and sustain flawless payroll system.

The Federal Treasury has initiated actions to forestall undesired setback to the implementation of the government's financial management reform initiatives. The Office of the Accountant General of the Federation spearheaded a comprehensive review of treasury forms and other accounting source documents as well as the public financial regulations. At the inauguration of the Review Committees, the Accountant General of the Federation mentioned that the reviews were necessary because the contents of the treasury forms and other accounting source as well as the financial regulations were no longer relevant and useful to drive the various public finance management reforms of the Federal Government. According to the Accountant General of the Federation, this action demonstrated the resolve of the Federal Treasury at entrenching probity, accountability and transparency in the management of public financial resources.

The vision of the Treasury to cultivate a positive change in the management of finances has been demonstrated through advocacy campaigns by the AGF to encourage government agencies to seal leakages, adopt new management strategies and utilize their assets to generate more revenue

Unrelenting in its resolve to seal leakages, the Office of the Accountant General of the Federation undertook the audit modernisation and monitoring process in ministries, departments and agencies (MDAs) to entrench proficiency in the audit processes. A comprehensive training workshop was organized for internal auditors to get them acquainted with the new procedures. The OAGF also recently launched the financial transparency policy/open treasury portal as part of the public financial management initiatives. This policy is meant to guarantee timely availability of financial information to stakeholders and the general public by all government MDAs. Through this policy, revenue inflows and expenditures by MDAs can be monitored and questions asked where necessary.

The vision of the Treasury to cultivate a positive change in the management of finances has been demonstrated through advocacy campaigns by the AGF to encourage government agencies to seal leakages, adopt new management strategies and utilize their assets to generate more revenue. To all the agencies that the AGF has interacted with, the messages has been the same - entrench the ideals of transparency, accountability and openness in the management of financial resources and implement ideas that will improve revenue inflows.

The fact that government alone cannot achieve the desired end has never been lost on the AGF. He has ceased every opportunity to task private organisations and professional associations to fashion out viable ideas that will assist the government achieve the desired end. Recently, the treasury announced that it was undertaking a research to establish approaches that will improve the current state of the finances.

To sustain the financial management reform initiatives of the government, it is imperative to provide effective financial and accounting training for public officers. Being fully aware of this truth, the OAGF has given the needed attention to the Federal Treasury Academy, located at Orozo, in the Federal Capital Territory (FCT), to make it a premier institution for developing human capacity in public finance education and management. As it is, massive infrastructural development has been ongoing, and the OAGF has been unrelenting in its desire to get necessary legal backing and approvals by relevant agencies so that certificates issued by the institution would be generally accepted.

NDIC's Drive For Digital Banking

Protecting Customers' Deposits, Encouraging Financial Inclusion

The Nigeria Deposit Insurance Corporation (NDIC) has embarked on different interventions to ensure a secured and sound banking sector for Nigerians. In the same vein, the Corporation has made Corporate Social Responsibility a priority in its operations. Correspondent, ***Musa Ibrahim*** *writes.*

The NDIC MD/CE, **Mr. Bello Hassan**, (right) and NDIC Executive Director Operations, **Mr. M. M. Ibrahim**, (left), and NDIC Executive Director Corporate Services, **Hon. Mrs. Omolola Abiola-Edewor** (middle).

The Nigerian banking sector plays a key role in the economic growth of the country and is therefore one of the most heavily regulated sectors in Nigeria.

In its role as the Nigerian apex bank and primary regulator of the banking sector, the Central Bank of Nigeria (CBN) has, over the years, implemented various reforms and policies aimed at ensuring that the Nigerian banking sector remains reliable and capable of driving efficiency in economic activities.

To complement the CBN's efforts, the NDIC has over the years ensured that deposits of banks' customers are safe and secured, to allay any fear of losing deposits.

As at February 2021, there are 29 licensed banks in Nigeria (excluding microfinance banks, mortgage banks, specialised banks and other entities licensed by the CBN), comprising 22 commercial banks, five merchant banks and two non-interest banks.

