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2022 Budget: FG Targets More Revenues

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Revenue generation has been primary target of the President Muhammadu Buhari administration. Through the instrumentality of revenue generating agencies as well as the coordination of the Ministry of Finance, Budget and National Planning, some success have been recorded in that regard, ***Felix Omoh-Asun*** *and* ***Musa Ibrahim*** *write.*

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N2.3 Trillion Revenue, Other Landmark Achievements Of NCS Pg. 22

Although COVID-19 had devastating impact on virtually every country of the world, inclusive of Nigeria, the growing zeal and commitment by the federal government to generate revenue and invest in critical sector of the economy has since been experiencing steady growth.

This is evident as the Minister of Finance, Budget and National Planning, Mrs. Zainab Shamsuna Ahmed, announced that for the first time in history, the federal government has exceeded the N1 trillion mark in independent revenue collections.

Speaking at the public presentation of the 2022 budget breakdown which held at the Ministry's headquarters in Abuja on Wednesday, 5th January 2022, the Honourable Minister disclosed that So far, independent revenue as at November 2021 stood at N1.2 trillion.

"The 2022 budget was signed into law on December 31 last year by President Muhammadu Buhari. About 122 agencies are required to pay the operating surpluses into the Consolidated Revenue Fund (CRF) of the federal government based on the Fiscal Responsibility Act 2007.

"The Act requires government agencies to remit 80 percent of their annual operating surpluses to the CRF. The operating surplus is made up of revenues accruing to government agencies above what they are approved to spend at the beginning of the budget year.

"Some of the agencies are the Petroleum Products Pricing Regulatory Agency (PPPRA), Central Bank of

Cont. on page 04

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

Year 2021 In Retrospect

The year 2021 had come and gone, but a few economic trajectories that made the year mostly in the departments and the agencies under the Ministry of Finance, Budget and National Planning are herewith served...

IPPIS And Transparency Drive In Government Transactions

*Upon the introduction of the Integrated Personnel and Payroll Information Systems (IPPIS), the Accountant-General of the Federation (AGF), Mr. Ahmed Idris, maintained that transparency will be the watchword in government transactions, **Musa Ibrahim** writes.*

In line with the body language of President Muhammadu Buhari, the Office of the Accountant-General of the Federation (OAGF) is vigorously deploying measures in curbing financial leakages and promoting transparency in the country.

Recently, Mr. Idris has reiterated the determination of the federal government to migrate all personnel, agencies, and institutions that drew their personnel cost from the Consolidated Revenue Fund to the Integrated Personnel and Payroll Information System, IPPIS platform.

He however said that the task has not been an easy one due to the peculiarities of some of these agencies and institutions.

He lauded the application of IPPIs saying it has brought transparency in government payroll administration and enhanced efficiency in the planning for Personnel emoluments in the country since its introduction.

The AGF has already announced that the financial transactions information of its ministries, department and agencies could now be easily accessed by Nigerians through its recently established Open Transparency Portal (OTP).

The Accountant-General said: "Through the OTP, 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 OTP and see for themselves all the information they need concerning patterns on expenditure," Idris said.

ANAN has a unique role to play in promoting the financial reform initiatives. You are opinion builders, you can give your own opinion, you can give your own directives on these policies and this will be acceptable to the government, especially as a professional association

Idris boasted that the OTP has further demonstrated the federal government's commitment to transparency, accountability and efficient management of public finances.

Meanwhile, the AGF recently tasked the Association of National Accountants of Nigeria (ANAN) to come up with ideas and initiatives that will help consolidate the successes of the financial reform initiatives.

He noted that as a professional association, ANAN should employ their expertise to ensure further successes of the financial reform initiatives.

"ANAN has a unique role to play in promoting the financial reform initiatives. You are opinion builders, you can give your own opinion, you can give your own directives on these policies and this will be acceptable to the government, especially as a professional association", he said.

Idris called on the association to undertake public enlightenment to make public finance practitioners abreast of the reforms and also undertake capacity building on the reform initiatives to further equip government officials handling these reforms.

Ibori Loot Returned to Delta State

In the same vein, The Accountant General of the Federation, Mr. Ahmed Idris has disclosed that a controversial £4.2million recovered as stolen in the past, has since been returned to the current government of Delta State.

In a presentation to the House Committee on finance, the AGF pleaded with the House to make the Treasury Single Account (TSA) legal and constitutional, for it to be more effective.

"All agencies' revenues go into the TSA, but the TSA does not apply to the federation account. And it depends on the nature of recoveries. Some recoveries are for state governments, and when they come, we send them to the state governments, including the Ibori loot. The recovery of the Ibori Loot was paid to Delta State. The states will not

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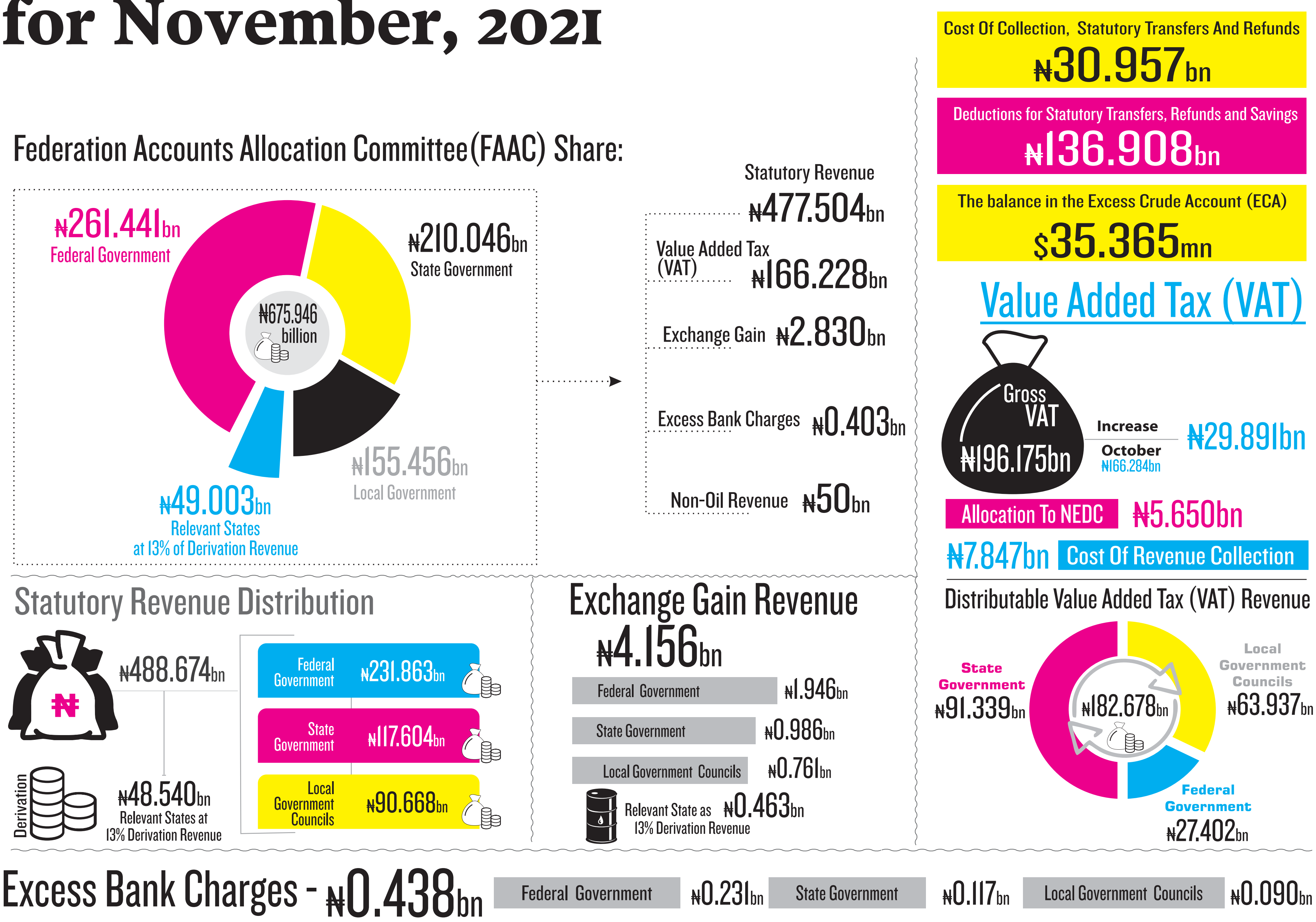
FAAC: FG, States, LGCs Share ₦675.946bn for November, 2021



According to the Communiqué, in the month of November 2021, Petroleum Profit Tax (PPT), Oil and Gas Royalties, Companies Income Tax (CIT) and Value Added Tax (VAT), increased remarkably. Also, Import and Excise Duty increased marginally.

SEC, Building Robust Capital Market Through Regulation, Partnerships

*Since his appointment in May 2020 by **President Muhammadu Buhari**, the Director-General (DG) of the Securities and Exchange Commission (SEC), **Dr. Lamido Yuguda**, set the ball rolling immediately to consolidate on the efforts of his predecessors. Our correspondent, **Musa Ibrahim** X-rays the DG's strides, so far.*

One of the cardinal plans of the Nigerian SEC in 2021 was to seek the means for partnerships and collaborations, in other to ensure a sound-footed capital market for investors.

As such, it embarked on several initiatives geared towards strategic partnerships to boost the growth and development of the Nigerian capital market.

On of such moves by SEC is the announcement by Mr. Yuguda concerning his plans to work with the Institute of Capital Market Registrars (ICMR) to resolve issues of identity management and rising unclaimed dividends in the capital market.

The DG pointed out that part of the problems of unclaimed dividends has to do with identity management, saying it was engaging the registrars and other stakeholders and increasing investors' education to stem the trend.

Identity theft is a fraudulent practice of using another person's name and personal information to obtain shares, credit, loans, among others.

According to Mr. Yuguda, the commission had set up an identity management committee to harmonise various databases of investors and facilitate data accuracy in the market.

He said that the committee comprises the SEC, the companies registrars, the stockbrokers, the issuing houses, the Central Securities Clearing System (CSCS), and Nigerian Stock Exchange (NSE), in addition to the e-dividend management committee.

The DG also promised that the committee's assignment would address the challenges of identity management and help tackle some of the issues of unclaimed dividends, direct cash settlement and multiple subscriptions.

"We have engaged with the industry to see where the issues are. We have understood the problem better. We are working with the institute to resolve this. Also, the identity management committee that we have just recently set up is looking at all these issues," he said.

In addition, Mr. Yuguda said that operators were also having problems with the banking information that was given by investors before they could enrol in the e-dividend mandate management system. He attributed the development to a manual system, which was adopted during the process, assuring that the commission would continue to interface with operators to resolve the issue.

He also said that the commission was also intensifying efforts to educate the public and engaging the various stakeholders to be able to get a lot of information that is required.

In another record-breaking move, to reduce financial crimes in the capital market to the barest minimum, SEC partnered with the Economic and Financial Crimes Commission (EFCC), on capital market training.

In an address during a one-day training tagged: 'Enlightenment Programme On The Capital Market And The Investigation Of Capital Market Complaints,' the Lagos Zonal Command, and Director, SEC, Lagos Zonal Office, Stephen Falomo, said that the training was one of the strategies embarked upon by the SEC to drive the development of the market, while also sharing knowledge with the EFCC to achieve a well-regulated market that is dynamic, fair and equitable.

Mr. Falomo stated that the special enlightenment programme was aimed at intimating the officers of EFCC on the workings of the capital market in general and enhancing the investigative skills needed to handle market-related complaints.

According to him, "the SEC is the apex regulator of the Nigerian capital market. It is empowered by the Investment and Securities Act (ISA) of 2007 to regulate and develop the capital market. Organising programmes like today's workshop is one of the strategies of the commission to drive the development of the market while at the same time, sharing knowledge with a sister agency like the EFCC to achieve a well-regulated market that is dynamic, fair and equitable.

"We are all aware that the EFCC is responsible for the investigation and prosecution of financial crimes and that a large chunk of complaints and infractions in the capital market can be deemed to be financial crimes.

"It is, therefore, imperative that the SEC supports the EFCC with up-to-date knowledge of the intricate workings of the capital market and some useful information on the investigations of financial crimes emanating from players in the capital market space. That is the primary focus of today's programme."

The SEC director stated that it was also important to point out that the relationship between SEC and the EFCC dates back almost two decades, adding that the two commissions have since continued to enjoy a cordial and mutually beneficial relationship.

Mr. Lamido Yuguda, Director-General of Securities and Exchange Commission

Revenue Generation

In a drive to boost revenue generation and contribute significantly to GDP, SEC has disclosed that the commission remitted a revenue of N1.5 billion into the federal government's account between June 2020 to June 2021.

SEC DG also noted that the commission had been paying 25 percent of its gross revenue into the coffers of the federal government.

Mr. Yuguda said that the commission was doing everything within its powers to reduce operating costs and return to profitability within the next two years, adding that it has planned early retirement of staff in order to tackle bloating costs.

He pointed out that the commission had been operating under very difficult circumstances as it is currently superintending over a market that was affected by the negative impact of COVID-19 pandemic.

He said: "If we go through the Medium-Term Expenditure Framework (MTEF) which we started last year, if we look at 2022 and 2023, you will see that we have worked on our expenditure so that by 2023, the deficit will actually turn into a surplus of N1.235 billion.

"Also, by 2024 we should have a N2.5 billion surplus. We have done a lot of revenue-raising drives just to ensure that the commission stays on track."

Mr. Yuguda called for stakeholders' support towards ensuring that the transformation exercise embarked upon by the market regulator yields a meaningful result.

He, in addition, explained that the commission had aggressively reduced its overhead cost, stating that a reduction of a certain component of its staff pay has currently generated over N2billion of savings for the regulator.

"If you take the MTEF numbers, as you go forward, you find that by 2024 staff cost reduces to only N5.88billion. So, that is the trajectory that we are working on."

To shore up its resources, the SEC boss said that the commission had approached a number of institutions such as the African Development Bank (AfDB), and a number of other donors for financial aid.

This, he said, was expected to attract a grant of N3.84 billion for the commission to boost its operations. "When we came last year, we discovered that there has been no IT investment in the SEC for over a decade. So, our IT infrastructure is now obsolete. So, we have to renew the facility."

Result-Oriented Regulations

With the evolution of the cryptocurrency market, SEC as the regulator has stepped up its regulatory framework to ensure that Nigerians are not swindled of their investment.

To this, in the third quarter of 2021, the SEC DG reaffirmed that the suspension of the crypto assets investment guidelines proposed by the agency still remains valid. He insisted that SEC's suspension of the proposed guideline would remain valid until operators of the various crypto exchanges have access to their accounts in Nigerian banks that were closed by Central Bank of Nigeria (CBN).

"SEC remains supportive of the growth of financial technology (Fintech). We have invested in developing a framework to support crowdfunding, investment advice, and cryptocurrencies.

"In other areas of financial technology, nothing has changed but for cryptocurrency. With the recent publication by the CBN directing Nigerian banks to close crypto exchanges account, the 2020 guidelines issued by the commission to regulate the market are still valid."

Mr. Yuguda, who said the commission and the CBN were working out modalities to enhance optimal regulation of the market, promised that the outcome of the interface would be made public.

"We are in close discussions with the CBN for better regulation of the market. We will come back to tell you the outcome of the interface," he said.

In the main time, to ensure a vibrant commodities trading ecosystem, SEC unveiled new rules on warehousing, collateral management, and other requirements.

According to the new rule, every warehouse that stores commodities to be traded on a registered exchange shall apply to be registered by SEC, which will maintain a register of all warehouses that shall be published on its website.

SEC said that a warehouse applying for registration should submit proof of ownership or registered-lease deed or rent agreement along with a disclaimer from the owner of the warehouse/property, providing a waiver of ownership regarding commodities stored in such warehouse.

The rule also states: "The warehouse should be located in a place with access to infrastructure to support its operations and have sufficient space for parking and movement of large vehicles, have an efficient system for loading/unloading of commodity including a proper mechanism for segregation of different kinds/quality of commodity.

"They are to submit a standard operating procedure (SOP) which shall cover the following among others: Procedures for acceptance of commodities to be deposited and delivery of commodities; procedures for weighing, sampling of goods to be deposited in compliance with industry standards, the procedure for verification of commodities and communication to depositors, and procedure for maintaining the quality of the goods stored in line with relevant specifications.

NAICOM: A Critical Appraisal Of Insurance Industry Performance

Tony Tagbo

In the course of the past year, the Commissioner for Insurance, Mr. Sunday Thomas, had in January said that the National Insurance Commission (NAICOM) would move with its plans on different policies and initiatives to deepen insurance penetration thereby ensuring that more Nigerians and assets are insured.

Consequently, the commission, the insurance regulator, pursued with vigour various targets aimed at sanitising the industry and insurance operators with minimal results in 2021.

Despite concerted efforts, the number of uninsured Nigerians remains among the world's largest within prospective insurance markets.

However, NAICOM has attributed this to its inability to enforce the compulsory insurance laws and lack of cooperation among insurance operators in the country.

Most importantly, the NAICOM boss was optimistic that the N1 trillion target set for using the market development and restructuring initiative (MDRI) goals would be achieved, despite the challenges before it in whipping the operators into line, and ensuring that all claims, including COVID-19 and #EndSars, are paid.

According to Mr. Thomas, other objectives for the commission in year under review included consolidating the sector's capital, human capital development, financial inclusion, bancassurance initiative, life annuity, new insurance law, African Continental Free Trade Agreement (AfCFTA), improving efficiency in the supervisory processes, among others.

Investigations revealed other low points of the industry during the year as ineffective enforcement of 'No Premium, No Cover'; lack of enforcement on insurance of all buildings under construction that are more than two floors and all public buildings, including schools, offices, hotels, hospitals, shopping malls etc.; motor insurance; inconclusive recapitalisation; among others.

As a result of lack of enforcements, trillions of naira are being lost to insurance businesses, going by pension business alone that has generated over N13 trillion assets within 17 years by the pension sector which was cut out from insurance industry.

Presently, the insurance industry can only boast of about N500 billion, despite targeting N1 trillion since 2010.

According to the National Bureau of Statistics NBS), insurance penetration to the Nigeria's Gross Domestic Product (GDP) remains at 0.3 percent. Similarly, out of about 12 million registered vehicles, only 2.5 million have genuine insurance cover, according to the Nigeria Insurers Association (NIA).

Despite the 'No Premium, No Cover' by the regulator, findings show that some brokers are still not remitting premiums as when due to insurance companies.

The brokers rather withhold premiums collected from insured in the bank to yield interest for themselves, thereby causing delays in claims payment by insurers when the need arises. This is against the 'No Premium, No Cover' policy put in place by the regulator.

The "No Premium, No Cover" policy was expected to ensure that no insurer grants cover without fully receiving the premium or a premium receipt from the relevant broker.

The Nigerian insurance industry ranks 62nd in the world with $1.64 billion premium, representing 0.2 percent of premium collected globally in 2018, according to the Nigerian Stock Exchange (NSE) in its 2019 report.

The report states: "When compared to other jurisdictions, the insurance industry is relatively small and ranked 62nd in the world with a total premium volume of $1.64 billion dollars. The total Nigerian insurance market accounted for only 0.2 percent of the global premiums in 2018.

On penetration and density index, the report states: "Nigerian insurance industry currently stands at 0.3 percent which is relatively low compared to other jurisdiction, while total density of the insurance sector is currently at $6.2 and lags behind its African counterparts."

However, the report notes that the insurance penetration of 0.3 percent is less than one 10th of that of India with similar GDP per capita, stressing that this is a significant un-tapped potential.

The report further states that the total amount raised by the industry through the capital market in the last five years amounts to N36 billion from 2015 to 2019, while total amount raised during the first and second recapitalisation equals to N8.1 billion and N280 billion, where bank recapitalisation stood at N654 billion.

The Chief Executive Officer of NSE, Mr. Oscar Onyema, said that it is expected that recapitalisation and consolidation should present new opportunities in private equity deals as well as increase public offerings.

Commissioner for Insurance and Chief Executive of NAICOM, **Mr. Sunday Thomas**

He said: "An estimated capital of N200 billion is expected to be injected into the Nigerian insurance industry post-recapitalisation with a 400 percent increase in the minimum capital required for life, 333 percent for non-life, 360 percent for composite and 200 percent for re-insurance.

"While I am optimistic that this directive by the industry regulator would enhance performance, bring about efficiency, innovation and profitability, the industry needs significant support to unleash its growth potential.

"At the NSE, we see close parallels between this recapitalisation and that of the banking sector in 2005. The massive growth in the banking sector can be attributed to successful capital raised through the capital market."

Also speaking at the event, Director-General (DG) of NIA, Mrs. Yetunde Ilori, agreed that recapitalisation would strengthen the capacity of the indigenous companies.

"This is the right time for the industry to increase its share capital, to strengthen its capacity and operation. We need to change our business models, we need to look at how we can make money, and this would include cutting costs", she said.

On his part, Executive Director, Wapic Insurance, Mr. Bode Ojeniyi, said that one of the issues the industry faces is premium flight. According to him, with the capital increase, the industry would witness increase in her premium income.

Mr. Thomas, while speaking with journalists, said that the recapitalisation exercise was necessitated by identified assets liabilities mismatch and to avoid imminent systemic collapse and solvency crisis in the insurance sector.

He said that the principles of capital adequacy and solvency entail an objective and consistent 'valuation of assets' in a transparent and prudent manner.

He said: "It is also required that assets have to be appropriately and objectively valued and sufficiently realisable. Capital adequacy and solvency regimes are necessary to address assets and liabilities match".

He stated that in the course of supervisory review and analysis, the commission observed that the symptoms and causes of a number of ailing insurers with a possible consequence of failure could be attributable primarily to factors that include risks arising from macro-economic environment, high inflation and interest rates with consequential effect on the value of insured assets over the years, among other issues.

Unfortunately, the recapitalisation of the sector seems to have hit the rocks following litigations against the regulator by some shareholders and operators.

The primary mandate of the market development unit is to develop insurance market with the objectives of deepening insurance penetration in all the States of federation, with the clear goals of promoting market efficient, fair, safe and stable insurance market for the benefit and protection of policyholders.

The commission was able to open online regulatory portal thereby banning manual submission of requests/application and develop human capital.

Similarly, NAICOM commenced online operations of its activities in September last year after several years of works on the portal.

The commissioner said that its operations had transmitted from manual to online processing and all operational activities or issues concerning insurance institutions that require the commission's attention, comment and approval are to be submitted and processed via the portal known as NAICOM Licensing System.

Consequently, all insurance institutions' operations were directed to NAICOM portal for submission and processing of all requests such as certificate of registration/renewal; approval -In-Principle (AIP); product authorisation; micro insurance; takaful insurance; letter of request; financial statement approval; enforcement action; governance and complaints issues, among others.

NAICOM also identified poor quality of human capital as part of symptoms and causes of a number of ailing insurers as possible consequence of failure.

According to the Commissioner, there was inadequate human capital for underwriting, claims and investment management; insufficient actuarial services leading to inability to recruit and retain quality personnel; inadequate training and manpower development.

The commission pursued the issue of human capital development with operators by making arrangement to have as many actuaries as the industry could have in the industry because "we know the role of actuaries in risk assessment. This is one profession that is lacking in this part of the world.

"We have committed huge resources to actuarial development, in collaboration with the Chartered Insurance Institute of Nigeria (CIIN), through the College of Insurance and Financial Management, though the entire process has been affected by the advent of the COVID-19 pandemic", Thomas noted.

The commission was also seeking for the passage of the Insurance Consolidated Bill, 2020, to drive the development of the insurance sector.

Mr. Thomas, who made this known during an Insurance First Law and Impact Consulting Webinar Series, said that realising the potentials has been difficult with the sector fragmented and in need of consolidation.

He said: "Nigeria has used policy interventions in the past to try and increase the rate of insured customers but execution of these policies has proven challenging as the long-awaited increases in minimum capital requirement is yet to be completed.

Wheat Farming, e-Naira, Other CBN Policies That Impacted 2021

*The Central Bank of Nigeria CBN) had doled out some policies for the year 2021 which have impacted on the economy immensely. Our correspondent, **Musa Ibrahim** browses the policies.*

Aside from the Anchor Borrowers Programme which has not only impacted the agric value chain but also the economy at large, the CBN had last year engaged in strategic interventions that could further strengthen the Nigerian economy.

One of such is the commercialisation of wheat farming as the importation of wheat cost Nigeria about $2 billion annually.

In the third quarter of 2021, President Muhammadu Buhari, at the flag off of the commercialisation of wheat cultivation in Nigeria at the Wheat Seed Multiplication Farm in Kwall, Bassa Local Government Area of Plateau State, charged Nigerian farmers to embrace wheat farming and stop the import of the product which gulps over $2 billion annually.

The President, who was represented by Plateau State Governor, Simon Lalong, noted that the agricultural sector is one of the critical non-oil sectors which has made significant contributions to the Gross Domestic Product (GDP) accounting for a 22.35 percent and 23.78 percent contribution to the overall GDP in the first and second quarters of 2021, respectively.

He said that a key focus of his administration has been the deployment of mechanisms to ensure that agriculture thrives in Nigeria to significantly grow the economy and achieve maximum welfare for the citizens by ensuring food and energy security.

President Buhari also said that the country is on the path to actualising sustainability in the production of rice, maize, cassava, soybean, groundnut, oil palm, cocoa, and that very soon, the breakthrough in wheat cultivation in Nigeria will be accomplished.

He lamented that Nigeria still spends humongous amount of money on wheat import which is not acceptable, because the country has the capacity to meet domestic consumption demands and also export.

"It is important to stress that Nigeria currently spends over $2 billion on the importation of wheat annually, one of the key contributors to the nation's huge foreign import bill. This is because millers have had to resort to importing wheat to meet the huge demand for wheat by-products. Wheat cultivation, similar to rice, has the capacity to thrive in Nigeria due to the tropical climatic conditions. "Currently, wheat is cultivated in many northern states, particularly in the dry season due to the high heat tolerance of the seed utilised

Godwin Emefiele, Governor of Central Bank of Nigeria

by farmers."

Mr. President expressed excitement for the flag-off of the 2021/2022 dry season wheat farming, noting that wheat could also be grown in the wet season in Plateau State as research also shows that it can be cultivated in other areas in the country, namely, Gembu Plateau, Taraba State and Obudu Plateau, Cross River State.

President Buhari commended the CBN, for using the Anchor Borrowers Programme not just in the agric value chain, but in almost all sectors of the economy as shown in the recent launch of some transformative initiatives like the 100-for-100 policy for production and productivity.

Landmark Launch Of e-Naira

History was made in Nigeria on 25th October 2021 with the launch of the country's first digital currency known as e-Naira.

The CBN said it had integrated 33 banks into the e-Naira platform with N500 million successfully minted by the apex bank for the takeoff of the digital currency programme.

Mr. Godwin Emefiele, CBN Governor, said that the launch of the e-Naira is a culmination of several years of research work by the CBN in advancing the boundaries of payments system in order to make financial transactions easier and seamless for every stratum of the society.

It is following a series of engagements with relevant stakeholders, including the banking community, fintech operators, merchants and a cross section of Nigerians, that the CBN designed the digital currency.

The e-Naira, according to the apex bank, marks a major step forward in the evolution of money in Nigeria.

Speaking at the event, Mr. Emefiele said that since the e-Naira platform went live, there had been overwhelming interest and encouraging response from Nigerians and other parties across the world with over 2.5 million daily visits to the website.

He said that so far, N200 million has been issued to financial institutions, while over 2,000 customers have been onboarded.

According to him, over 120 merchants have successfully registered on the e-Naira platform.

"Today, customers who download the e-Naira Speed Wallet App will be able to onboard and create their wallet; fund their e-Naira wallet from their bank account; transfer e-Naira from their wallet to another wallet; make payment for purchases at registered merchant locations.

"Mr. President, today you make history, yet again, with the launch of the e-Naira – the first in Africa and one of the earliest around the world. Mr. President, as you make ground breaking reforms, there have been continuing debate on the true value of the naira.

"Rather than worry today on the direction of the exchange rate, let us take a step back and analyse how we got here in the first place", he said.

While unveiling the e-Naira platform, President Buhari commended the CBN Governor and the entire management staff of the bank "who worked tirelessly to make this day a reality".

He further commended the apex bank for ensuring that Nigeria became the first country in Africa to introduce the digital currency and one of the first in the whole world.

Meanwhile, in a record-breaking move, the CBN said that in less than four weeks, the e-Naira app had witnessed almost 600,000 downloads.

"In less than four weeks since its launch, almost 600,000 downloads of the e-Naira application have taken place. Efforts are ongoing to encourage faster adoption of the e-Naira by Nigerians who do not have smartphones.

"The support of the financial industry will be critical in the ongoing deployment of the e-Naira, and efforts are ongoing to encourage continued partnership between the CBN and stakeholders in the financial industry," said Mr. Emefiele.

The CBN Governor noted that building a robust payment system that would provide cheap, efficient, and faster means of conducting payments for most Nigerians have always been the focus of the apex bank.

According to him, "the growing pace of digitisation globally makes it essential that we leverage digital channels in fulfilling this objective".

Mr. Emefiele also noted that total transaction volumes using digital channels more than doubled between 2018 and 2020, as volumes rose from 1.3 billion to over 3.3 billion financial transactions in 2020.

He further noted that digital payment channels also helped to support continued conduct of business activities during the lockdown.

He stated that the banking sector robust payment system has continued to evolve towards meeting the needs of households and businesses in Nigeria, "reflective of the confidence in our payment system, indicating that between 2015 and September 2021, about US$900 million has been invested in firms run by Nigerian founders.

"Notwithstanding these gains, close to 36 percent of adult Nigerians do not have access to financial services. Improving access to finance for individuals and businesses through digital channels can help to improve financial inclusion, lower the cost of transactions, and increase the flow of credit to households and businesses," he stressed.

Naira4Dollar scheme boosts remittances to $100m per week

The CBN had disclosed that its Naira4Dollar scheme had seen remittance into the country grow from $5 million per week in June last year to over $100 million per week, while inflow at the Investors' and Exporters' (I&E) Window rose to $250 million as of few months later.

The scheme was introduced to boost foreign remittances into the country and also woo investors, a move which has received wide commendations by stakeholders.

N1 Trillion To Kickstart Infracorp

As part of the efforts to catalyse further growth of the Nigerian economy, not less than a whopping N1 trillion in seed funding has been pulled together for the infrastructure company (Infracorp) to kick-start operations by this month, January 2022, Mr. Emefiele has revealed.

He explained that the money has been provided as seed funds by the promoters to support the operations of Infracorp, while four fund managers, as well as a management team, have been selected to run and manage Infracorp.

According to him, over the next two months, Infracorp will kick off its operations by targeting strategic infrastructure projects that would help catalyse further growth of the economy.

Infracorp is expected to raise over N15 trillion to support investment in critical infrastructure in Nigeria.

Meanwhile, Mr. Emefiele noted that several policies of the apex bank on foreign exchange have seen the inflow of forex rise on the I&E Window as well as on the part of remittances.

"Remittance inflows have been supported by our Naira4Dollar program, and we have seen a surge in remittance inflows from over $5 million per week in June 2020 to over $100 million per week in October 2021.

"As a result of our demand management policy, the naira has remained largely stable around N411 per dollar at the I & E Window particularly since the discontinuation of forex allocation to Bureau De Change operators along with the convergence between the CBN and NAFEX rates.

"Banks are now able to meet the demands of their customers seeking forex for SMEs, school fees, medical and PTAs, which has reduced the need of customers to rely on alternative providers of foreign exchange. Average daily forex turnover at the I&E Window is now over $250 million, up from $40 million in April 2020," he said.

Meanwhile, the CBN has revealed that in the year 2022, more focus will be on how to stabilise economy through micro economic policies by its Monetary Policy Committee (MPC).

Recalled that the Committee in its six meetings in the year 2021 kept monetary policy parameters constant, in line with economic realities.

Eurobonds, Sukuk Financing Dominate DMO's Activities In 2021

Musa Ibrahim

In fulfilling its mandate, the Debt Management Office (DMO) has ensured that Nigeria maintains a stable debt management system.

Recently, the DMO unveiled a N250 billion Sukuk IV bond geared towards bridging the road infrastructure gap in the country. The offer is 12.8 percent, 10-year Ijarah Sukuk due in 2031 which opened on December 16 to December 22, 2022.

Ms Patience Oniha, Director-General (DG) of DMO, said that the impact of Sukuk on the Nigerian roads could be felt by Nigerians, given its primary place in the economy.

According to her, DMO has already raised N2.89 trillion out of the anticipated domestic borrowing, adding that the balance of N250 billion was what the Sukuk offering was made to achieve.

The DMO is banking on the N250billion sukuk issuance to enable it to comfortably meet or even surpass the federal government's N3.145 trillion domestic borrowing target for 2021.

"The new domestic borrowing for budget deficits for 2021 (including the supplementary budget) is N3.145 trillion out of which we have raised N2.895 trillion, leaving an outstanding of N250 billion. This is what we want to issue as sukuk. Any other securities issuance we did in 2021 outside of the above was for refinancing maturities," Oniha said.

The N250 billion issuance – the fourth in the series – is a 12.80 percent, 10-year Ijara sukuk due 2031, and will be used to finance up to 71 key economic road infrastructure identified by the Federal Ministry of Works and Housing, Federal Capital Territory administration and the Ministry of Niger Delta Affairs.

On December 6, Oniha disclosed that so far the government had raised up to N2.8 trillion, some 90 percent of the domestic component, and hoped to close up the gap with the N250 billion sukuk proceeds, which is already on offer and closes on Wednesday, December 22.

Oniha, while giving examples of roads financed under Sukuk, listed the construction of Southern Parkway from Christian Centre (S8/9) to Ring Road I (RR I); Completion of Roads B6, B12 and Circle Road, Abuja Central Area; Rehabilitation and expansion of Outer Southern Expressway from Villa Roundabout to OSEX/Ring Road 1 (RR1) Junction, including four interchange and extension of right- and left-hand service carriageways to Wasa Junction (Villa Roundabout – Osex/Shehu.

Shagari Junction – Apo Roundabout – Wasa Junction, gulped N37 billion. N75 billion has been spent on the dualisation of East-West Road (Section II-I); Port Harcourt-Ahoada, 47Km; dualisation of East-West Road (Section II-II) Ahoada-Kaiama, 54Km; upgrading of 15km of Section III from Port-Harcourt Eleme Junction to Onne Port Junction, 15Km dualization of East-West Road (Section IV) Eket-Oron, 51Km; Construction of Eket Bypass 9.75Km (dual carriageway); among others.

The DMO boss expressed confidence that investors would be heavily attracted to Sukuk IV just as the first three Sukuk offerings.

N362 Billion Realised So Far from Sukuk in 4yrs

In the year under review, the federal government had so far realised the sum of N362.57 billion from Sukuk since it was first introduced in 2017, which has been deployed to roads construction across the country.

This Sovereign Sukuk will be the fourth to be issued since its first Sukuk issuance in September 2017. It is for a tenure of 10 years at a Rental Income of 12.80 percent per annum which will be paid half-yearly. The proceeds of the Sukuk, according to Oniha, will be used to finance critical road projects across Nigeria.

The government, through the DMO, had raised N362.557 billion from three ijara (Lease) sukuk issuances in 2017, 2018 and 2020, which were all oversubscribed and used to fund a total of 97 roads, according to figures from the DMO. Proceeds from the three tranches were solely utilised by the Federal Ministry of Works and Housing.

The fourth tranche is expected to be utilised by the Federal Ministry of Works Housing, Federal Capital Territory Administration (FCTA) and Ministry of Niger Delta Affairs, at N200 billion, N37 billion and N75 billion, respectively.

The federal government opted for sovereign sukuk for a number of reasons, including enabling it to fund the construction and rehabilitation of key economic roads across Nigeria and offering ethical investors an opportunity to invest in government-issued securities.

In another development, the DMO has clarified that loans from China to Nigeria, which presently stood at 3.59 billion dollars, constitutes only 9.4 percent of the country's total foreign debt stock of 37.9 billion dollars.

Director-General of DMO also clarified that the loans were largely concessional, as no national asset was tagged as collateral.

Both the social and mainstream media went buzzing recently with news about some African countries, including Nigeria facing the threat of losing some critical national assets to the Asian country due to high level indebtedness.

"Nigeria's total debt stock as at Sept. 30 was 37.9 billion dollars, this figure comprised the external debt stock of the federal government, 36 state governments and the Federal Capital Territory.

"But total loans from China stands at 3.59 billion dollars, which is 9.47 percent of the total external debt. The loans did not require any national asset as collateral; they were largely concessional," she said.

Ms Patience Oniha, Director-General, DMO

Oniha urged Nigerians to always endeavour to verify sensitive information from official sources before disseminating it. She explained that before foreign loans were contracted, very sensitive steps were taken by

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IPPIS And Transparency Drive...

allow their monies to be taken; they will take us to Court, and we do not joke with that", Mr. Idris disclosed.

Pressed earlier by lawmakers on the need for the TSA, given that section 162 of the 1999 Constitution says all revenue of government must go into the Consolidated Revenue Fund, for appropriation by the National Assembly, the Chief Treasurer of the Federation agreed that the TSA was not captured in the constitution.

He, however, pleaded for an amendment in the document, to accommodate it and make it legal.

Only Nigeria, Tanzania comply with IPAS

In view of the continued reforms in the OAGF, the Director in the office, Alhaji Salau Zubairu, says Nigeria and Tanzania are the only African countries rated as complying with implementing the International Public Sector Accounting Standards (IPSAS).

Zubairu, who stated this at a sensitisation workshop organised by the Kwara State Ministry of Finance in Ilorin recently, said: "Today, Nigeria has been placed among the countries that are implementing the IPSAS.

"Just last week, I was in Maputo. I remember that the Tanzanian Minister of Finance said that Nigeria and Tanzania are the only country in Africa that are IPSAS accrual compliant. That is the way to go.