The following banks are the five largest banks in Nigeria by their market capitalisation on the Nigerian Stock Exchange (NSE): Guaranty Trust Bank Plc; Zenith Bank Plc; Access Bank Plc; United Bank for Africa Plc; and Union Bank of Nigeria.

To improve NDIC's operations, in November 2020, the new Banks and Other Financial Institutions Act (BOFIA 2020) was signed into law, repealing the hitherto existing principal banking legislation enacted in 1991.

BOFIA 2020 provides a revised legal regime for the Nigerian banking industry. One of the key highlights of BOFIA 2020 is the introduction of a CBN-led regulatory regime for mergers, restructurings and other business combinations involving banks in Nigeria, which were hitherto subject to the principal regulatory supervision of the Federal Competition and Consumer Protection Commission (FCCPC). Under the former regime, business combinations involving Nigerian banks were required to be reviewed and approved by the FCCPC, and the FCCPC only required a no objection statement from the CBN as one of the conditions for its approval of such business combinations.

Other key highlights of the new legislation (such as the introduction of bail-in provisions and related banking resolution or rescue tools, restrictions on granting unsecured credit and the establishment of a special tribunal for recovery of eligible loans) are discussed below.

With the continued focus on financial inclusion, the Nigerian banking industry now features an increased presence of mobile money agents, agent banks and other related platforms that provide financial services (typically limited to sending and receiving money, bill payments, etc.) in rural areas and unbanked locations. In relation to this, there have also been increased activities and engagements (regulatory and otherwise) within the financial.

In Nigeria today, about 46 million of its population according to the Nigeria Interbank Settlement Systems are not banked.

To address this perennial problem, the NDIC has in time past intensified campaigns geared towards sensitizing and bringing more Nigerians into the financial sector.

To this end, the Nigeria Deposit Insurance Corporation (NIDC) has said that it remains committed to tap savings culture of unbanked active poor Nigerians in order to improve their financial inclusion and accelerate investment growth in the nation's economy.

As such, the Director, Banking and Examination Department, of the NDIC, Mr. O.O. Babatolu says at a recent event for financial literacy workshop for secondary school students said that "Financial Literacy is all about getting our young adults especially those in secondary schools across the 36 states of the federation and FCT, Abuja, to enlist them to understand the essence of managing their financial wellbeing and transferred exposures to their fellow students in their schools."

He said, "This financial literacy programme which started in March this year was a nationwide event and as a way to change the attitude of unbanked poor Nigerians on how to keep their money safely, protect and make use of it wisely for investment development'.

Babatolu who decried the unhealthy keeping of nation's money by some poor Nigerians said that, the workshop provided the chance to educate youths on how to keep their money safe at designated banks instead of keeping it in an unsecured environment that can be stolen or mutilated by termites.

He opined that, "the idea is to change the attitude of our local people in keeping their money in an unsafe environment by making use of our students in various schools of the federation to pass the information to their colleagues and at the end to their immediate families in various towns and villages across the nation."

Babatolu added that, "the desire of the NIDC is to derive financial inclusion of the students and the entire people of the country especially those in rural areas to the financial system in order to take advantage of the benefits that are available in the financial system to boost their business growth".

He stressed that, apart from this, "it will also promote savings culture, financial products and to ensure that they appreciate the safety that is available in keeping their financial resources in the nation for investment derive opportunities."

While calling the students to take advantage of the educative event by having a change of attitude of properly keeping their money in a safer place in the bank rather than keeping it in an unsaved place, Mr. Babatolu however advised them to transfer the knowledge gathered at the seminar to their fellow students so as to involve themselves in the financial inclusion of the economy.

Ensuring a sound banking system through collaborations

Also, in a quest to secure bankers' deposits as part of its statutory mandate, the NDIC has disclosed that it has begun the payment of compensation to customers of 42 banks, which licences were withdrawn by the Central Bank of Nigeria (CBN), last year.

Although the Managing Director and Chief Executive of NDIC, Mr. Bello Hasan, did not disclose the amount that had been paid or the number of depositors that had been settled, he however stated that the NDIC would also release the assets of the affected banks to ensure that depositors are settled.