"That is to say for us as a nation we should be proud of what we are doing and we must sincerely commend the efforts of the Kwara State government in this direction."

Recovery of Extractive Industry Funds

Consequently, Mr. Idris has vowed that his office would work with the Nigeria Extractive Industries Transparency Initiative (NEITI) to recover N69.5billion and $5.31billion from the extractive sectors for the federal government.

It would be recalled that in November last year, the Executive Secretary of NEITI, Orji Ogbonnaya-Orji, announced that the N69.5billion and $5.31billion were outstanding funds from the extractive sectors which were captured from NEITI's 2018 audit reports to date.

Speaking on the sidelines of a visit to the headquarters of NEITI in Abuja, Mr. Idris told journalists that the OAGF would ensure the recovery of all government funds in the extractive industries.

Asked if the OAGF would move to recover the funds highlighted in NEITI audit reports, Idris replied, "This is part of the collaboration. We are always supportive of what NEITI is doing and they are equally collaborating with us.

"We will put hands together to make sure that whatever is due to government by way of revenue, royalties, fines and so on, will come to government. We are supportive 100 per ent of what NEITI is doing and we will assist them to achieve their objectives."

The NEITI boss had stated that the monies were potential recoverable revenues which NEITI under his watch must consider. Mr. Ogbonnaya-Orji said: "The current management under my leadership is already evolving policies and strategies that would ensure that the recommendations in our reports are followed through.

"Statutory recoverable revenues due to government are N69.5billion and $5.31billion as revealed by the 2018 NEITI audit reports.

Task Ahead

Mr. Idris, while inaugurating committee to review the current financial regulations of the federal government, said 2022 will be all about boosting and enhancing transparency in government's financial dealings.

He said that the committee on financial regulations would be up to tune with current realities and best practices in international market.

Financial regulations are, according to him, legal instruments that empower and guide public officers in carrying out government financial transactions.

Speaking at the inauguration, Mr. Idris said that it became imperative to carry out the review as the current financial regulations, which came into effect in 2009, are no longer relevant and useful in driving the public financial management reforms of the government.

While reaffirming that the review underscored the government's effort at entrenching probity, accountability and transparency in the management of public financial resources, he urged the committee to consult widely and come up with regulations that will stand the test of time.

He advised members to ensure that the review captured the public finance management reforms of the federal government, taking into consideration the various extant circulars.

The committee, he said, should as well consider, review and recommend appropriate threshold in respect of loss of cash and stores, in line with present realities.

The AGF further charged the committee to "consider, review and recommend appropriate duty tour allowance, estacode allowance, repatriation allowance and overtime allowance; consider, review and recommend appropriate impest amount for relevant public servant and political office holders; consider, review and recommend additional sanctions against infractions of the Financial Regulations and other extant rules."

He noted that members of the committee were carefully selected based on their experience and competence, and expressed optimism that they would add value to the review process.

EDITORIAL

Complete Ongoing Projects Rather Initiating New Ones

By this time in 2023, the present government led by President Muhammadu Buhari would be winding down governance. And another regime, whether of the same All Progressives Congress (APC) or of any other party, would be receiving the baton of leadership. Hence initiating new infrastructure or projects should now been done with circumspect

There is no doubt, Since APC came to power in 2015, it has pursued infrastructural development as a cardinal objective.

Indeed, infrastructure is basic essential services that should be put in place to enable development to occur. Economic development of Nigeria, and all over the world, can be facilitated and accelerated by the presence of infrastructure.

If these facilities and services are not in place, development will be very difficult and, in fact, can be likened to a very scarce commodity that can only be secured at a very high price and cost.

Study has shown that infrastructure is an intermediate goods and service for the real sector and a finished goods and service for consumers. So, if the real sector which is the engine of growth is to propel Nigerian growth and development, infrastructure should be given qualitative and adequate attention.

Infrastructure transformation is crucially important to foster countries' economic development and prosperity. Of course, investments in infrastructure contribute to higher productivity and growth; facilitate trade and connectivity and promote economic inclusion.

This is where kudos go to the present administration in its effort in developing some critical infrastructure to grow the nation's economy.

Railway gauges have been built in some major cities across the country. Under the current administration, the 327km Itakpe-Warri Standard Gauge Rail has been completed and commissioned 33 years after construction began. The Abuja Light Rail was also completed in 2018. The ground-breaking was done for construction of Kano-Maradi Standard Gauge Rail, and revamp of Port-Harcourt-Maiduguri Narrow Gauge Rail while financing negotiations are ongoing for Ibadan-Kano Standard Gauge Rail project.

More specifically, President Buhari, in June, launched the 157- km Lagos-Ibadan Standard Gauge Rail, SGR, after its commercial construction began in March 2017. The 150km/h line which also has a seven-kilometre branch was constructed by the China Civil Engineering Construction Corporation, CCECC.

Since 2015, the Muhammadu Buhari presidency has done more than its predecessors in rehabilitating federal roads notwithstanding other competing infrastructure funding imperatives.

A quality road network being the most critical component of a national multimodal transportation plan is the foundation of a thriving economy. Good roads link up the national socio-economic arteries, centres and hubs. People move about and perform everyday activities, mostly by road. It is also by the road that people go to earn a living, farm, or access other transportation modals like rail, air and water.

Essential social services such as education, healthcare, hospitality, community integration, neighbourhood security, religious and private interactions are majorly accessed by roads. A quality road network is, therefore, the mainstay of any thriving economy.

President Buhari approved in 2020, the establishment of InfraCo Plc, a world class infrastructure development vehicle, wholly focused on Nigeria, with combined debt and equity take-off capital of N15 trillion, and managed by an independent infrastructure fund manager. He also established in the same year, the Presidential Infrastructure Development Fund, PIDF, with more than $1 billion in funding so far.

The Nigerian Sovereign Investment Authority (NSIA) has seen total additional inflows of around US$2 billion under the Buhari administration – since the original US$1 billion which the Fund kicked off with in 2012. Then, of course, there was the launch of the Nigeria Innovation Fund, by the NSIA, to address investment opportunities in the domestic technology sector: data networking, data centres, software, agri-tech, bio-tech, among others.

There is also the 2021 National Development Plan recently approved by the Federal Executive Council.

The Presidential Infrastructure Development Fund has invested over a billion dollars in three flagship projects: Lagos-Ibadan Expressway, Second Niger Bridge, Abuja-Kaduna-Zaria-Kano Expressway. The President also signed an Executive Order seven mobilising private investment into the development of key roads and bridges like Bodo-Bonny in Rivers and Apapa-Oshodi-Oworonshoki-Ojota in Lagos.

The President also incepted the highway development and management initiative (HDMI) a public-private partnership programme to mobilise, in its first phase, over a trillion naira in private investment into the development and maintenance of 12 roads, amounting to 1,963km in length.

President Buhari initiated the raising of more than N360 billion worth of Sukuk Bonds since 2017 for dozens of critical road projects across all six geopolitical zones and authorised the completion of new terminals for international airports in Lagos, Abuja, Kano and Port Harcourt. Construction of new runway for Abuja and Enugu International Airports was also on the cards.

The President also approved four international airports as special economic zones – Lagos, Kano, Abuja and Port Harcourt. He gave approval for new private-sector funded deep sea ports: Lekki Deep Sea Port (construction already well underway, for completion in 2022); Bonny Deep Sea Port (ground-breaking done in March 2021); Ibom Deep Sea Port; and Warri Deep Sea Port.

With development of capacity at the Eastern Ports, in December 2017, Calabar Port commenced export of bulk cement to Tema Port in Ghana. In 2019, three container ships berthed at Calabar Port, for the first time in eleven years; dredging of Warri Port (Escravos Bar-Warri Port channel) was completed in 2018. On October 30, 2019, an LPG Tanker operated by NLNG, berthed in Port Harcourt – the first time ever an LPG ship berthed in any of the Eastern Ports.

On December 8, 2019, Onne Port received JPO VOLANS (owned by Maersk), the first gearless and largest container vessel (265.07 metres) to call at any Eastern Port in Nigeria. On August 1, 2019, Onne Port's Brawal Terminal received MSC Grace, its first container vessel since 2012.

On the housing front, the Family Homes Fund Limited, FHFL, incorporated by the Federal Government of Nigeria in September 2016, is the implementing agency for the Buhari Administration's National Social Housing scheme. More than 2,000 hectares of land with titled documents have been given by 24 States for the Buhari administration's Social Housing programme, with the capacity to accommodate about 65,000 new homes.

Under the National Social Housing programme, Nigerians will be given at least a 15-year period with a monthly payment at six percent interest rate, to pay for each housing unit. The Central Bank of Nigeria is providing a N200 billion financing facility, with a guarantee by the FGN.

The Buhari administration's infrastructure rollout has not been without its critics. Questions have been raised about the dominance of construction firm, Julius Berger in projects, the extensive involvement of China and even the wisdom of building a rail line to Maradi in Niger Republic.

However, it is in our opinion that as this administration winds down, priority should be placed on those infrastructure it can effective complete in the remaining months. No more elephant projects for now. This administration will live an enduring legacy if it starts and completes projects in these last 13 or 14 months. To litter the space with uncompleted projects which the next administration might not see as priority could make this administration finish the race weak rather strong.

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Eurobonds, Sukuk Financing Dominate DMO's Activities In 2021

multiple institutions of government to ensure that they were beneficial to the nation.

"Before any foreign loan is contracted, including the issuance of eurobond, they are approved by the Federal Executive Council (FEC) and thereafter, the National Assembly.

Oniha explained that the loans agreements provided a number of steps to take to resolve dispute when they arise.

She explained that the DMO maintained proper records of debts, provided projections for debt service and processed the actual payments for debt service.

She pointed out that those functions were carried out in conjunction with the Office of the Accountant-General of the Federation (OAGF) and the Central Bank of Nigeria (CBN).

$4 Billion Eurobonds to Boost Reserves

Meanwhile, Nigeria has raised $4billion from the eurobond market after meeting with foreign investors, according to the DMO.

The result comes just less than one week after the federal government on September 16, announced plans for a eurobond issuance in the international capital market (ICM) after its last issuance in November 2018.

The Eurobond, according to Oniha, will be part of the new external borrowing in the 2021 Appropriation Act.

The $4billion would be channeled to finance the projects in the 2021 Appropriation Act, said the debt office. The DMO said: "After an intensive two days of virtual meetings with investors across the globe, Nigeria raised the sum of USD4 billion through eurobond.

"The Order Book peaked at USD12.2 billion which enabled the federal government of Nigeria (FGN) to raise USD1 billion more than the USD3 billion it initially announced.

"The exceptional performance has been described as 'one of the biggest financial trades to come out of Africa in 2021, and 'an excellent outcome'.

The debt manager said bids for the Eurobond were received from investors in Europe and America, as well as Asia.

DMO said local investors participated in the round, adding that the "size of the Order Book and the quality of investors demonstrate confidence in Nigeria."

The Eurobonds were issued in three tranches of seven years at $1.25billion at 6.125 percent per annum.

The second tranche is 12 years of $1.5billion at 7.375 percent per year and the 30 years bond of $1.25billion at 8.25 percent per year. DMO said the long tenors of the eurobonds and the spread across different maturities are well aligned with its Strategy of 2020 to 2023.

Prior to the issuance, the DMO said the Eurobond would serve as an inflow of foreign exchange, leading to an increase in External Reserves. As a result, Nigeria's reserves climbed back to the levels it was in January 2021 due to the $4billion Eurobond raised from the international market.

Nigeria's external reserves rose to N36.1billion by September 24, 6.1 percent up from the $34billion balance as of August 31, last year. This follows the DMO's announcement that it has raised $4billion for the country from the international debt market.

Nigeria's reserves held by the CBN was $36.52billion on January 25, which was highest reserves amount held by the apex bank throughout 2021.

Green Bonds To Take Centre Stage In 2022

As part of plans for the coming year, the DMO has stated that the federal government will become a more active issuer in the FMDQ Green Exchange, which is aimed at encouraging green financing and a sustainability drive in Nigeria in the year 2022.

This was disclosed by Ms Oniha, while speaking at the FMDQ Green Exchange launch and partnership deal with the Luxembourg Green Exchange (LGX) in Lagos.

The DMO boss stated that the present trend of green bonds indicates that demand for funding to support such initiatives and finance infrastructure would expand.

She expressed the need to raise funds to sponsor debt projects meant for the development of Nigeria.

How Nami Is Driving Revenue Collection Growth At FIRS

*Since assumption of office, the Executive Chairman of the Federal Inland Revenue Service (FIRS), **Mr. Muhammad Nami**, came up with a four-point agenda as a template for his mission to reposition the Service for efficient service delivery. Fmfinsights highlights the achievement so far since his assumption in office, especially the preceding year 2021.*

Felix Omoh-Asun & Musa Ibrahim

Executive Chairman of Federal Inland Revenue Service, **Mr. Muhammad Nami**

The FIRS has been run under four cardinal objectives set by Mr. Nami which include rebuilding FIRS institutional framework; collaboration with stakeholders; making FIRS a customer-centric institution, and making FIRS a data-centric organisation.

The objectives indubitably correlate with the three core areas of a tax system, which are tax laws, tax policy and tax administration.

Nami's Approach to Improving Nigeria's Tax System

The current management at FIRS led by Mr. Nami, realising the strategic importance of a tax system to the nation's economy, immediately mapped out strategies on how to reposition the FIRS for greater service delivery.

It thus adopted a range of initiatives aimed at the overall strengthening of the tax system.

Tax Laws

As of the date that Mr. Nami assumed office, the 2019 Finance Bill was already in the works, but had only been passed by the House of Representatives. Through concerted efforts by the new management, the Senate passed the Bill on 11th December 2019 and presidential assent was given on 13th January 2020 and the Finance Act 2019 came into effect, setting the tone for several other reform initiatives by the Nami-led FIRS.

The Finance Act 2019 was a wholesale amendment to seven different tax legislations namely: Companies Income Tax Act, Value Added Tax Act, Capital Gains Tax Act, Stamp Duties Act, Customs and Excise Tariff Act, Petroleum Profits Tax Act and Personal Income Tax Act.

Small and medium businesses were the biggest beneficiaries of the reforms introduced by the Companies Income Tax Act (amendment). Specifically, the amendment divides companies into three categories for taxation.

These are small, medium and big companies. Companies with an annual turnover of less than N25 million (small companies) are exempted from payment of corporate tax. Companies with an annual turnover of between N25 million and N100 million (medium companies) are taxable at 20 percent of assessable profits. Companies with an annual turnover of N100 million and above (big companies) remain taxable at the rate of 30 percent of assessable profits.

This reform intervention recognises that small and medium businesses are the main drivers of job creation and economic growth. The reform is, therefore, aimed at reducing operational cost, encouraging recapitalisation and business expansion by small and medium companies.

Another major reform is with the Value-Added Tax. In addition to clarifying certain ambiguous provisions of the VAT Act, the amendment increased the rate of VAT from five percent to 7.5 percent.

The concomitant reduction in Corporate Tax rates on one hand and an increase in the rate of Value-Added Tax, on the other hand, is consistent with the national tax policy which aims at a gradual shift from direct to indirect taxes. The guiding principle behind this stipulation in the national tax policy is that indirect taxes potentially offer higher yield while remaining cheaper to administer than direct taxes.

Within the year 2020 and as a follow-up measure to strengthening the legal framework, a committee was constituted to further review all relevant tax laws. As a result of the Committee's work, draft bills with amendments to the Federal Inland Revenue Service Establishment Act, the Value Added Tax Act and the Finance Act 2019 were prepared and submitted to the National Assembly (NASS) for further review.

In addition, within the same year, 13 information circulars were also developed and released as follows:

Taxation of Non-residents in Nigeria

This is particularly taxation of seafarers onshore and offshore platform workers; taxation of companies involved in shipping, air transport and cable undertakings.

Subsequently, to minimise the incidence of double taxation and to further facilitate international trade and investment between Nigeria and the rest of the world, the FIRS in collaboration with the Federal Ministry of Finance, Budget and National Planning engaged in bilateral/ multilateral agreements.

In 2020, FIRS concluded the negotiation of the Avoidance of Double Taxation Agreement (ADTA) with Turkey. Negotiations are also at different stages with the following countries: Hong Kong, Saudi Arabia, Cyprus, Iran, Germany, Switzerland, India, Botswana, Japan, Greece, New Jersey and Russia.

These, according to the Service, will be concluded as soon as the few outstanding issues have been resolved.

In the year under review, Nigeria has an active ADTA agreement with 16 countries, namely: South Korea, Spain, Sweden, Singapore, France, Mauritius, UAE, Qatar, Kenya, Morocco, Ghana, Cameroon, Turkey, Sudan, Gambia and Denmark.

Another key tax policy issue which the management of the Service continues to focus on is that of transfer pricing. The management has, by way of follow up to the introduction of the Income Tax (Transfer Pricing) Regulations 2018, issued Demand Notes totaling N1.074 billion on 222 companies for failing to file their transfer pricing returns in line with the requirements of the regulations. 54 companies paid penalties imposed on them and these amounted to N47.433 million.

Currently, the Service is involved in several audits that have the potential for substantial revenue yield resulting from adjustments and additional assessments.

Tax Administration

During the 2020 fiscal year, FIRS continued the implementation of various administrative measures to enhance revenue collection to achieve its target.

The management has been committed to building and strengthening the capacity of the departments and units of FIRS to deliver their mandates on a long term and on sustainable basis. In line with this, the Board approved a new structure for the Service on 17th January, 2020.

The new Organogram is composed of six groups and 32 departments including the internal affairs department that reports directly to the Executive Chairman.

In addition, the tax incentive management department (TIMD) was also established to manage, implement and report on tax incentives as provided by relevant extant laws and regulations. This department is specifically in charge of the tax affairs of companies/ enterprises enjoying tax exemptions and holidays.

Companies enjoying pioneer incentives, non-government organisations (NGOs), cooperative societies, companies in export processing zones, free trade zones, oil and gas export processing zones, those engaged in downstream gas utilisation and all others enjoying tax holidays are being managed by this department to forestall revenue leakages, such that companies, enterprises do not use their statuses as a cover to earn taxable income and refuse to pay tax on those income.

To aid tax collection, the FIRS in its wisdom extended VAT returns filing to the last working day of the month.

Filling of returns with the possibility of delayed delivery of audited accounts component till two months after revised filling date.

Enhancement of the capabilities of various e-platforms for tax returns filing, tax payments, receipting and application for tax clearance certificates.

The period for filing personal income tax annual returns (military, police, foreign service officials etc.) extended to 30th June 2020.

The e-filing process has been made much simpler, user friendly and robust for the taxpayer to take advantage of. Instead of visiting tax offices, taxpayers have been provided with a dedicated e-mail address to submit documents online.

The late returns penalty (LRP) has been waived for taxpayers that pay early and file later. Supporting documents can also be emailed to the dedicated email address or submitted later to the tax office, for those who are not able to use the email facility.

Building Data-Centric Institution

Reliable data is indispensable in modern tax administration. The various modernisation projects embarked upon by the management are aimed at either improving the integrity of available data or generating data for informed decision making, as part of the management's decision to make the Service to drive technological reforms.