"The 42 banks that CBN withdrew their licences last year, we have already paid the insured amount and we are working hard to release the assets of those liquidated institutions so that we can pay depositors of those failed institutions. The customers are still coming forward to be paid," Hasan said.

To check alleged insider-abuse and involvement in fraud and robbery incidents, Hasan advised banks to take measures right from the time they are employing their staff.

"Banks should strengthen their security. They should do a proper control and do a lot of background checks on their staff to ensure that they employ people that are fit and proper for employment," he said.

He also stated that despite the effects of the coronavirus pandemic in 2020 and other challenges, the Nigeria's banking system is still safe and sound.

Hassan said: "We know that we are passing through several unprecedented challenges in the industry, but despite this, the regulatory agencies are taking various measures to ensure that banks remain safe and sound. According to report, despite the effects of the pandemic and looking at the various financial standing indicators, the banking system is safe and sound.

"Looking at capitalisation, the earnings and liquidity, I can confidently say based on these financial standing indicators, the Nigeria banking system is safe and sound and resilient."

He added that the NDIC will execute its mandate with collaborations from relevant agencies especially the Economic and Financial Crimes Commission (EFCC).

Recalled that the Chairman of the EFCC, Abdulrasheed Bawa, explained that the directive to bankers to declare their assets was not to persecute them, but to save Nigeria from another serious crisis in the banking sector.

The EFCC chairman said that the directive, which was aimed at clearing "the rot that permeate the nation's banking sector", was misconstrued by some people he tagged 'ignorant'.

He vowed that despite the stiff opposition of the policy, the anti-graft agency would not relent in its efforts in sanitising the country's financial institution. He said that the policy became imperative to salvage the banking sector from corruption, insisting that Nigeria cannot afford to go through another serious crisis in the banking sector.

The EFCC chairman lamented what he called "a slew of corrupt practices in the banking sector", disclosing that the commission had prosecuted and secured numerous convictions against bankers, including those who had retired from practice.

He called on bankers, financial institutions and other security agencies to partner with the commission in ridding the country of corruption and other financial crimes.

Bawa said: "I recall that upon assumption of office, one of the major pronouncements I made was giving a directive to bankers to declare their assets before June 1, 2021.

"I had given the directive genuinely out of sincerity of purpose, knowing the rots that permeate the nation's banking sector. In other words, the directive was born out of efforts to sanitise the banking sector. But it was received with mixed feelings. It is obvious that those who kicked (or are still kicking) against the directive are ignorant of the unmistakable details of the Bank Employees Declaration of Assets Act. Unlike the claims in some quarters, it is not a witch-hunt; rather, it is part of measures to sanitise the country's financial institutions.

"We are aware of the different shades of fraudulent activities going on in our financial institutions, particularly in the banking industry sector. In dealing with this situation, the EFCC, under my watch, has intensified its engagement with bank executives, more than ever before. The nation cannot afford to go through another serious crisis in the banking sector; and this explains the constant intervention by the EFCC."

Scaling up regulatory operations for fintechs

With the sharp changes in banking operations due to the disruptions by financial technology and other payment platforms, the Corporation is also scaling up it's regulatory operations by changing strategies.

The NDIC at an event organised for Journalists in Lagos recently believes that different financial payment systems which are driven by technology, are without associated risks that must be tackled seamlessly without stifling growth and innovation of the financial technology (fintech).

Represented by director (Communication and Public Affairs Department), Mr. Basir Nuhu Ibrahim stated: "Managing the risks associated with emerging technology without stifling innovation has become a major theme amongst regulators and policymakers.

In Nigeria for instance, the Central Bank recently released a draft framework for regulatory sandbox operations to encourage innovation, especially for startups. The NDIC equally established an 'Innovation and Fintech Unit' to drive its agenda for emerging technology and provide solutions to improve the safety of depositors and the banking system."

He said the Corporation is currently faced with two fintech-related concerns – how to identify and ensure non-bank deposit-taking institutions and leverage the potentials of fintech to effectively execute its operation easily, speedily and reliably.

"Consequently", he noted: "We look forward to modernising our data collection and analysis through the use of fintech solutions/tools (Regtech and SupTech) to handle the following business processes better than currently being done: risk-based supervision (RBS), monitoring compliance, premium administration, early warning signals, stress testing, analysis of insured institutions' performance."

Citing global researches on the growth of the domestic fintech ecosystem, he said that Nigeria is now home to over 200 fintech standalone companies in addition to a number of related solutions offered by banks and mobile network operators. He added that Nigeria's fintech brands raised over $600 million in funding between 2014 and 2019.

Ibrahim said Nigeria must necessarily tap into fintech goldmine in its effort to diversify revenue earning, create the next generation of jobs and close the income gap.

Ibrahim also said the impact of the COVID-19 pandemic and the resultant disruptions had negative consequences on the economy, caused credit risk and triggered fear of financial crisis, putting more pressure on regulators.

In his presentation, Deputy Director of the Corporation (Research Department), Kabir Katata, said there is a need to "ensure that authorities and researchers have the proper data to monitor and study fintech and big tech credit platforms". He called for sustained efforts to bring fintech and big tech lenders into the fold of official regulatory reporting.

"As regulatory oversight increases, a thorough understanding of financial services in the Nigerian context, particularly in compliance, is becoming a prerequisite for success. Most fintech companies have a technology background but limited experience in financial services and will need to ensure that they develop or acquire this competency," Katata advised.

N1 billion corporation's social responsibility annual investment

As part of efforts to deepen corporate social responsibility across the Nigerian states in order to ensure that all geographical zones benefit from special intervention programmes of federal government, the NDIC says it spends N1billion annually on CSR projects in many rural communities nationwide.

The special intervention programs being executed by the NDIC, according to Ronke Sofekun, Chairman of NDIC, cover the ICT, boreholes as well as other life-saving and improving projects spread across 36 states and Abuja, the Federal Capital Territory for which the Corporation spends N1 billion annually to execute and complete.

Speaking recently after inauguration of an ultra-modern Information and Communication Technology (ICT) centre, built by the NDIC for the Comprehensive High School, Ayetoro, in Yewa North Local Government Area of Ogun State on Monday, Sokefun said in in the last two years about 100 CSR projects had been executed by the NDIC across the states.

The ICT centre at the Ayetoro school, which is her alma mater, is equipped with over 200 computer systems and a central server to ease the stress that students undergo during the computer-based test (CBT) examination of the Joint Admissions and Matriculation Board (JAMB), in the area.

The NDIC Chairman said the construction of the project commenced in mid-2019 and until its establishment, there was no JAMB CBT Centre in the whole of Yewa-North and Imeko Afon Local Government Areas, adding that the project was put in place as part of effort to support government' programmes towards developing education sector and enhancing ICT education nationwide.

"In the last 24 months, we have commissioned over 100 projects of this nature in different parts of the country and they were mostly community-intervention projects, ranging from ordinary boreholes to ICT centres, and others.

"We have been able to meet the need of our people and have improved in terms of staffing and others. These projects cost us not less than a billion naira annually.

"Towards enhancing ICT education in other parts of the country, the donation of ICT centres should be emulated, because social amenities are decaying and this is not limited to the education sector. So, there is a number of projects we will still put in place, and as the Chairman, I can do more", she said.

Governor Dapo Abiodun of Ogun state, who was represented by the Commissioner for Education, Abayomi Arigbabu, stated that the ICT project would be a boost to his administration, "which has been adjudged as the best ICT-focused government in the whole of Nigeria by Federal Government".

The goveror, while commending initiators of the project and the gesture displayed, noted that the ICT project inauguration came at a time when the education sector needs to be developed through ICT and technologies that enhance the concepts and practice of sound education in the state.