Some include the TaxProMax which was developed and deployed. It is an in-house tax administration solution, which covers the major processes of a tax administration system (registration, filing, payment and reporting) by the extant tax laws and IMF tax administration diagnostic assessment tool (TADAT) standards. This solution became operational on 1st June 2020 and is in use in all FIRS tax offices.

The memorandum of understanding (MoU) between FIRS and NIBSS on funds sweeping and settlement of all FIRS taxes to federation account at CBN is operational.

FIRS had in the year under review also developed a portal for deposit money banks (DMBs) to provide information of corporate customers transactions above N10 million and individuals above N5 million.

On the 6th of October 2021, the FIRS under Mr. Nami was awarded the International Standard Organisation (ISO) 27001:2013 certification. This affirms that the Services' network is secure; the data processes and data it possesses are secure as well as the taxpayer information it holds and receives within Nigeria and across the world.

Consequently, to track all physically invisible taxpayers and transactions, the management deployed the TaxProMax for tax administration beginning from June 2021.

To show for it, the performance for 2021 is significant considering that the full effect of the over 5-month lockdown of 2020 became fully manifest in 2021 year of assessment (YOA).

Despite this phenomenon, the Service out-performed June 2020 (which was based on 2019 accounts – a year that experienced no lockdown) by 58.9 percent after adjusting for the one-off payment of N90 billion by an E&P company and NCS VAT collection, usually in the range of N40 billion.

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2022 Budget: FG Targets More Revenues

Nigeria (CBN), Nigeria Ports Authority (NPA), and Federal Airport Authority of Nigeria (FAAN), Nigeria Postal Service (NPS), Nigeria Communication Commission (NCC), National Inland Water Ways Authority (NIWWA), and National Information Technology and Development Agency (NITDA).

"There is also the Nigeria Airspace Management Agency (NAMA), National Examination Council (NEC), Nigeria Television Authority (NTA), Nigeria Shippers Council (NSC), National Health Insurance Scheme (NHIS), National Pension Commission (PenCom), Corporate Affairs Commission (CAC), and Standard Organisation of Nigeria (SON), among others."

In real terms, she said that the non-oil sector contributed 92.1 percent to the 2021 budget.

Speaking on the 2022 budget, she said " the 2022 budget is to accelerate growth, deepen the initiatives for diversified growth and foster sustainable development, and it is hinged on the National Development Plan (NDP).

"The Plan has a total investment of N348 trillion which will be co-funded by the federal, state and the private sector.

"Out of the total amount, N293 trillion of the money is to come from the private sector, which is why throughout the life span of the NDP, government is committed to improvement of private sector growth by providing a conducive atmosphere for business to thrive.

"The budget is estimated at oil production of 1.88 million barrels per day, exchange rate of N410 to $1, 13 percent inflation rate and gross domestic product (GDP) growth of 4.20 percent. Exchange rate has been fixed based on CBN NAFEX rate," she further stated.

Other parameters include projected aggregate revenue available at N10.74 trillion (inclusive of government own enterprises (GOEs), 32 percent higher than the 2021 projection of N8.12 trillion.

The 2022 aggregate federal government expenditure is also 17.13 trillion including GOEs and project tied loans which is 18 percent higher than the 2021 budget.

Also, N3.64 trillion has been set aside for debt service which is 21 percent of total expenditure and 34 percent of total revenues.

Mrs. Ahmed noted that revenue remains a fiscal challenge which is why government is committed to promoting the strategic growth and revenue initiative to boost oil revenue.

She also said that the ministries of education, health, and defence have major allocations with the ministry of education taking N1.24 trillion while health is to take about N876 trillion with the mandatory one percent of CRF to the Basic Healthcare Provision Fund (BHPF).

The Honourable Minister stated that the federal government is reviewing fiscal laws to make businesses work in Nigeria and improve critical infrastructure like power and housing.

Asked on the amendment of the 2022 budget, she said that President Buhari will send the 2022 budget back to the National Assembly for amendment and reinsertion of some legacy projects which have been removed.

Asked on the plans for subisdy removal, she said: "The federal government has made a provision for subisdy in the 2022 budget from January to June. So, by June we must have consultations with stakeholders and other oil companies.

"So, after June, we hope that we can deregulate premium motor spirit (PMS), also known as petrol, because we have successfully done that with kerosene and diesel, and petrol will not be different.

"The Petroleum Industry Act (PIA) has provided for the deregulation of the petroleum sector, and we have to abide by the law," Mrs. Ahmed stated.

She also said that the Ministry of Finance, Budget and National Planning has proposed N5,000 transport for the poor, to ease the impact of subsidy removal. But was quick to state that it will be ratified by the federal government to see if implementation is feasible.

Why We Must Borrow, By Finance Minister

Meanwhile, the Honourable Minister, while justifying the need for government to borrow, said that it was necessary that the government would continue to borrow to fund developmental and infrastructure projects, as it does not get enough from its revenues.

Mrs. Ahmed stated: "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.

"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."

Fielding questions, Mrs. Ahmed justified the plans for more borrowing, emphasising: "Government has been borrowing before this administration and continues to borrow, and it is important that we borrow to provide developmental projects in the form of roads, rails, bridges, power and water for sustainable development in this country

She said that government was doing a combination of cutting cost and increasing revenue to be able to cope with all salaries, pensions, debt service, as well as capital expenditure."

For the first time, we collected N6 trillion as an agency in 2021 and this is largely due to the deployment of ICT as well as the huge collaborations with the Ministry of Finance, Budget and National Planning

The Chairman of the Federal Inland Revenue Service (FIRS), Mr. Muhammad Nami, also corroborated the Honourable Minister that the Service has recorded huge successes in revenue collection as part of its mandate.

In his words: "For the first time, we collected N6 trillion as an agency in 2021 and this is largely due to the deployment of ICT as well as the huge collaborations with the Ministry of Finance, Budget and National Planning."

Meanwhile, the Director-General (DG) of Budget Office, Dr. Ben Akabueze, said that the 2022 budget is premised on the National Economic Plan 2021-2025.

He stated that government revenues basically from GOEs have grown from N200 billion in 2016 to over N1 trillion in 2021 as a result of strategic planning and commitment to growth and development of the economy.

The Budget Office boss said that the expenditure of the federal, state and local governments combined was less than 15 percent of GDP.

He said: "It is absolutely critical that we fix our revenue challenge because oftentimes people just say cut expenditure. The truth is cutting expenditure is not currently a viable option for two main reasons. Number one, our public expenditure to GDP ratio is about the lowest even on the continent of Africa.

"As a country, our public expenditure to GDP ratio is under 15 percent. Even on the continent of Africa, the average of that ratio is over 30 percent. The global average is over 30 percent. I am talking of the whole of government – federal, state and local governments. The reality is that in aggregate, governments in Nigeria are not spending too much; they are actually spending too little.

"So, the solution is not to cut government spending. The solution is to make government spending more efficient and actually increase the scope for the government to be able to spend more, because our public expenditure to GDP is so low. That is why the delivery of public goods and services is weak."

Merger of Some MDAs Being Studied Carefully

The Honourable Minister has confirmed that government is desirous of having effective and efficient work force, going forward.

She revealed that a large chunk of the N17.12 trillion 2022 budget would be spent on personnel costs which she said is not favourable to the administration's ambition.

"Of course, the famous Oronsaye Report has not been implemented, but it is part of the major tools that we are using in this revision process. So, there will be agencies that will be collapsed.

"Mr. President has directed that there must be special attention on how government staff will be taken care of during this process."

Steve Oronsaye-led panel which was set up in 2011 to review the Federal Civil Service had released a report which recommended the scrapping and merger of agencies to cut costs.

Stakeholders Speak

Reacting to federal government's revenue drive, the Chairman, Senate Committee on Finance, Senator Solomon Adeola Olamilekan, said that for the first time, GOEs are doing it right.

He noted that exceeding revenue target of N1 trillion has shown the commitment that government has put in place to ensure that growth is achieved.

He stated that the collaborations between the legislature and the executive will continue to ensure that all the content of the 2022 budget will be implemented to the letter.

Also, a Finance expert, Mr. Boniface Chizea, has backed the decision of the federal government to impose N10 per litre tax on non-alcoholic sweetened beverages.

Mrs. Ahmed rationalised the expediency of this policy thrust by explaining that Nigerians that are addicted to such drinks often end up suffering from diabetes; they are obese, relating to heart-related diseases. She explained that this situation often takes its toll on the health budget.

Contrary to popular opinion that the imposition of additional tax burden is bound to worsen as it will undermine purchasing power, lead to a reduction in capacity utilisation and worsen the unemployment situation already unsustainably high at over 30 percent, Mr. Chizea believes that the observation has not been met with any deep interrogation.

He further argued: "It should be common knowledge that sometimes, there is the need to have the political will to take what, on the surface, might look like a hard decision. What is important is the likely outcome.

Also speaking, Professor and Stock Market Expert, Uche Uwaleke, said: "Indeed, the mending of the hitherto broken budget year is a major achievement by this administration and exceeding revenue generation is welcoming."

"As Mr. President admitted, the concern about increasing deficit financing through borrowing is justified. The consolation, however, is that all new borrowings are tied to critical projects.

"It is equally noteworthy that the government has made provision for use of Green Bonds as well as public private partnership (PPP) arrangements in financing infrastructure."

Prof. Uwaleke called for transparency to ensure that the resources are judiciously utilised to boost economic growth.

NEWS IN PICTURES

The Honourable Minister of Finance, Budget and National Planning, **Mrs. Zainab Shamsuna Ahmed**, with the crew of NTA GOOD MORNING NIGERIA, during the Minister's appearance on the programme

Mrs. Zainab Ahmed , Honourable Minister of Finance, Budget and National Planning (Right), with **Abiola Sanusi**, Senior Policy & Strategy Adviser, Global Coalition to Protect Education from attack (GCPEA) (left), and **Hajiya Halima Iliya** (centre), Chairman, Technical Committee on Financing State Schools.

The Honourable Minister of Finance, Budget and National Planning, **Mrs. Zainab Ahmed ,** with Senator Bala Mohammad, Executive Governor of Bauchi State during his courtesy visit.

Prof. Uche Uwaleke with Honourable Minister of Finance, Budget and National Planning, **Mrs. Zainab Ahmed,** during their appearance on NTA GOOD MORNING NIGERIA recently

The Honourable Minister of Finance, Budget and National Planning, **Mrs. Zainab Ahmed,** received Romanian Ambassador to Nigeria, His Excellency **Mr. Florin Talapan**, recently

2022: Year Of Full Deregulation Of Nigerian Oil Industry In Face Of Challenges Ahead

Felix Omoh-Asun

With the inauguration of the board of the incorporated Nigerian National Petroleum Company (NNPC) (having transformed the corporation into a limited liability company) on Friday, 7th January 2022, the nation's petroleum industry has turned a full circle, gradually moving to a full-fledged sector devoid of government regulations.

The year 2022 has become a new phase in the Nigerian oil and gas sector when it is expected that the federal government would let go of the running of the NNPC.

Watchers of the petroleum industry had argued against too much regulations, which they said strangulated growth of the sector and direct investment by individuals.

With the passage of the Petroleum Industry Bill (PIB) into an Act (law) in 2021, the door to deregulation of the industry was flung open to individuals and corporate entities to come in. And certainly, 2022 is that year.

President Muhammadu Buhari, while inaugurating the board last week, in Abuja, urged members of the board of the newly incorporated Nigerian National Petroleum Company (NNPC) Limited to ensure strict compliance with Corporate Governance principles that place premium on doing business with the highest ethical standards, integrity, and transparency.

The board is chaired by Senator Margery Chuba Okadigbo.

The President charged the board to focus on profitability and operate at par with its industry peers across the world.

"I expect the NNPC Limited to be mindful of our commitments to our net carbon zero aspirations and to ensure total alignment with the global energy transition realities," he said.

The President reminded the board members that they came on board as a result of the reforms put forward by the Petroleum Industry Act (PIA) 2021, which seeks to reposition the Nigerian petroleum industry to a commercially viable and competitive industry in line with global business dynamics and best practices.

"The Nigerian National Petroleum Company Limited is mandated to focus on profitability and continuous value creation beyond the simple fulfilment of legal and regulatory requirements.

"NNPC Limited is expected to operate at par with its industry peers across the world, while acting as enabler company that will foster the development of other sectors of our economy. The inauguration of this board is a major step in the ongoing transition to a more viable petroleum industry that will attract investment to support our economic growth and generate employment to millions of our people," he said.

President Buhari directed that there should be full alignment and synergy between NNPC Limited, the Upstream Regulatory Commission and the Midstream and Downstream Regulatory Authority in compliance with the provisions of the law in all respects to deliver the onerous reforms envisaged for the energy industry.

"NNPC Limited is expected to operate at par with its industry peers elsewhere in the world, while acting as enabler company that will foster the development of other sectors of our economy."

The board members inaugurated include Senator Okadigbo, Chairman, Mele Kolo Kyari, Chief Executive Officer (CEO), Umar I. Ajiya, Chief Financial Officer (CFO), Dr Tajudeen Umar (North East), Mrs. Lami O. Ahmed (North Central), Mallam Mohammed Lawal (North West), Engr. Henry Obih (South East), Barrister Constance Harry Marshal (South South), Chief Pius Akinyelure (South West), Dr Nasir Sani Gwarzo, Permanent Secretary, Ministry of Petroleum Resources and Aliyu Ahmed, Permanent Secretary, Ministry of Finance, Budget and National Planning.

The inauguration is bringing to a close a 20-year effort to reform Nigeria's oil and gas sector, with the aim of creating an environment more conducive for growth of the sector. It brings to the fore efforts at opening up spaces for direct investment, employment and national development.

Prior to the passage of Petroleum Industry Act (PIA), the growth of Nigeria's offshore exploration and production activities have been mainly driven by the efforts of government's support. But with this deregulated regime and turning the NNPC into a limited liability corporation which the ministers of finance and petroleum would transfer NNPC assets, the government is expected to pay cash for shares of the company and it would operate as a commercial entity without access to state funds, which could make it easier for the struggling company to raise funds.

The PIA represents an effort to respond to this changing environment. In 2019, the oil and gas sector accounted for about 5.8 percent of Nigeria's real GDP and was responsible for 95 percent of Nigeria's foreign exchange earnings and 80 percent of its budget revenues.

The PIA overhauls the regulation and governance of the oil and gas industry. The law provides for two regulatory agencies—the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority, (NMDPRA)—that will be responsible for the technical and commercial regulation of petroleum operations in their respective sectors, and have the power to acquire, hold, and dispose of property, as well as sue and be sued in their own name.

The law commercialised the perennially loss-making state-owned enterprise, the NNPC, turning it into the NNPC Ltd, a quasi-commercial entity the ownership of which shares shall be vested with the government, and the ministries of finance and petroleum shall hold the shares on behalf of the government. Per the PIA, the president of Nigeria will appoint the president of NNPC Ltd as well as heads and members of the regulatory agencies. Separately, the Minister of Petroleum, then, will head the industry with a wide range of powers to formulate, monitor, and administer government policy under the PIA.

Importantly, the PIA provides that 30 percent of the profits of the NNPC Ltd will fund a new entity, to finance exploration in other basins in the country (Frontier Exploration Fund). Ten percent of rents on petroleum prospecting licenses and 10 percent of rents on petroleum mining leases are also assigned to Frontier exploration. The act is unclear on whether there will continue to be exploration in existing basins.

If properly and vigorously implemented, the PIA can represent the gold standard of natural resource management, with clear and separate roles for the subsectors of the industry; the existence of a commercially-oriented and profit-driven national petroleum company; the codification of transparency, good governance, and accountability in the administration of the petroleum resources of Nigeria; the economic and social development of host communities; environmental remediation; and a business environment conducive for oil and gas operations to thrive in the country.

However, the results are conditional on Nigeria's political situation and oil industry leaders overcoming some key challenges posed by key provisions of the Act.

The challenges are surmountable with political will, equity and justice.

The most foreseen challenge is that of interpretation and imprecisions in the law. For example, it is unclear whether host community development trust obligations are additional to existing community levies (such as the Niger Delta development levy)

NNPC Limited is expected to operate at par with its industry peers elsewhere in the world, while acting as enabler company that will foster the development of other sectors of our economy

or will be an aggregation of those levies. Similarly, the law is silent on the definition of 'frontier basin' and host community, instead deferring to the NUPRC on the definition of frontier basin and to settlors or license holders on the definition of 'host community.' These definitions are not neutral to revenue; they have revenue implications. This lack of clarity creates uncertainty and even possible disputes, especially if relevant parties define them differently.

While capacity in the oil and gas sector has been built over the years, the new legal provisions and fiscal framework will need new capacities to succeed. This challenge will be particularly acute in the new regulatory institutions; in the understanding, interpretation, and application of the law; and in the management of the funds, including the Host Community Development Trust Fund (HCDTF).

The bill that became the PIA was originally proposed by the executive and passed largely along regional lines. In short, lawmakers and leading politicians from the oil-rich Niger Delta States opposed it, and many lawmakers from the South believe the bill advances Northern interests to the detriment of the South.

In fact, although enacted, the PIA continues to generate anger in the Niger Delta region. For example, critics of the PIA claim the three percent contribution to HCDTF is insufficient and the 30 percent profit to the NNPC Ltd for the Frontier Basin Development Fund unfair.

Suspicions in the South that the Frontiers Basin Fund is a means of transferring resources to the The Group Managing Director of NNPC recently stated that the north will also benefit from the law because "new crude oil deposits are being discovered in the region and the funds derivable from exploration would propel more discoveries in the north." Some experts are of the opinion that such statements hurt efforts to arrive at a national consensus on oil and gas policy that is region neutral in its interpretation and that is in the interest of the country. There is, thus, a very serious challenge of building a national consensus for the law without which some of the objectives of the law may not be achieved.

The law has serious implications for the public finances of the federation and its constituent states and local government areas. First, the reduction in taxes and royalties will result in considerable reduction in revenues to the three tiers of government at a time they cannot afford it. Second, Nigeria's revenue law requires that entities or enterprises owned by the federation remit their profits to a pool, the Federation Account, for sharing among the three tiers of government. Revenue from the Federation Account accounts for more than 80 percent of the revenues of many states and local governments. Therefore, the stipulation that 30 percent of NNPC Ltd's profits must be set aside for frontier exploration could cause a significant decrease in its contribution to the Federation Account. In the short term, revenues shared among the three tiers of government from the Federation Account will fall. Many states and local governments, especially those with very weak internal revenue-generation capacity will be unable to discharge their duties of providing essential social services to their citizens. Then again, such a change could lead to innovations at the state and local government levels to increase internal revenue-generating capacity and fiscal efficiency, such that the long-term effect of this policy could be positive.

only four percent of the $70 billion investment inflows into Africa's oil and gas industry between 2015 and 2019 came to Nigeria even though the country is the continent's biggest producer and with the largest reserves

Host communities remain unhappy with the PIA's provision that oil companies must allocate three percent of their annual operating expenditure in the immediately preceding calendar year to the HCDTF; they had asked for 10 percent.