Also, the NDIC in its Corporate Social Responsibility moves have consistently made senior citizens a priority which is why His Royal Majesty, the Alake and Paramount ruler of Egbaland, Oba Adedotun Aremu Gbadebo, during the Annual Alake of EgbalandFree Medi-Care for Elderly and Lecture to mark the United Nation (UN's) World Senior Citizens Day in Abeokuta, Ogun State, commended the giant strides of the Corporation.

The event, organised by the Egbaland Humanitarian and Development Council, featured free health screenings and services to the elderly including free medical eye examinations, glasses and eye surgeries.

The Alake expressed appreciation to the executive management of the corporation for honouring his invitation to join in showing compassion and celebrating the contributions of the elderly during the Day.

He described it as symbolic of the importance the NDIC places on community development at the grassroots and urged the corporation to continue to partner with local communities to promote its mandate of protecting depositors while at the same time touching the lives of the people. In his response, the NDIC MD/CE Mr. Bello Hassan stressed the need to consistently assist and uplift the elderly not only in recognition of their contribution and years of service to the nation but also as role models and mentors to the younger generation.

The NDIC Executive Director Corporate Services, Hon. Mrs. Omolola Abiola-Edewor, who was conferred with the award of "Humanitarian Ambassador" by the Egbaland Humanitarian and Development Council, said that as a serving chief and daughter of the soil, the initiative is close to her heart as it aligns with her passion for humanitarian causes.

She described the initiative as a veritable platform to give back to the elderly who have sacrificed and contributed so much to community service and investment in the younger ones.

The Alake of Egbaland Free Medi-Care for Elderly and Lecture also featured a keynote lecture titled "National Executive Pension System and Establishment of Senior Citizens Centres at State Level" which was delivered by Dr Tunde Adegbola. Other eminent personalities at the event included Olori Tokunbo Gbadebo, the representatives of the Ekiti State Governor and Lagos State Governors, the Ogun State Independent National Electoral Commission (INEC) Commissioner and prominent Egba high chiefs.

In the same vein, considering the media also as key stakeholders in the financial sector, the NDIC has consistently organised journalists and editors' events over the years to sensitise them on different topics in the financial sector.

The aim of the workshop according to the corporation is to build capacity of journalist and provide them with the necessary data and documents they require to aid their work.

Managing Director/Chief Executive, Nigeria Deposit Insurance Corporation (NDIC), **Bello Hassan,** (right) explaining a point to the Chairman, Economic and Financial Crime Commission (EFCC), **Abdulrashid Bawa** during the latter's courtesy call to the NDIC Senior Management in Abuja


Taking Steps
• Operationalised the NSIA-LUTH Cancer Centre (NLCC), a full-service out-patient cancer centre
• Advanced Diagnostic Centre in Aminu Kano University Teaching Hospital completed
• Finished civil and construction works at the Advanced Diagnostic Centre in Federal Medical Centre Umuahia (FMCU)
Touching Lives
• Increased access to quality oncology care and treatment in Nigeria
• More than 2,000 patients have now undergone treatment
• National radiotherapy equipment-to-people ratio boosted
• Major healthcare programme set to reverse medical tourism and reduce foreign currency exposure
Nigeria Sovereign Investment Authority
Nigeria Sovereign Investment Authority
The Clan Place, 4th Floor Plot 1386A, Tigris Crescent, Maitama, Abuja, Nigeria.
Tel: +234 (0)9 461 0400
E-mail: webmaster@nsia.com.ng
www.nsia.com.ng

NIGERIA CUSTOMS SERVICE (NCS)

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POLICY BRIEF WITH
ENAM **OBIOSIO**

Fiscal Reforms And Its Effect In Nigeria

Nigeria can build on its reform momentum to contain economic shocks, stimulate the economy, and enable the private sector to be the engine of growth and job creation

Nigeria is at a critical historical juncture, with a choice to make. Nigeria can choose to break decisively from business-as-usual, and rise to its considerable potential by sustaining the bold reforms that have been taken thus far and going even further and with an even greater sense of urgency to promote faster and more inclusive economic growth, according to Shubham Chaudhuri, World Bank Country Director for Nigeria.