Furthermore, now that most onshore oil wells are owned by indigenous oil companies, host communities are uncertain whether this contribution will be even made. The previous owners of the oil wells were foreign companies, meaning that there were two sets of laws—Nigerian and those of the home country—to apply pressure for legal compliance. Now, with domestic ownership of most onshore oil wells, the risk of noncompliance with host community contributions is high, especially since, in Nigeria, the risk of political and regulatory capture of the new industry governance institutions is high, the judiciary is weak, and court decisions are seldom enforced.

The domination of onshore oil activities by indigenous companies raises legitimate fears that no contributions will be made to the HCDTF, which means that host communities will remain underdeveloped.

Related, a particularly sticky provision of the law is the stipulation of punishment for host communities for acts of vandalism of oil assets committed in their domain. This provision imposes collective punishment on host communities for acts of vandalism that they may not have committed and could raise constitutional and legal problems for the PIA.

The PIA also comes with a challenge of equity between indigenous oil producers and multinational corporations. International producers such as Shell have largely disengaged from onshore oil exploration and production activities, concentrating instead on deep offshore. As stated earlier, deep offshore is exempt from taxation. By divesting themselves of onshore assets, international multinationals are 'technically' exempt from the three percent contribution to the HCDTF. These provisions confer cost advantages to oil multinationals, making it difficult for indigenous companies to compete and grow. One solution might be to amend the act to require all oil companies operating in Nigeria to contribute to the HCDTF.

Under the PIA, the president has the power to appoint members of the boards of the various institutions established by the Act. Appointments to the boards of oil companies are watched keenly and could be a source of discontent among constituent parts of the country. To manage this discontent, it has become the norm (but is not the law) to have at least six positions in the board of federally owned companies and parastatals, reflecting the six geopolitical zones of the country. Unfortunately, the PIA does not create enough board positions for this condition to be met. Not increasing the number of board positions to manage out possible accusations of marginalisation could be politically risky. Then again, expansion of board positions could raise the overhead of the boards and slow decision making.

Importantly, growing global concerns about the adverse consequences of climate change are leading to a decline in investments in oil and gas globally, and Nigeria has not been unaffected. However, another factor explaining the decline in foreign direct investment (FDI) in Nigeria's oil and gas sector is the discovery of oil and gas in other parts of the world, including West Africa. In fact, according to KPMG, "only four percent of the $70 billion investment inflows into Africa's oil and gas industry between 2015 and 2019 came to Nigeria even though the country is the continent's biggest producer and with the largest reserves."

The declining investment in the sector is also reflected in data from Nigeria's National Bureau of Statistics (NBS), which show that the sector accounted for 1.11 percent of aggregate capital importation into the country in 2020.

Hence, to the extent that PIA makes Nigeria competitive relative to other oil and gas producing countries, one hoped-for benefit from the PIA is the reversal of declining investment in the oil and gas sector in Nigeria.

Breakdown & Highlights Of Approved 2022 FGN Budget

Mr. President signed the FGN 2022 Appropriation Bill into law on 31st December 2021 having laid the proposal before the National Assembly on October 7, 2021. The President had similarly assented to the 2021 Budget on 31st December 2020.

This underscores the Administration's firm commitment to sustaining the return to a predictable January – December fiscal year since 2020, as well enacting annual Finance Acts to facilitate budget implementation.

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 2022 Appropriation Bill was signed into law to enable its implementation to commence on 1st January 2022.

As directed by Mr. President, the Executive will submit amendment and/or virement request as soon as National Assembly resumes to mitigate the possible impact of some changes made by the National Assembly to the 2022 Executive Budget proposal.

The effective implementation of the 2022 Budget is very critical for delivering Government's legacy projects, promoting social inclusion and strengthening the resilience of the economy

Nigeria posted its fourth consecutive quarterly economic growth in Q3 2021, since the resumption of growth in Q4 2020 and recovery from the deepest economic recession recorded in 2020.

Real GDP grew by a record 5.01% in Q2 2021, one of the best recorded by any nation across Sub-Saharan Africa. In fact, the highest growth recorded by the economy since 2014.

Recovery was sustained by a 4.03% growth recorded in the Q3 2021, fuelled by the implementation of government's Economic Sustainability Plan (ESP) and the easing of COVID-19 induced restrictions on economic activities.

Growth in the non-oil sector has shown greater resilience recording 5.44% in real terms during the reference quarter (Q3 2021). The growth recorded in the non-oil sector was mainly driven by trade, Information and Communication (Telecommunication).

Other drivers include Financial and Insurance (Financial Institutions); Manufacturing (Food, Beverage & Tobacco); Agriculture (Crop Production); and Transportation and Storage (Road Transport).

In real terms, the non-oil sector contributed 92.51% to GDP in Q3 2021,

higher from the share recorded in the Q3 2020 which was 91.27%

Nigeria's inflation rate has sustained its decline. Inflation dropped further in the month of November 2021 to 15.40% from a four-year high of 18.17% in March 2021.

Urban inflation rate increased by 15.92% (year-on-year) in November 2021 from 15.47% in November 2020, while the rural inflation rate increased by 14.89% in November 2021 from 14.33% in November 2020.

The downward trend is expected to continue through the end of the year.

NBS' Q4 2020 estimates put unemployment at 33% and underemployment rate at 22.84%. High unemployment/underemployment rates have implications for poverty incidence in the population.

Overview Of 2021 Fiscal Outcomes

2021 Budget Parameters Performance

Description	2021 Budget	Nov 2021 Actual
Oil Price Benchmark (US$/b)	40.0	*79.31
Oil Production (mbpd)	1.86	^^1.56
Exchange Rate (N/$)	^379	**410.15
Inflation (%)	11.95	+15.40
GDP Growth Rate (%)	`3.0	``4.03

- *Source: OPEC, NNPC, CBN, FMFBNP, NBS, BOF*

*Average price of Nigerian crude for up to December, 2021.
^^Average production as at Oct, inclusive of production for repayment of cash call arrears and condensates of about 77kbpd.
** Exchange rate as at November, 2021
+ Inflation rate as at Nov, 2021.
`Revised GDP growth rate 2021 is 2.5%; ``Q3 2021 GDP growth rate.

Update On 2021 Budget Implementation (jan – Nov)

Revenue Performance

The fiscal numbers are preliminary and will be updated as the reconciliation process is concluded.

As of November 2021, FGN's aggregate revenue was N5.51 trillion, 74% of target:

FGN share of oil revenues was N970.3 billion (representing 53% performance of the prorated sum in the 2021 budget).

FGN share of non-oil tax revenues totalled N1.62 trillion (118.8% over and above the target).

Companies Income Tax (CIT) and Value Added Tax (VAT) collections were N718.58 billion and N360.56 billion, representing 115% and 165% respectively of the prorata targets for the period.

Customs collections was N542.11 billion (104% of the target).

Other revenues amounted to N2.80 trillion, of which FGN Independent revenues was N1.10 billion while GOEs' retained revenues were N1.20 trillion.

		2021 Budget +Suppl. Budget	Pro Rata (Jan-Nov)	Actual (Jan-Nov)	Variance	
		Billions of Naira			Billions of Naira	%
S/N	**AGGREGATE FEDERAL GOVERNMENT REVENUE**	**8,121.41**	**7,444.63**	**5,509.85**	**(1,934.78)**	**-26.0%**
	FEDERAL RETAINED REVENUES (excl. GOEs)	**6,772.58**	**6,208.19**	**4,308.76**	**(1,899.43)**	**-30.6%**
A						
1	Oil Revenue	2,011.02	1,843.43	970.33	(873.11)	-47.4%
2	Share of Dividend (NLNG)	208.54	191.16	117.31	(73.86)	-38.6%
3	Minerals & Mining Revenue	2.65	2.43	3.15	0.72	29.6%
4	Non-Oil Revenue:	**1,488.92**	**1,364.85**	**1,621.24**	**256.40**	**18.8%**
i	CIT	681.72	624.91	718.58	93.67	15.0%
ii	VAT	238.43	218.56	360.56	142.00	65.0%
iv	Customs Revenues	508.27	465.91	503.75	37.83	8.1%
v	Federation Account Levies	60.51	55.47	38.36	(17.11)	-30.8%
B		**4,410.28**	**4,042.76**	**2,797.83**	**(1,244.93)**	**-30.8%**
1	FGN Independent Revenue	1,061.90	973.41	1,103.60	130.19	13.4%
2	FGN Drawdowns from Special Accounts/Levies	435.00	398.75	98.00	(300.75)	-75.4%
3	Signature Bonus / Renewals / Early Renewals	677.02	620.60	381.27	(239.33)	-38.6%
4	Domestic Recoveries + Assets + Fines*	32.68	29.95	-	(29.95)	-100.0%
5	Electronic Money Transfer Levy (formerly Stamp Duty)*	500.00	458.33	13.87	(444.46)	-97.0%
6	Grants and Donor Funding	354.85	325.28		(325.28)	-100.0%
7	GOEs Retained Revenue	1,348.84	1,236.43	1,201.09	(35.34)	-2.9%

Expenditure Performance

On the expenditure side, N12.56 trillion (or 94.1%) has been spent out of the N13.57 trillion prorata budget. This performance is inclusive of expenditure estimates of the GOEs but exclusive of Project-tied Loans.

Of the expenditure, N4.20 trillion was for debt service, and

N3.02 trillion for Personnel cost, including Pensions.

As at November 2021, N3.40 trillion had been expended for capital. Of this, N2.98 trillion represents 83% of the provision for MDAs' capital, N369.9 billion for Multi-lateral / Bilateral Project-tied loans, and N49.52 billion as GOEs capital expenditure.

	Fiscal Items	2021 Budget +Suppl. Budget	Pro Rata (Jan-Nov)	Actual (Jan-Nov)	Variance	
		Billions of Naira			Billions of Naira	%
S/N	**AGGREGATE FGN EXPENDITURE**	**14,570.76**	**13,356.53**	**12,562.25**	**794.28**	**-5.9%**
	FGN EXPENDITURE (excl. GOEs and Project-tied Loans)	**12,512.23**	**11,469.55**	**11,781.02**	**(311.47)**	**2.7%**
A	**Statutory Transfers**	**496.53**	**455.15**	**455.15**	**0.00**	**0.0%**
B	**Recurrent Expenditure**	**9,089.68**	**8,332.21**	**8,706.58**	**(374.37)**	**4.5%**
1	**Non-Debt Recurrent Expenditure**	**5,765.30**	**5,284.86**	**4,505.23**	**779.63**	**-14.8%**
	Non-Debt Recurrent Expenditure (excl. GOEs)	**4,752.06**	**4,356.05**	**4,143.44**	**212.62**	**-4.9%**
i	Personnel Costs (MDAs)	3,046.46	2,792.59	2,792.59	(0.00)	0.0%
ii	Personnel Costs (GOEs)	701.16	642.73	224.00	418.73	-65.1%
iii	Pensions & Gratuities including Service wide pension	504.19	462.18	326.53	135.65	-29.4%
iv	Overheads (MDAs)	382.58	350.70	350.70	(0.00)	0.0%
v	Overheads (GOEs)	312.08	286.07	137.79	148.28	-51.8%
vi	Other Service Wide Votes	403.82	370.17	359.69	10.48	-2.8%
vii	Presidential Amnesty	65.00	59.58	54.17	5.41	-9.1%
viii	Special Intervention Programme	350.00	320.83	259.76	61.07	-19.0%
2	**Debt Service**	**3,324.38**	**3,047.35**	**4,201.35**	**(1,154.00)**	**37.9%**
i	Domestic Debt	2,183.49	2,001.53	2,200.30	(198.76)	9.9%
ii	Foreign Debt	940.89	862.48	885.01	(22.53)	2.6%
iii	Sinking Fund	200.00	183.33	0.60	182.74	-99.7%
iv	Interest on Ways & Means		-	1,115.45	(1,115.45)	
C	**Aggregate Capital Expenditure**	**4,984.55**	**4,569.17**	**3,400.52**	**1,168.65**	**-25.6%**
	Capital Expenditure (MDAs + Others)	3,939.27	3,611.00	2,981.08	629.92	-17.4%
	GOEs Capital Expenditure	335.59	307.63	49.52	**258.11**	-83.9%
	Multi-lateral/Bilateral Project-tied loans	709.69	650.55	369.93	**280.62**	-43.1%

Deficit and Deficit Financing

	Fiscal Items	2021 Budget +Suppl. Budget	Pro Rata (Jan-Nov)	Actual (Jan-Nov)	Variance
		Billions of Naira			Billions of Naira
	FISCAL BALANCE	**(6,449.35)**	**(5,911.90)**	**(7,052.40)**	**1,140.50**
			-		-
	FINANCING ITEMS	**6,449.35**	**5,911.90**	**7,052.40**	**(1,140.50)**
	Sales of Government Property		-		-
	Privatisation Proceeds	205.15	188.06		188.06
	Multi-lateral / Bilateral Project-tied Loans	709.69	650.55	369.93	280.62
	Restructured Loans	39.63			
	Foreign Aid / Grant (in Cash)	6.00			
	New Borrowings	**5,488.88**	**5,031.47**	**6,682.47**	(1,651.00)
	Domestic Borrowing (including CBN)	2,744.44	2,515.74	5,058.87	(2,543.13)
	Foreign Borrowing	2,744.44	2,515.74	1,623.60	892.14

Budget 2022 Highlights

Updates On Global Outlook And Domestic Developments

Global

- The global economy is projected to grow by 5.9% in 2021 and 4.9 % in 2022.
- The Euro Area was projected to rebound to a 5.0% growth in 2021. The recovery was anticipated to be driven by pent up demand and higher household incomes.
- China's economy is projected to tick up 8.0% in 2021 and 5.6 % in 2022

Africa

- Economic activities in Sub Saharan Africa region were expected to pick up in 2021 and 2022 albeit unevenly. GDP projections for 2021 and 2022 are 3.7% and 3.8% respectively.
- 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.
- South Africa is projected to recover from -6.4% decline and grow by 5.0% in 2021 and 2.2% in 2022

Nigeria

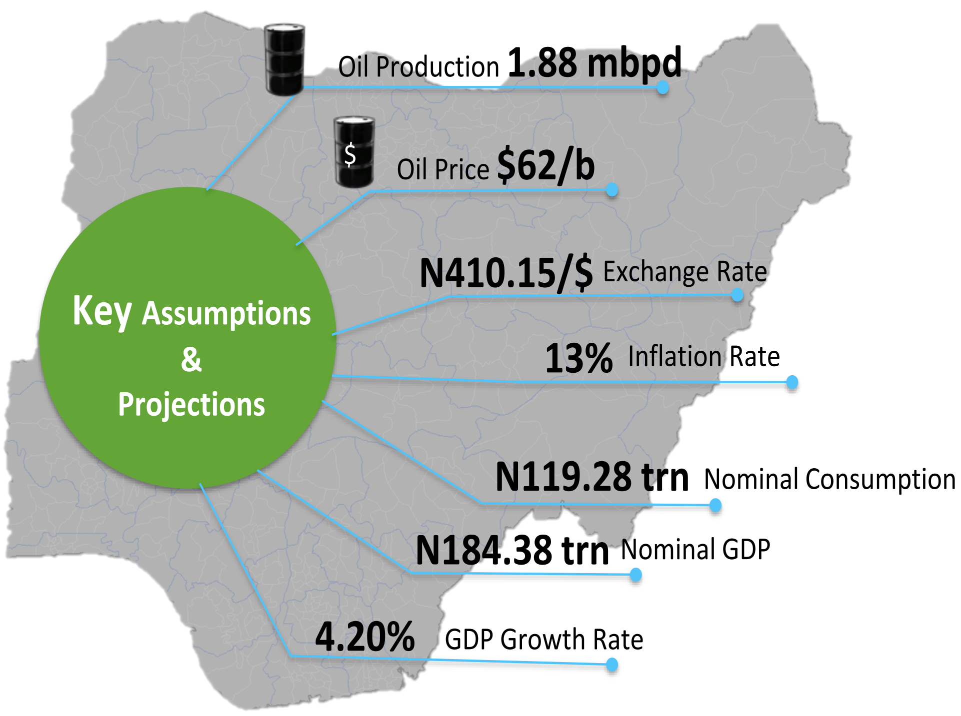
- Nigeria's economy posted a 4.03% year-on-year growth in Q3 2021 signaling sustained recovery after a 5.01 % growth in Q2 2021..
- The non-oil sector is a significant contributor to the economic performance in Q3,2021 with growth of 5.44% in real terms..
- The IMF has reviewed upward Nigeria's GDP growth forecast to 2.6% and 2.7% in 2021 and 2022respectively.

	Estimate	Projections	
Real GDP annual percent change	2020	2021	2022
World Output	-3.1	5.9	4.9
Advanced Economies	-.4.5	5.2	4.5
United States	-3.4	6	5.2
Euro Area	-6.3	5	4.3
Emerging Market & Developing Countries	-2.1	6.4	5.1
China	2.3	8	5.6
India	-7.3	9.5	8.5
Brazil	-4.1	5.2	1.5
Sub – Saharan Africa	-1.7	3.7	3.8
Nigeria	-1.8	2.6	2.7
South Africa	-6.4	5	2.2
Low: Income Developing Countries	0.1	3	5.3

Source: IMF, World Economic Outlook Update, October, 2021

- **In its recent World Economic Outlook, the IMF reviewed Advanced economies' contraction in 2020, from -4.6% to -4.5%**
- **Growth in Advanced economies is projected at 5.2% in 2021 & 4.5% in 2022.**
- **Low income developing countries' GDP Growth is projected to accelerate to 3.0% in 2021, and 5.3% in 2022.**

Key Assumptions & 2022 Budget-Framework



Exchange Rate

An average Exchange rate of N410.15/US$ is proposed in 2022 as advised by the Central Bank

Crude Oil Production

- Although Nigeria's total production capacity is 2.5 mbpd, current (year to date) crude production is about 1.4mbpd (slightly short of the OPEC+ production quota), and an additional 300,000bpd of condensates, totaling about 1.6mbpd.
- The Energy Information Administration (EIA) expects that global oil production will increase to match rising levels of global oil consumption.
- OPEC crude production is projected to average 28.34 million barrels per day in 2022 higher than 26.94 million barrels per day forecast for 2021.
- The National Assembly maintained the proposed production volume of 1.88mbpd (including condensates) in 2022.

Crude Oil Price

- We projected our base oil price at $57/bbl in 2022 in consultation with NNPC & other stakeholders.
- This was premised on the averages of forecasts by leading institutions, factors driving market fundamentals, global economic recovery, plans by governments and market sentiments.
- However, the National Assembly increased the proposed 2022 oil price benchmark of $57pbl to $62pbl.
- World Bank forecasts that crude oil prices will average US$74 pb in 2022 as oil demand strengthens and reaches pre-pandemic levels
- Energy EIA expects Brent prices to average $70.05 per barrel in 2022.