Income inequality and poverty rates are high in Nigeria, with the latter having declined more slowly relatively compared to other countries. At the same time, moving closer to achieving the sustainable development goals (SDGs) and addressing the country's large development needs will require more economic doctoring with additional financing.

It is revealing that reforms to generate fiscal space — increases in value-added tax collection, excises, and electricity tariffs —are progressive; that is, they reduce income inequality.

However, scaling up social safety net transfers and expanding their scope to cover a wider share of the poor can, to some extent, compensate for these adverse impacts at relatively low cost, and bring down poverty rates more generally.

In the short term, other measures to shield vulnerable households' income, including lifeline electricity tariffs, and higher spending on health and education are needed.

Addressing the country's development needs and making progress towards the SDGs will definitely require fiscal space, even as the country faces large development gaps.

We really need to understand that increasing revenue and reducing non-priority recurrent expenditures would create room to address these challenges by allowing for an increase in public capital expenditures to narrow the infrastructure gap that is currently perceived as one of the main constraints to private sector-led growth, and thus to employment and poverty reduction opportunities.

There is the need for a higher allocation of resources to health and education to build human capital. This is meant to create more equal opportunities across income groups through expanding and scaling-up transfers through social safety nets, currently covering only a very small share of the population, that would lift a significant share of the population out of poverty.

Shubham Chaudhuri, World Bank Country Director for Nigeria

Against this background, it is important to ensure that fiscal reforms to create fiscal space do not further worsen inequality and poverty. The government's economic recovery and growth plan (ERGP) have been structured to highlight the effect of revenue measures — an increase in Value Added Tax (VAT) collection, and excises — and an increase in electricity tariffs on fiscal space, the poverty gap (average distance of the poor from the poverty line in percent of poverty line) and poverty headcount, as well as on income inequality.

The outcomes so far suggest that most measures are progressive, reduce income inequality. The measures are estimated to generate significant revenue that allows for compensatory social transfers and an expansion of the social safety net more generally. Since the outcomes do not take into account the positive impact from increased expenditures on infrastructure and other development areas that could be unlocked by increased fiscal space, the highlighted increases in poverty rates could be overstating the actual effect.

Though poverty and income inequality remain high in the country, economic growth has been considerably driven up and more inclusive than in other sub-Saharan African countries.

The fiscal measures of the present administration are yielding quite encouraging revenue gains and gradually reducing income inequality. The fiscal space gained through current fiscal measures—VAT reform, an electricity tariff increase, and an increase in the excise rate on alcohol and tobacco, could be substantial. These measures by themselves are also expected to decrease income inequality.

Accordingly, the government is working to ensure that poverty gaps and rates would likely not rise significantly in response to these measures. The government is strategically working that poverty rates would not increase as consumable household income could shore up in response to larger expenditures.

And different degrees of social safety net expansions show that social safety transfers, if efficiently run, could compensate for the less likely negative impacts from the above-mentioned reforms. As social safety nets may not be immediately scalable to the desired extent in the short term, a package of other measures will be needed to compensate for the adverse impact on the most vulnerable.

In particular, using gained fiscal space to increase expenditures in education and health could improve the progressivity of the deployed measures and decrease the less likely increase in poverty.

Indeed, provided that the expenditures are efficiently used, redistributing the generated tax revenues (and savings in subsidies) into public expenditures in itself would generate additional growth benefits, therefore increasing income, including for the poor.

Nigeria can build on its reform momentum to contain economic shocks, stimulate the economy, and enable the private sector to be the engine of growth and job creation. It can also redirect public spending from subsidies that benefit the rich towards investments in Nigeria's people and youth in particular, and lay foundations for a strong recovery to help make progress towards lifting 100 million people out of poverty.

Looking ahead at areas that would help mitigate the effects of recent past economic shocks and support the country's recovery is more about enhancing macroeconomic management to boost investor confidence; safeguarding and mobilising revenues; managing the domestic spread of COVID-19 until a vaccine is available for distribution; reprioritising public spending to protect critical development expenditures; and supporting economic activity and access to basic services and providing relief for the poor and the vulnerable.

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