Macroeconomic Projections

- Consumption is projected to increase by about 9.36% from a revised N136.57 trillion in 2021 to N149.35 trillion in 2022.
- Nominal GDP is projected to rise from N168.60 trillion in 2021 to N184.38 trillion in 2022 and then up to N221.78 trillion in 2024.
- Real GDP growth forecast is 4.2% in 2022, 2.3% for 2023 (election year impact) and 3.3% in 2024.
- Inflation is projected to be double digit in the medium-term given structural issues impacting cost of doing business, including high food distribution cost.
- However, current steady decline is expected to be sustained, seeing inflation rate drop to 13% in 2022 and 10 % by 2024.

2022 Budget: Overview Of Revenue, Expenditure & Deficit Financing

An Overview of the Revenue Framework

- The projected aggregate revenue available to fund the 2022 budget of N10.74 trillion (inclusive of GOEs) is 32% higher than the 2021 projection of N8.12 trillion. Without the GOEs retained revenue, the FGN revenue is projected at N9.01 trillion.
- To promote fiscal transparency, accountability & comprehensiveness, allocations to TETFUND and the budgets of 63 GOEs are integrated in the FGN's 2022 Budget proposal.
- In aggregate, 35% of projected revenues is to come from oil-related sources while 65% is to be earned from non-oil sources.

	FISCAL ITEMS	2021 Budget Passed by NASS + Supplementary Budget	2022 Proj. Passed by NASS	VARIANCE
AMOUNT AVAILABLE FOR FGN BUDGET (excluding GOEs retained revenue)		6,772,575,467,981	9,012,414,552,755	2,239,839,084,774
a	**Share of Oil Revenue**	**2,011,017,892,674**	**3,362,008,316,763**	**1,350,990,424,089**
b	**Dividend**	**208,540,960,000**	**195,716,305,950**	**(12,824,654,050)**
	NLNG	*208,540,960,000*	*187,397,535,000*	*(21,143,425,000)*
	Bank of Industry		*8,318,770,950*	*8,318,770,950*
c	**Share of Minerals & Mining**	**2,650,393,903**	**2,915,433,293**	**265,039,390**
d	**Share of Non-Oil Taxes**	**1,488,924,372,031**	**2,132,083,163,179**	**643,158,791,148**
	Share of CIT	*681,718,292,330*	*909,302,644,947*	*227,584,352,617*
	Share of VAT	*238,426,227,556*	*316,691,050,420*	*78,264,822,864*
	Share of Customs	*508,269,596,837*	*834,116,601,034*	*325,847,004,197*
	Share of Federation Acct. Levies	*60,510,255,308*	*71,972,866,778*	*11,462,611,469*
e	Share of Electronic Money Transfer Levy (formerly called Stamp Duty)	500,000,000,000	29,367,152,138	(470,632,847,862)
f	Share of Oil Price Royalty	-	96,943,894,289	96,943,894,289
g	Revenue from GOEs	2,173,860,133,098	3,306,600,375,927	1,132,740,242,829
h	GOEs Operating Surplus (80% of which is captured in Independent Revenue)	(825,023,025,138)	(1,578,211,097,139)	(753,188,072,001)
i	Independent Revenue	1,061,898,590,939	2,216,217,091,075	1,154,318,500,136
j	Draw-down from Special Levies Accounts	435,000,000,000	300,000,000,000	(135,000,000,000)
k	Signature Bonus / Renewals / Early Renewals	677,015,511,478	280,855,138,079	(396,160,373,399)
l	Domestic Recoveries + Assets + Fines	32,675,085,307	26,933,139,822	(5,741,945,486)
m	Grants and Donor Funding	354,852,661,650	63,376,918,168	(291,475,743,482)
n	Education Tax (TETFUND)	-	305,998,000,000	305,998,000,000
AMOUNT AVAILABLE FOR FGN BUDGET (including GOEs)		8,121,412,575,941	10,740,803,831,543	2,619,391,255,602

Budget 2022 Highlights

An Overview of the Expenditure Framework

- The 2022 Aggregate FGN Expenditure (inclusive of GOEs and project-tied Loans) is projected to be N17.13 tn, which is 18% higher than the 2021 Budget.
- Recurrent (non-debt) spending, estimated to amount to N6.91tn, is 40% of total expenditure, and 20% higher than the 2021 Budget.
- Aggregate Capital Expenditure of N5.96tn is 35% 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 21% of total expenditure, and 34% of total revenues.
- Provision to retire maturing bonds to local contractors / suppliers of N270.71 bn is 1.6% 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.

FISCAL ITEMS		2021 Budget Passed by NASS + Supplementary Budget	2022 Proj. Passed by NASS	VARIANCE
STATUTORY TRANSFER		496,528,471,273	869,667,187,543	373,138,716,270
DEBT SERVICE		3,124,380,000,000	3,609,241,188,415	484,861,188,415
SINKING FUND		200,000,000,000	270,711,793,135	70,711,793,135
RECURRENT (NON-DEBT)		5,765,302,234,844	6,909,849,788,736	1,144,547,553,892
a	Personnel Costs (MDAs)	3,046,464,689,489	3,494,367,075,514	447,902,386,025
b	Personnel Costs (GOEs)	701,162,016,535	617,724,992,745	(83,437,023,790)
c	Overheads (MDAs)	382,583,509,504	371,726,148,777	(10,857,360,727)
d	Overheads (GOEs)	312,081,710,125	451,001,890,322	138,920,180,198
e	Pensions, Gratuities & Retirees Benefits	504,191,130,679	577,862,188,757	73,671,058,078
f	Other Service Wide Votes (including GAVI/Immunization)	403,819,178,513	966,867,592,621	563,048,414,108
g	Presidential Amnesty Programme	65,000,000,000	65,000,000,000	-
h	TETFUND - Recurrent	-	15,299,900,000	15,299,900,000
SPECIAL INTERVENTIONS (Recurrent)		350,000,000,000	350,000,000,000	-
AGGREGATE CAPITAL EXPENDITURE		5,233,596,865,028	5,961,066,005,970	727,469,140,942
a	Capital Supplementation	763,342,061,374	455,588,000,000	(307,754,061,374)
b	Capital Expenditure in Statutory Transfers	249,049,989,627	493,662,046,107	244,612,056,480
c	Special Intervention Programme (Capital)	10,000,000,000	7,000,000,000	(3,000,000,000)
d	Amount Available for MDAs Capital Expenditure	2,811,073,054,351	2,750,893,902,177	(60,179,152,174)
e	GOEs Capital Expenditure	335,593,381,300	647,079,937,729	311,486,556,429
f	TETFUND Capital Expenditure	-	290,698,100,000	290,698,100,000
g	Grants and Donor Funded Projects	354,852,661,650	63,376,918,168	(291,475,743,482)
h	Multi-lateral / Bi-lateral Project-tied Loans	709,685,716,725	1,155,823,207,500	446,137,490,775
i	FGN Share of Oil Price Royalty Transferred to NSIA	-	96,943,894,289	96,943,894,289
Capital Expenditure (Exclusive of Transfers)		4,984,546,875,401	5,467,403,959,863	482,857,084,462
TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans)		12,512,234,756,833	14,255,243,889,395	1,743,009,132,562
TOTAL FGN BUDGET (Including GOEs & Project-tied Loans)		14,570,757,581,518	17,126,873,917,692	2,556,116,336,174

An Overview of the Deficit, Financing & Critical ratios

FISCAL ITEMS		2021 Budget Passed by NASS + Supplementary Budget	2022 Proj. Passed by NASS	VARIANCE
Total Fiscal Deficit (including GOEs and Project-tied Loans)		(6,449,345,005,577)	(6,386,070,086,148)	63,274,919,429
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%)	(3.46%)	1.06%
Capital Expenditure as % of Non-Debt Expenditure		47%	45%	(2%)
Capital Expenditure as % of total FGN Expenditure		36%	35%	(1%)
Capital Expenditure (Inclusive of Transfers, but exclusive of GOEs Capital & Project-tied loans) as % of FGN Expenditure		33%	29%	(4%)
Recurrent Expenditure as % of total FGN Exp (incl. GOEs + Project-tied Loans)		64%	65%	1%
Debt Service to Revenue Ratio (incl. GOEs + Project-tied Loans)		38%	34%	(5%)
Deficit as % of FGN Revenue (incl. GOEs + Project-tied Loans)		79%	59%	(20%)
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	5,139,515,078,648	(349,362,842,390)
	Domestic Borrowing	*2,744,438,960,519*	*2,569,757,539,324*	*(174,681,421,195)*
	Foreign Borrowing	*2,744,438,960,519*	*2,569,757,539,324*	*(174,681,421,195)*
Sub-Total		6,449,345,005,577	6,386,070,086,148	(63,274,919,429)

- Overall **budget deficit** is **N6.39 tn** for 2022. This represents **3.46% of GDP.**
- Budget deficit is to be financed mainly by borrowings:
  - *Domestic sources: **N2.57 tn***
  - *Foreign sources: **N2.57 tn***
  - *Multi-lateral /bi-lateral loan drawdowns: **N1.16 tn***
- And Privatisation Proceeds – **N90.7 bn**

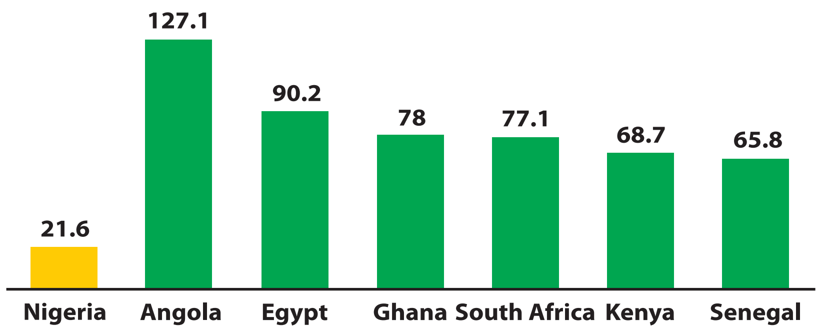
Overview Of Nigeria's Debt Sustainability

- This is to restate, that the debt level of the Federal Government is still within sustainable limits.
- Borrowings are essentially for Capital Expenditure and Human Development, as specified in Section 41(1)a of the Fiscal Responsibility Act 2007;
- 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.
- To compound matters, the country has technically been at war, with the pervasive security challenges across the nation; This has necessitated massive expenditures on security equipment and operations, contributing to the fiscal deficit; Defence and Security sector accounts for 22% of the 2021 budget!
- Nigeria's Budget Deficit/GDP (-4.3%, as at November 2021) and Debt/GDP ratios (30% as at September 2021) are the lowest among Africa's leading economies;
- However, Nigeria's Debt Service/Revenue ratio (76% as at November 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;
- Tax rates and compliance ratios are significantly higher in these comparator countries; For instance, Nigeria's VAT rate of 7.5% is the lowest in Africa, and less than 50% of the average rate.
- Efforts are ongoing 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 85% 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. The SRGI and other ongoing initiatives will address this.

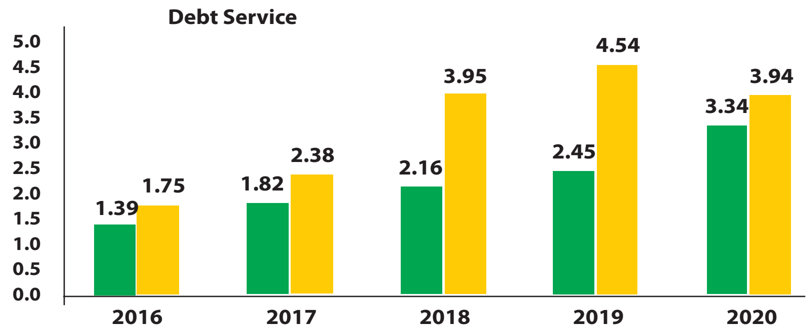
Budget 2022 Highlights

Impact on Nigeria's Debt structure has been contained from the 2020 COVID-19 & Oil Price shocks with progress made in achieving longer term debt objectives

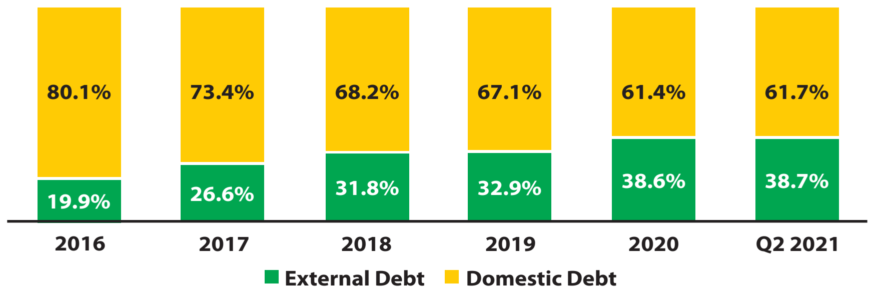
Nigeria Maintains One of the Lowest Debt/GDP Ratios of Peers*
2020 Government Debt/GDP (%)



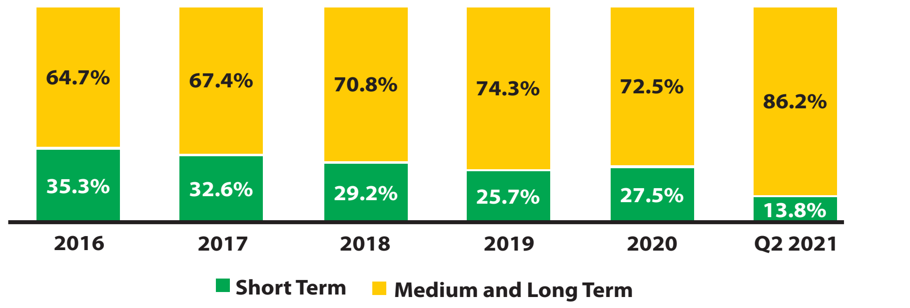
Increasing Debt Service Cost Managed by Revenue Growth
Debt Service and Revenue (₦ trillions)



Rebalancing to Optimal External/Domestic Debt Mix
% of Total Federal Government Debt

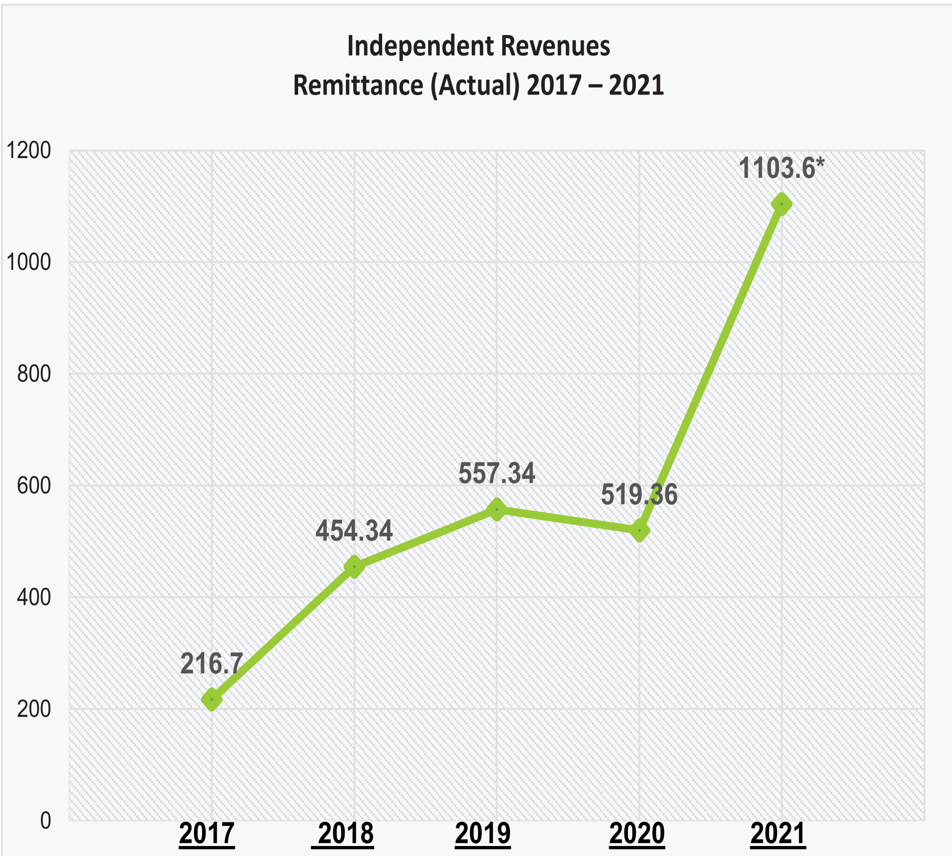


Shifting Domestic Debt Portfolio to Long Term Maturities
% of Total Domestic Federal Government Debt (Residual Maturity)



Strategic Revenue Growth Initiatives

- 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
- Other measures Cont'd:
- ■ 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
- The trend in the graph shows a steady improvement of our independent revenues over the years
- As at November, 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.
- We have now for the first time surpassed the 1 trillion mark collection for independent revenues (N1.104tn collected as at November against a budget target of 973.41bn). Analysts have always considered our projections unrealistic, but we have always insisted on the potentials that exist to grow FGN independent revenues.



**2021 As at November*

Key Highlights Of Finance Act, 2021

Keeping Presidential Commitments Vis-à-vis Annual Finance Bills as a New Fiscal Tradition

- ■ When Mr. President presented his 2022 Budget of 'Economic Growth & Sustainability', he directed the Hon. Minister of Finance, Budget & National Planning ('HMFBNP') to prepare a Finance Bill to support the Budget
- ■ Mr. President assented to the Finance Act, 2021 on 31st December 2021, alongside the 2022 Appropriation Act
- **Key Reform Areas amended by the Finance Act, 2021 include:**

1. Domestic Revenue Mobilisation
2. Tax Administration & Legislative Drafting
3. International Taxation
4. Financial Sector Reforms & Tax Equity
5. Public Financial Management Reforms

S/N	LAWS & STATUTES PROPOSED TO BE AMENDED
1.	Capital Gains Tax Act ('CGTA');
2.	Companies Income Tax Act ('CITA');
3.	Customs, Excise Tariffs Etc. (Consolidation) Act ('CETECA');
4.	Federal Inland Revenue Service (Establishment) Act ('FIRSEA');
5.	Personal Income Tax Act ('PITA');
6.	Stamp Duties Act ('SDA');
7.	Tertiary Education Trust Fund (Establishment) Act ('TETFEA');
8.	Value Added Tax Act ('VATA');
9.	Insurance Act;
10.	Nigeria Police Trust Fund (Establishment) Act;
11.	Nat'l Agency for Science & Engineering Infrastructure Act ('NASENI');
12.	Finance (Control & Management) Act; &
13.	Fiscal Responsibility Act.

Budget 2022 Highlights

Finance Act, 2021: Critical Policy Thrusts

Key Points #1. Domestic Revenue Mobilisation

Sections	Issues	Mechanisms	Rationale & Commentary
• 2-FA, amending • 30-CGTA	Partial Roll- back of Exemption of Shares from Capital Gains Taxes	• 10% Capital Gains Tax imposed on Shares' Disposal Transactions where the aggregate Disposal Proceeds exceed N100m in any 12 consecutive calendar months; • Reinvestment Relief provided to defer Capital Gains Tax where Disposal Proceeds are Wholly or Partially Reinvested; & • Taxpayers are required to report Disposals annually for ease of administration & compliance (to FIRS for corporate shareholders & State IRS for individuals)	Partial Roll-back of CGT exemption on Shares intended to raise revenues for States & FGN: • Reinvestment Relief retained to encourage long-term investments in equities • Pension Funds' Assets are exempted under §10 Pension Reforms Act, 2014 to protect Pensioners)
• 17-FA amending • 21-CETECA	Duty on Non- alcoholic, Carbonated & Sweetened Beverages	• Excise Duty of N10/liter imposed on all Non-alcoholic, Carbonated & Sweetened Beverages • To discourage excessive consumption of sugar in beverages which contributes to diabetes, obesity, etc.	New 'Sugar Tax' introduced to raise excise duties & revenues for health- related & other critical expenditures (in line with the 2022 Budget's Priorities)

Key Points #2. Tax Administration & Legislative Drafting

Sections	Issues	Mechanisms	Rationale & Commentary
• 18-FA amending • 25- FIRSEA	FIRS Automation & ICT Reforms	• FIRS empowered to sanction non- compliant taxpayers refusing access to IT systems • FIRS may deploy both Proprietary & Third-Party Tech Applications to collect information from taxpayers	To enhance the ongoing ICT & Tax Admin. reforms by FIRS to increase revenue generation (in line with the 2022 Budget's Priorities)
• 21-FA amending • 50- FIRSEA	Taxpayers' Confidential Data	• Enhance confidentiality & non- disclosure by FIRS staff of Taxpayers' Confidential Data • Penalize data breaches by non- compliant FIRS staff	Provide safeguards to protect Taxpayers' Data & provide sanctions

Key Points #3. International Taxation

Sections	Issues	Mechanisms	Rationale & Commentary
• 4-FA amending • 13-CITA; & • 8-FA Amending • 30-CITA	Taxation of E-Commerce Biz. byNon-Resident Companies on a Fair & Reasonable Turnover Tax Basis (i.e. 6% of Turnover)	• Empower FIRS to assess Non-Resident Firms to tax on Fair & Reasonable Turnover Tax Basis on Turnover earned from providing Digital Services to Nigerian customers • Introduce Turnover Tax on Fair & Reasonable Percentage of Profits earned from providing Digital Services to Nigerian customers Note that such Digital Services include Apps, High Frequency Trading, Electronic Data Storage, Online Advertising, etc.	• Modernize the taxation of ICT & digital economy in line with current realities (in line with the NDP 2021-25)
• 30-FA amending • 10-VATA; & • 31-FA Amending • 14-VATA	VAT Obligations of Digital Non- Resident Companies	• Restrict VAT obligations mainly to Digital Non-Resident Companies (who supply individuals who cannot self- account for VAT) • Reduce compliance burden on other Non-Resident Taxpayers who are not required to register for VAT in Nigeria • Clarify that FIRS may appoint persons (including Non-Residents) for the purpose of tax collection Clarify that such appointed persons may collect & remit taxes to FIRS / Relevant Tax Authorities	• Enhance administrative modalities for the taxation of Non- Resident Taxpayers deriving revenues from Nigeria (in line with the NDP 2021-25)

Key Points #4. Financial Sector Reforms & Tax Equity

Sections	Issues	Mechanisms	Rationale & Commentary
• 3-FA amending • 9-CITA	Securities Lending Transaction Reforms by Securities & Exchange Commission ('SEC')	Securities Lending: permit Lenders to receive compensating 'manufactured dividends' from securities lending traders	• Tax Equity: to enable Securities Lending Reforms being championed by SEC (in line with the NDP 2021-25)
• 14-FA amending • 78-CITA; & • 16-FA amending • 105-CITA	Real Estate Investment Trusts ('REITs') Reforms by SEC	• Clarify that Withholding Taxes deducted from Unit Trusts' dividends are final taxes on Unit Trusts' income • Clarify that REITs' special tax regime provisions apply to REITs set up as Unit Trust Schemes	• Tax Equity: in support of SEC's REITs & Unit Trusts financial sector reforms (in line with the NDP 2021-25)
• 33, 34, 35-FA amending • 9, 10 & 102- Insurance Act, 2003	Insurance Companies' Capitalization Reforms by the National Insurance Commission ('NAICOM')	Enhance definition of share capital (capital requirement) in determining minimum capital to enhance NAICOM's recapitalization reforms	• Tax Equity: in support of NAICOM insurance sector capitalization reforms (in line with the NDP 2021-25)

Key Points #5. Public Financial Management Reforms

Sections	Issues	Mechanisms	Rationale & Commentary
• 22-FA amending • 68-FIRSEA	Reinforce FIRS' mandate as Principal Tax Collection Agency is reiterated	• FIRS confirmed as FGN's Principal Tax Revenue Collection Agency & may collaborate with other Federal Law Enforcement MDAs	• Tax Administration & DRM reforms to streamline tax collection under FIRS
• 37-FA amending • 20-NASENI Act	NASENI Levy comprises: • 1% of FAAC • 0.25% Levy on PBT on major companies with Turnover ≥ N100m in the banking, oil & gas, maritime, aviation, telecoms & ICT sectors	• Empower FIRS to collect NASENI Levy Increased Funds to accrue into a special NASENI account to fund budgeted expenditures targeted at nurturing dynamic science & engineering sectors	New changes introduced by NASS to clarify aspects of the NASENI Levy & enhance administration by FIRS
• 38 & 39-FA amending • 3 & 4-Finance (Control & Mgt.) Act 1958	Reiterate the supremacy of Fiscal Rules in the the 1999 Constitution & other Extant Money Acts in public financial management	Reiterate & reinforce the 1999 Constitution as well as the Finance (Control & Mgt.) Act's provisions vis-à-vis mgt. of public finances & collection of revenues	Enhance public financial mgt. reforms to reduce revenue leakages & better tie actual expenditures to revenue performance

Budget 2022 Highlights

Annual Finance Acts: Concluding Thoughts

● This Administration is committed to accelerating post-COVID-19 economic recovery through the NDP 2021-2025 by:

■ Stimulating inclusive, diversified & sustained economic growth;

■ Supporting the private sector's productivity & competitiveness;

■ Creating productive employment & preserving jobs;

■ Ensuring macroeconomic stability; &

■ Promoting poverty reduction & more equitable wealth creation.

● Accelerating Strategic Revenue Generation Initiatives ('SRGIs') through the Annual Finance Bills

■ Nigeria must diversify its revenues from Oil & Gas to fund critical developmental expenditures;

■ The annual tradition of enacting Finance Acts to accompany the Federal Budget is one of many SRGIs being undertaken by the FGN to optimise Domestic Revenue & Resource Mobilisation;

■ While ongoing fiscal reforms to enhance Non-Oil Revenues are yielding tangible results, there remains a significant fiscal gap to be bridged to effectively finance the 2022 Budget & other tiers of Government;

■ The Finance Act, 2022 enacts significant tax, fiscal & other reforms to drive Domestic Revenue Mobilisation;

■ More fiscal reforms & measures may be required during the 2022 Fiscal Year to deal with emerging fiscal constraints & challenges, particularly as the Economy recovers; &

■ However, this Administration remains committed to continuous dialogue & robust engagement with all key Stakeholders in developing & implementing its fiscal policies.

Critical Sectoral Allocations In The 2022 Budget

Education Sector N1.234 trillion

N815.69bn
Amount provisioned for **Federal Ministry of Education and its agencies (Recurrent & Capital expenditure)**

N112.29bn
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 N876.38 billion i.e 5.1% of FGN Budget

N770.87bn
Amount provisioned for **Federal Ministry of Health and its agencies (Recurrent & Capital expenditure, including Hazard Allowance)**

N49.37bn
Gavi/ Immunization funds, including Counterpart Funding for Donor Supported Programmes, Including Global Fund

N56.14bn
Transfer to Basic Healthcare Provision Fund (**BHCPF**) **1% of CRF**

Defence & Security Sector (N2.29 trillion) – *(13.4% of Budget)* → Amount provisioned for the Military, Police, Intelligence & Para-Miltary *(Recurrent & Capital expenditure)*

Infrastructure (N1.42 trillion) 8.3% → This include provisions for Works & Housing, Power (inclusive of PSRP Provisions), Transport, Water Resources, Aviation.

Social Development & Poverty Reduction Programmes (N462 billion) - *(3% of Budget)* → Amount provisioned for Social Investments / Poverty Reduction Programmes

Conclusion

● The 2022 Budget is expected to further accelerate the recovery of our economy and facilitate the completion of critical projects, as well as improve the general living conditions of our people.

● The Budget reflects the key execution priorities and strategies of the NDP 2021-2025.

● Government will continue to create the enabling environment for private sector to increase their investment and contribute significantly to job creation, economic growth 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 to improve revenue collection, expenditure management and fiscal sustainability.

● We are optimistic about our ability to finance the budget considering the positive global oil market outlook and the continuing improvement in our non-oil revenues.

● We shall explore available opportunities for public-private partnerships, concessions as well as climate finance arrangements to fast-track the pace of our infrastructural development.

● Achieving government's budget objectives require bold, decisive and urgent actions, and government is determined to act as may be required.

● However, Government remains committed to implementing measures aimed at moderating the unintended negative effects of policies on the citizenry.

● Safety nets will be provided to cushion the impact of reform measures on the vulnerable segments of the population.

● We welcome citizens'participation in enhancing budget implementation monitoring via the following platforms:

● i-monitor

● Citizens' Budget Monitoring app (available for free on the google play store)

● A list of some key projects in the 2022 Budget are presented as an Appendix to the presentation.

● Details of the FGN 2022 Appropriation Act and the Finance Act 2021 are available on the website of the Budget Office of the Federation – www.budgetoffice.gov.ng

Budget 2022 Highlights

Annex: SELECTED PROJECTS IN THE 2022 BUDGET

(Investing for a Resilient Future: Critical Infrastructure & Human Capital)

ROADS

- Over N168 billion for the construction and rehabilitation of roads in every geo-political zone of the country, such as:
- Counterpart Funding for the Dualization of Makurdi - Enugu Road
- Counterpart Funding for the Dualization of Akwanga – Jos - Bauchi - Gombe Road
- Reconstruction of the Outstanding Sections of Benin – Ofosu – Ore – Ajebandele - Shagamu Expressway
- Construction of Bodo - Bonny Road
- Rehabilitation of Yola-Hong-Mubi Road
- Dualization of Ilorin – Jebba - Mokwa/Bokani Junction Road
- Rehabilitation Of Nguru-Gashua-Bayamari Road, Section I (Nguru-gashua) Phase II
- Dualization of Ilorin-Kabba-Obajana Junction to Benin (Various Sections)
- Rehabilitation of 9th Mile-Enugu-Port Harcourt Dual Carriageway Including 9th mile bypass
- Upgrading & Rehabilitation of Keffi – Akwanga - Lafia Road Project
- Rehabilitation of Zaria-Funtua-Gusau-Sokoto- Birnin Kebbi C/No. 6029a
- Dualisation of Suleja-Minna Road, Niger State C/No.6077

BRIDGES

- Over **N54 billion** for Construction & Renovation of various Bridge projects nationwide
- **N162million** counterpart funding for construction of joint border bridge at Mfum/Ekok under the Nigeria/Cameroun International highway and transport facilitation programme
- **N409million** Emergency rehabilitation & maintenance of 3rd mainland bridge.

RAIL

- **N59 billion** for counterpart funding for Railway projects including:
  1. Lagos-Kano (Ongoing)
  2. Calabar-Lagos (Ongoing)
  3. Ajaokuta-Itakpe-Aladja (Warri) (Ongoing)
  4. Port Harcourt-Maiduguri
  5. Kano-Katsina-Jibiya-Maradi In Niger Republic (New)
  6. Abuja-Itakpe and Aladja (Warri)-Warri Port And Refinery /Warri New Harbour
- Over **N4 billion** for rehabilitation of various railway tracks including

EDUCATION

- **N122.2 billion** Provided for Universal Basic Education (UBEC)
- **N1 billion** for classroom/hostel rehabilitation & furnishing and **N500 million** allocated for provision of Security Infrastructure in 104 Colleges
- **N2 billion** for take off grant for the establishment of 10 Federal Science & Technical Colleges (FSTCs)-
- About **N3.56 billion** for various Scholarship allowances
- **N2 billion** for payment of 5,000 Federal Teachers Scheme Allowance

POWER

- **N1 billion** for Rural Electrification access program in federal universities
- **N220.5 billion** for multilateral and bilateral funded projects (Zungeru, NEP, Abuja Power Feeding scheme, Transmission Access Project etc)
- **N800 million** for the Distribution expansion programme projects to utilise the stranded power from the grid
- **N114 billion** funding (inclusive of multilateral loans) to the REA for the completion of renewable energy interventions and Rural Electrification projects nationwide
- **N303 million** for construction of 215MW LPFO/ Gas Power station Kaduna
- **N470 billion** for Kashambilla Transmission.

REGIONAL INTERVENTIONS

- **N65 billion** for reintegration of transformed ex-militants under the Presidential Amnesty Programme.
- **N48 billion** for the North East Development Commission (NEDC) – Statutory Transfer –
- **N102.78 billion** for the Niger Delta Development Commission (NDDC)

HOUSING

- **N4.3 billion** for provision of Infrastructure & services for Housing Programmes Nationwide
- **N10 billion** for Social Housing Scheme (Family Homes Fund)
- **N1 billion** for Prototype Housing scheme in Niger & Lagos states
- **N14 billion** for FGN National Housing Programme Nationwide
- **N2.01 billion** for new social housing on defunct NITEL site in Iponri Lagos State.

SOCIAL INVESTMENTS

- **N410 billion** for FGN Special Intervention Programme (including Home Grown School Feeding Programme, Government Economic Empowerment Programme, N-Power Job Creation Programme, Conditional Cash Transfers, etc)
- The NSIO is now domiciled in the Ministry of Humanitarian Affairs and Disaster Management & Social Development
- Mr. President approved additional **N100billion** for FGN Share of the National Poverty Reduction With Growth Strategy.

INDUSTRY TRADE & INVESTMENT

- **N2.2 billion** Conditional Grant Scheme
- **N1 billion** for Presidential Enabling Business Environment Council
- **N500 million** for Export Expansion Grant
- N6.64 billion for Special Economic Zones Development
- **N3.6 billion** Revitalisation of6No Industrial Development Centres.
- **N1.39 billion** National Business Skills Development Initiative (NBSDI)
- **N1 billion** for One Local Government One Product scheme (OLOP)

HEALTH

- **N56 billion** Provisioned for the implementation of the NationalHealth Act (BHCPF)
- **N49.4 billion** provided for GAVI/ Immunization
- **N2.8 billion** for Polio Eradication Initiatives
- **N1.45 billion** for the procurement RI & non-Polio Vaccine & operational cost
- **N2.39 billion** for expanded midwives service scheme

NIGER DELTA

- Over **15 billion** provided for other critical infrastructure, Agriculture and Health systems projects in the Niger Delta.

AVIATION

- **N2 billion** for safety & Security critical projects and airport certification Nationwide
- **N14 billion** for construction of Second Run-Way at Nnamdi Azikiwe International Airport Abuja.
- **N600 million** Extension & asphalt overlay of MMIA runway
- **N500 million** Construction of new terminal building in Enugu
- **N100 million** Construction of Abeokuta airstrip

WATER RESOURCES

- **N41 billion** Transforming irrigation in Nigeria project (TRIMING) (multilateral/bilateral funded loan)
- Over **N24 billion** provisioned for Rehabilitation and completion of ongoing dam projects nationwide including Itisi, Mangu, Auna-Kotangora, and several earth dams
- **N563.9 million** for Partnership for Expanded Water, Sanitation and Hygiene (PEWASH)
- Over **N17 billion** for various water supply schemes & Irrigation projects nationwide viz – Gushwa town, Zungeru/Wushishi, Gurara II, Hawul, Damaturu, North East IDP water supply projects and Middle Rima Irrigation project etc

DEFENCE

- **N833 million** Balance payment for procurement of 3 X JF- 17 Thunder Aircraft, support equipment and spares including targeting Pod for JF – 17, complete with aircraft arms & ammunition
- **N792 billion** Procurement of 30/32/35 metre hydro survey ship & landing ship tank
- **N1 billion** Procurement of 3 X AW109 Helicopters and part payment for procurement of 1 X AW139 Helicopter.
- **N4.4billion** for the Completion of Naval War College Nigeria complex.
- **N1.4 billion** Upgrade of Nigerian Navy Reference Hospital Ojo.

OTHERS

- **N2.09 billion** Provisioned for capital projects for National Commission for Persons with Disability (NCPD).
- **N25 Billion** provided for Nigeria Youth Investment Fund

Boosting Depositors' Confidence Key In Driving NDIC's Mandate

*The Nigeria Deposit Insurance Corporation (NDIC) in the year 2021 rolled out several initiatives and strategies geared towards boosting depositors' confidence and ensuring stability in the country's banking sector. **Felix Omoh-Asun** and **Musa Ibrahim** review key highlights.*

The NDIC had the sole mandate of ensuring that customers' deposits are secured in Nigerian deposit money banks (DMBs) and microfinance banks (MFBs).

As such, the NDIC said it had within the period paid over N113 billion to depositors of money in commercial banks, microfinance institutions as well as primary mortgage banks currently in liquidation as of September 30, 2021.

Managing Director and Chief Executive of the corporation, Mr. Bello Hassan, made this known at the Editors' forum held in Lagos where he assured that the deposit insurance corporation was working to ensure that liquidated banks' depositors are paid on time.

He said that to boost effectiveness, the NDIC was in collaboration with the National Assembly to amend the NDIC Act, in order to empower it to recover assets of banks in liquidation as quickly as possible.

He noted that the NDIC had paid a cumulative sum of N8.3billion to 443,946 insured depositors and N100.1billion to uninsured depositors of DMBs in-liquidation as of 30th September, 2021 while N3.4 billion was paid to 90,945 insured depositors of microfinance banks and N1.2 million to uninsured depositors.

In the same vein, cumulative insured amount paid to 1,553 depositors of closed primary mortgage banks as at 30th September, 2021 stood at N110.2 million while N7.9 million was paid as uninsured deposits.

He, however, admitted that payments had been slowed due to the several court cases as well as the unwillingness of debtors to pay up.

"It takes a long time in paying depositors because at the point of closure, we only pay the maximum insured amount, and subsequently, we now begin to realise the assets and pay depositors. We have commenced the process of strengthening our failure resolution and liquidation mandate through the improvement of our internal processes and procedures, as well as enhancing effective collaboration with relevant stakeholders to ensure that the corporation discharges its responsibilities more efficiently.

"This has become imperative given the need to implement prompt corrective actions on failing or failed insured institutions, improve our processes in addressing challenges in liquidation and, most importantly, provide timely reimbursement of insured sums to depositors of failed banks.

"We have the challenge of slow recovery, as a lot of people that borrowed from those banks do not want to pay back, and we also have the issue of slow judicial process, and currently we are liaising with the National Assembly to get the Act amended in order to empower the corporation to be able to recover the assets as quickly as possible.

"The loans given by the banks in liquidation is actually the deposits of people. So, we need to recover them as quickly as possible so that we can pay them. We also have cases with banks in court; so, we want a situation whereby those cases are given accelerated hearing so that we can quickly dispense with them."

Mr. Bello Hassan said that the Nigerian banking industry has seen some stability as risk management improved in the sector. "We have seen the growth in risk management in banks and I want to assure you that that is the secret behind the stability we are seeing today in the banking sector. A lot of banks have improved their risk management. I am not saying they have reached the peak, because there is always room for improvement," he said.

97% Eligible Depositors Covered By The Corporation

Meanwhile, the NDIC has revealed that following dedication and due diligence as revealed, 97 percent of eligible bank deposits are fully covered by the corporation.

According to Mr. Hassan, the corporation has covered 99.4 percent, 97.6 percent, 97.5 percent and 97.6 percent of accounts of N500, 000 coverage limit in 2016, 2017, 2018 and 2019 and respectively.

The coverage, he said, was enough to boost confidence in the banking sector.

"The corporation's deposit insurance coverage limits are not only adequate but robust enough to engender confidence in our banking system. For instance, in 2016, 2017, 2018 and 2019, the total number of accounts in DMBs stood at N83 million, N99.1 million, N112 million and N128.4 million respectively," he noted.

Hassan highlighted several ongoing reviews on NDIC's processes and approaches to further de-risk the banking and protect the corporation.

He said that part of the review would ensure that "the probability of the risk crystallising becomes a major factor in the pricing methodology of our premium, going forward.

He stated: "On timely support to insured institutions, we have identified the need to reconsider our criteria for qualification of financial institutions to provide realistic terms and conditions to facilitate prompt access to technical and/or financial support in line with section (2)(1)(b) of the NDIC Act whilst also protecting the corporation from possible downside risk."

He noted the various settlements made by the corporation, saying it has accomplished "the payment of guaranteed sums and liquidation dividends speak volumes of its commitment to the discharge of its unique mandate. NDIC had paid a cumulative sum of ₦N8.268 billion to 443,946 insured depositors and ₦100.08 billion to uninsured depositors of deposit money banks (DMBs) in-liquidation as of September 30, 2021, while N3.413 billion was paid to 90,945 insured depositors of microfinance banks and ₦1.218 million to uninsured depositors.

"In the same vein, the cumulative insured amount paid to 1,553 depositors of closed primary mortgage banks as of September 30, 2021, stood at N110.15 million while ₦N7.965 million was paid as uninsured deposits.

"Most importantly, the payment of N1.274 billion to 991 creditors and ₦4.886 billion to 965 shareholders of banks in-liquidation as of September 30, 2021, underscored the corporation's success story in bank liquidation. What this implies is that the corporation had realised enough assets to pay all the insured and uninsured depositors of the banks that present themselves for payment. Currently, 19 out of the 49 DMBs in-liquidation fall into this category."

Regulatory Effectiveness To The Rescue

In the year under review, the NDIC maintained that prompt resolution of banks' failure over the years saved the banking sector from systemic collapse.

Mrs. Ronke Shokefun, Chairman NDIC Board of Directors, said this at a retreat organised by the corporation for members of the House of Representatives Committee on Insurance and Actuarial Matters in Lagos on the theme: 'Strengthening Nigeria's Financial Safety-Net: The Role of Deposit Insurance (DI).'

She said that the prompt resolution of banks' failure had also in the corporation's 32 years of existence further provided a financial safety-net for the banking sector.

Mr. Bello Hassan, Managing Director and Chief Executive of the Nigeria Deposit Insurance Corporation (NDIC),

...367 microfinance banks and 51 primary mortgage banks were either completely liquidated or undergoing the process of complete liquidation...

"Bank resolution options applied so far by the NDIC have included financial assistance, technical assistance, hold action, assisted mergers and acquisition, purchase and assumptions, as well as the application of the bridge bank mechanisms.

"It is only when all these options could not rescue a bank that it is allowed to go into liquidation," she noted.

Shokefun said that 49 DMBs, 367 microfinance banks and 51 primary mortgage banks were either completely liquidated or undergoing the process of complete liquidation by the NDIC.

She said that this followed the revocation of their operating licenses by the Central Bank of Nigeria (CBN).

Mr. Hassan had said that there were four key components of financial safety-net, which would aid financial stability at all times. "Financial safety-net is a framework comprising four key components/functions of prudential regulation and supervision, resolution, deposit insurance and lender of last resort.

"The various components aim to promote financial stability at all times and manage eventualities of any financial crisis," he said.

Plans For 2022

This year, the corporation has reiterated that asides its statutory mandate, it is committed to partner the Bureau of Public Service Reforms (BPSR) in enhancing innovation in service delivery.

NDIC MD made this disclosure while receiving the Director-General of the BPSR, Mr. Dasuki Ibrahim Arabi, and his management team on courtesy visit to the corporation. Mr. Hassan affirmed that in the future, the self- assessment tool (SAT) developed by the bureau would complement the corporation's existing mechanism for assessing the effective discharge of its mandate as well as assist it in achieving the federal government's objectives of significantly strengthening governance and accountability in service delivery to the citizenry.

Earlier in his presentation, Mr. Arabi explained that the IT-based self-assessment tool of the bureau is designed to coordinate, monitor and evaluate the implementation of reforms as well as disseminate information on all aspects of public service, amongst other objectives. He expressed optimism in the corporation's implementing the bureau's self-assessment processes and its commitment towards putting innovation as a top priority to promote excellence in service delivery.

He said that the BPSR would continue to collaborate with the NDIC as well as other government agencies in assessing their performance to ensure optimal discharge of their mandate to the populace.

Speaking further, Mr. Hassan also stated that the corporation is collaborating with relevant stakeholders to ensure that banks stability and soundness is assured.

N2.3 Trillion Revenue, Other Landmark Achievements Of NCS

*The Nigerian Customs Service (NCS) through its resolve to adopt technology to drive growth has seen a tremendous rise in revenue generation, this is coupled with other measures put in place to boost economic growth. Our correspondent, **Musa Ibrahim**, assess the achievements.*

The NCS says it has so far generated N2.3 trillion revenue into the federation account in 2021.

The Comptroller-General of Customs, Col. Hameed Ibrahim Ali (rtd.), described it as a result of the resolute pursuit of what was right and willingness to adapt to changes brought about by global health challenges occasioned by COVID-19.

According to him, the Service revenue generation profile had continued to be on the rise annually, following the ongoing reforms in the Service.

Mr Timi Bomodi, Deputy National Public Relations Officer of NCS, disclosed this at a stakeholders/media engagement on trade facilitation in Lagos recently.

Bomodi spoke on the topic: 'Trade Facilitation, A Tool For Enhanced Revenue Generation: The NCS perspective.'

He said that the figure was higher than the 2021 target of N1.679 trillion.

"The 2021 has been eventful for NCS, as it achieves major milestones, in spite of the debilitating effect of COVID-19, which has had negative effects on the socio-economic lives of people around the globe.

"The year began with high expectations with regards to revenue generation and the enforcement of fiscal policy and based on 2020 target achieved, NCS was given the onerous task of collecting N1.679 trillion. ... the NCS exceeded expectations in revenue generation by going beyond the target set for it by the government, achieving N2.3 trillion," he said.

He added that in its anti-smuggling activities, the NCS had made landmark seizures of items prohibited by trade.

"In August, the service made seizures of 17,137 kg of pangolin scales, 44 kg elephant tusks and 60 kg pangolin claws all valued at over N22 billion.

"This was made possible through active collaboration between NCS, U.S, the UK, and German officials who helped in tracking the suspicious shipment and led to the arrest and prosecution of some foreign nationals and their local collaborators.

"In October the Federal Operations Unit (FOU) Zone 'A' seized 751 bullets concealed in garri sacks, while arms, ammunition and military uniforms were intercepted at Tincan Port, Lagos in September just to mention a few. Our warehouses in all border formations are overflowing with seizures of rice, groundnut oil, used clothing, used vehicles and others," he said.

Bomodi said that at Apapa Area I Command, through collaboration with sister agencies and the Nigerian Navy, a landmark seizure of cocaine with a DPV of 54 million dollars was made.

He also said that the arrests and seizures were daily features in the activities of customs officers nationwide, and they underscored the fact that they operated in a highly non-compliant environment.

According to him, the NCS is looking forward to a work environment where respect for principles and practice of international trade are the watchwords.

"We hope in 2022, importers, exporters and their agents will comply willingly and take full advantage of the opportunities NCS offers for expedited clearance," he said.

Fmfinsights reports that the Service revenue generation profile has continued to be on the rise annually as the ongoing reforms in the Service insist on: "Strategic deployment of officers strictly using the standard operating procedure, strict enforcement of extant guidelines by the tariff and trade department, automation of the Customs process thereby eliminating vices associated with the manual process,"

Others are "robust stakeholder sensitisation resulting in more informed/voluntary compliance, increased disposition of officers and men to put national interest above selves."

The Comptroller-General of Nigeria Customs Service, **Col. Hameed Ibrahim Ali (Rtd)**

Regulation

In line with its regulatory framework, the NCS in 2021 revealed that 62 private jet/aircrafts operating in Nigeria do not have verified import documents.

The authority stated that the 62 private jet/aircraft whose registration numbers were duly obtained from the appropriate authority were not verified because their owners or designated representatives made no presentations to the Customs Service that could help determine their status.

Mr. Joseph Attah said that in line with its statutory functions, the Customs and Excise Management Act (CEMA) invited all owners of private aircraft in the country to come forward with their relevant importation clearance documents for verification.

During the exercise which took place between the 7th of June and August 6th, 2021, at the Tariff and Trade Department of the Service, operators were requested to provide aircraft certificate of registration, NCAA's Flight Operations Compliance Certificate (FOCC), NCAA's Maintenance Compliance Certificate (MCC), NCAA's Permit for Non-Commercial Flights (PNCF) and temporary Import Permit (TIP) (where applicable).

Mr. Attah disclosed that within the stipulated period, 86 private jets/aircraft operators showed up for the exercise and presented the relevant documents for verification. Of this number, 57 were verified as commercial charter operators and were duly cleared for operations.

The 29 other private jets/aircraft were found liable for payment of Customs duty. Their values were assessed, and the appropriate demand notices were issued to their owners for the payment of outstanding duties.

However, 62 other private jet/aircraft whose registration numbers were duly obtained from the appropriate authority were not verified because their owners or designated representatives made no presentations to the Customs Service that could help determine their status.

"To this effect, all 57 commercial charter jet/aircraft operators who presented their documents for verification are requested to come forward to the Tariff and Trade Department of the NCS Headquarters, Abidjan Street, Wuse Zone 3 Abuja-FCT, Room 312 between 10:00am and 5:00pm to collect their aircraft clearance certificates.

Consequently, NCS threatened to confiscate 29 privately owned aircraft in the country if the owners and their agents do not comply within a 14-day deadline to resolve customs tax payment concerns.

The Customs Service had previously invited private aircraft owners in the nation to present their required importation clearance documentation for inspection.

No less than 91 of the country's 147 identified owners and operators of private jets failed the NCS's verification exam (NCS).

All 29 private jet/aircraft owners and or their representatives who were issued demand notices had been given 14 days from October 11, 2021 to collect and make payments to the designated federal government accounts, after which they will be issued aircraft clearance certificates, according to Comptroller Attah.

"Owners of private aircraft who have not made a presentation for verification and whose status remains undetermined are urged to provide the Customs Service with paperwork for verification and clearance as soon as possible."

Landmark Achievements In 2021

As part of efforts of the Service to prevent the entry of items that could compromise the Security of Nigerians, the economy and the well-being of people, the NCS in 2021 seized a total of 5,096 assorted items with a duty paid value of N13,796,646,685.60 and 160 suspects at different levels of investigation or prosecution.

Others include the installation of three brand new scanners in Apapa, Tin-Can Island and Onne Ports as well as the introduction of mobile tracker: A mobile application that enables individuals to remotely validate any declaration/payment and most importantly the status of any vehicle/cargo at any point. It can be installed in mobile devices.

In the year under review, the Nigerian Customs introduced Standard Operating Procedure for the use of scanners, acquired rugged gun trucks to secure anti-smuggling operatives in an increasingly hostile environment.

Also, the e-customs take-off process was ratified and now at the stage of final signing of agreement, all of which are expected to impact positively on trade facilitation, fight smuggling, block revenue leakages and significantly impact on revenue generation and national security.

Recruitment, Training At Last

After so many years, the NCS finally had commenced basic training for the recently enlisted and documented candidates.

The six months training programme meant to take place in the Customs training Colleges in Kano and Lagos, commenced on Monday 10th January 2022.

"Consequently, all documented candidates of Grade Levels 03, 04 and 06 were requested to arrive the training college, Goron Dutse, Kano, while those of Grade Levels 08 were to report at the training college, Ikeja, Lagos on Sunday 9th January 2022.

"Recruits were to note that any act of indiscipline at any stage of the training programme would attract severe penalties which may include outright dismissal/eviction from the college," the Service added in a statement.

Target for 2022

As part of its statutory obligations the Nigerian Customs have pledged commitment to enhance Nigerian trade facilitation and also protect the borders from smugglers.

The Customs boss was quoted as saying in his end of year message that the NCS remains totally committed to the course of protecting national security and the economy. "We call on Nigerians, especially the business community, to support the NCS as our borders open to African Continental Free Trade Agreement (AfCFTA) in order to benefit from the trade agreement and other cross border activities in the year 2022."

NDIC

Nigeria Deposit Insurance Corporation

Protecting your bank deposits

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

NIGERIA CUSTOMS SERVICE (NCS)

fmfinsights
Economy & Investment
Monday 17th January - Monday 31st January, 2022

POLICY BRIEF WITH
ENAM **OBIOSIO**

In Nigeria, Infrastructure Investment To The Rescue

It is no brainer that infrastructure plays a key role in adaptation and resilience to climate change, more so considering, for example, sea barriers, broad beaches, drainage, and a host of other manufactured or nature-based infrastructure that shield against coastal flooding.

Agricultural infrastructure, especially irrigation systems, and erosion and flood protection, increases crops' resilience to extreme weather conditions. Better roads ensure food and other goods get delivered to markets on time. Robust homes and farming structures protect people, livestock, and food storage. Boreholes and deep tube wells preserve access to clean drinking water.

Corroborating some experts in International Monetary Fund (IMF), it worth noting that a healthy population, with access to clinics and hospitals, is less prone to weather-borne illnesses and will recover faster from injuries. An educated population, with access to schools and community centres, increases its earning potential and is better equipped to deal with the consequences of climate change.

According to them, mobile networks ease access to social assistance payments, early warning systems for extreme weather events, and information on food prices and weather that informs farmers' decisions on when to plant, irrigate, or fertilise — enabling climate-smart agriculture.

Electricity plays an overarching role as it powers much of this infrastructure, including drainage and irrigation systems, homes, health and education buildings and equipment, and mobile devices. With economic development and a rapidly growing population, sub-Saharan Africa's energy demand could potentially multiply its greenhouse gas emissions from current low levels.

Substantial development partner financing and technology transfers will be needed to support investments in green industrial development and a gradual shift to renewable energy, such as solar, wind, and geothermal power.

Given our level of industrial and energy infrastructure, there is an opportunity to ensure new infrastructure is resilient and green. In the meantime, investments to support near-term viability of existing infrastructure will also be needed. For example,

hydropower currently generates one-fifth of sub-Saharan Africa's electricity, and its susceptibility to droughts can be reduced through dams and reservoirs.

Of course, to be truly effective, these infrastructure investments would benefit from technology transfers from more advanced economies and broader reforms to advance health care, education, social assistance, and especially access to finance for households and businesses — empowering them to build their own resilience to climate change.

Rapid scaling up of infrastructure investment carries large costs and risks. Above all, will spending on public investment translate into useful infrastructure? White elephant projects from around the world that are over budget and underused quickly come to mind. Avoiding these pitfalls calls for a multi-pronged approach to investment, centred around effective, transparent, and efficient planning and implementation.

To this end, there is need for Nigeria nay other developing countries to develop a climate strategy that factors in and addresses rising climate risks as well as the countries' commitments to our contributions, considering the Paris Agreement.

Our strategy should be linked with our growth strategy and should include the cost of necessary infrastructure investments across all sectors (e.g., agriculture, health, education, telecommunications, etc.).

Though it could be challenging task to prioritise proposed infrastructure investments, but we urge the government and all stakeholders to ensure that project appraisal and selection must incorporate climate-related analysis and criteria as well as the availability of financing.

Accordingly, this requires project planning and preparation to be coordinated across the public sector, because a single investment can involve multiple government ministries, departments and agencies as well as subnational governments. For example, a project on solar-powered irrigation in rural areas could potentially involve the ministries of agriculture, energy, environment, and social welfare.

Holistically, we can integrate the investments into medium-term budget frameworks in a way that supports transparency, predictability, and credibility. For instance, it is advisable that when Nigeria formulates its budget, the country should explicitly spell out the expected climate impact of each investment and how it aligns with the country's climate strategy.

The country may want to require analysis of the climate impact of any new investments, such as the effect on emissions reduction or preventing damage from climate shocks. "Once projects are completed, measuring the climate impact of an investment against expectations helps ensure accountability."

It is also advisable for Nigeria to identify and manage climate-related risks that affect infrastructure planning and implementation. For example, how might future changes in technology or government policy—such as lower cost renewable energy technology or carbon pricing—impact the asset value of the planned infrastructure investment? What implementation obstacles might arise from potential climate shocks?

In view of all this, high-level committees could definitely help identify the risks, ensure appropriate financing mechanisms are in place (e.g., financial buffers for climate-induced damage during construction), and remove obstacles to ensure projects get completed on schedule and within budget. Many of these risks and plans to manage them could usefully be included in a country's climate strategy.

Meanwhile, the IMF is helping countries incorporate all stages of this approach through capacity development, focused on the IMF's green public financial management framework (green PFM) and climate public investment management assessment module (C-PIMA). Initial assessments of several sub-Saharan African countries show that they have established climate strategies and climate-aware planning.

"The challenge lies in integrating these strategies into near- and medium-term fiscal planning. For example, more political support and better coordination across the public sector is needed for climate change to be considered when evaluating public investment projects and integrating climate projects into near- and medium-term budgets.

"Similarly, some countries' medium-term fiscal frameworks include climate-change risks in macro-fiscal projections but key climate-related risks to public infrastructure typically are not identified. Equally important to maximising the effectiveness of climate-related public investment is securing financing for it.

The expert's opinion is that infrastructure investments needed to boost resilience in sub-Saharan Africa and, over the long-term, curb emissions growth in the region will be expensive.

Recall that at COP26, the African Group of Negotiators indicated that, beginning in 2025, a minimum $100 billion per year would be needed over the next decade and a half, an estimate that does not include maintenance of this new infrastructure.

This is much more than sub-Saharan African countries can afford on their own, particularly amid their increasing debt levels in the wake of the pandemic. But it is within reach if bilateral and multilateral development partners step up concessional financial assistance.

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