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Recently, federal ministry of Finance, Budget and National Planning held a stakeholder forum to discuss Nigeria's medium-term spending. At the gathering, ***Mrs. Zainab Ahmed****, Honourable Minister of the ministry, announced Nigeria's fiscal plans for the coming year. Correspondent,* ***Musa Ibrahim****, writes.*

A few days ago, Mrs. Ahmed unveiled Nigeria's Medium-Term Expenditure and Fiscal Strategy Paper (MTEF-FSP) in Abuja.

Then she said that the federal government is projecting that subsidy should end in June 2023. Based on the federal government's earlier timeline, the sum of N3.36 trillion would be required to meet the financial obligations associated with subsidising the product.

Mrs. Ahmed explained that the Nigerian National Petroleum Company (NNPC) Limited, which officially transitioned into a fully commercial entity, would bear the cost of subsidy on petrol for the first six months of the year. She noted that the government was projecting fiscal outcomes in the medium term under two scenarios based on the underlying budget parameters/assumptions.

The Honourable Minister explained that under the first scenario, which she described as 'business as usual', the subsidy on premium motor spirit (PMS) estimated at N6.72 trillion for the full year 2023 would remain and be fully provided for.

According to her, the second scenario was that "petrol subsidy will remain up to mid-2023 based on the 18-month extension announced early 2021, in which case only N3.36 trillion will be provided for."

She stated that both scenarios have implications for net accretion to the Federation Account and projected deficit levels.

On the import of NNPC's transition to a limited

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L-R: The Honourable Minister of State, Budget & National Planning, **Prince Clem Agba,** The Honourable Minister of Finance, Budget and National Planning, **Mrs. Zainab Ahmed,** and Director-General, Budget Office of the Federation, **Mr. Ben Akabueze,** during Public Consultative Forum On 2023-2025 Medium-Term Fiscal Framework in Abuja recently.

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liability company, she explained that the company would no longer be contributing to the monthly Federation Account, but would take care of subsidy for the first six months of 2023.

She said: "The new arrangement has indicated that NNPC will not be contributing monthly to the Federation Account as they used to in the past. But NNPC will be paying royalties, dividends and taxes.

So, while the revenue might not be monthly, we will work on an arrangement on how this will be paid. And it is possible to work out an arrangement where the payments could be monthly or quarterly. "NNPC has been paying for subsidy, but they are doing it on behalf of the federation, on the cost of the federation, even though they are the ones that have been paying.

So, when they generate revenue, instead of remitting the revenue, they are using part of the revenue or all of them to fund the subsidy. That has been the arrangement and that is what will continue to be in place until we exit the first time scenario. "So, I was just saying that in a new arrangement regime, NNPC will not be contributing to Federation Account Allocation Committee (FAAC)) on a monthly basis, but NNPC will still be paying taxes, royalties and dividends.

"We will be engaging the NNPC on how we expect this to come. We can negotiate how these remittances will be done on a quarterly basis, for example. But let me also say that prior to the NNPC transiting, for about eight months, we have not been receiving any revenues." she said.

Mrs. Ahmed, however, expressed hope that the emergence of new refineries would fully lay to rest the issue of subsidy.

She explained: "The aggregate expenditure for 2022 is estimated at N17.32 trillion, with a pro rata spending target of N5.77 trillion at the end of April. The actual spending as of April 30th was N4.72 trillion. Of this amount, N1.94 trillion was for debt service, and N1.26 trillion was for personnel costs, including pensions. Also in the month, N773.63 billion had been spent on capital expenditure. Federal government's retained revenue was only N1.63 trillion, 49 percent of the target of N3.32 trillion."

She noted that the federal government's share of oil revenue was N285.38 billion, representing 39 percent performance while non-oil tax revenues totalled N632.56 billion — a performance of 84 percent.

Providing further details of the 2023-2025 MTEF-FSP, Mrs. Ahmed noted that the projections deviated from the projections in the National Development Plan (NDP) 2021-2025, adding that they have been updated based on a combination of current realities and a modified medium-term outlook. She said: "In the MTEF, real gross domestic product (GDP) growth is projected at 3.75 percent in 2023, from a revised projection of 3.55 percent for 2022. Growth is expected to moderate to 3.30 percent in 2024 before picking up to 3.46 percent in 2025.

"The inflation rate is projected to average 17.16 percent in 2023, up from the revised average of 16.11 percent for 2022.

"Upward pressure on prices is expected to be driven by the current and lag effect of the global price surge due to the Russia-Ukraine war, domestic insecurity, rising costs of imports, exchange rate depreciation, as well as other supply-side constraints."

Providing further insight into the MTEF-FSP, the Honourable Minister disclosed that the aggregate expenditure for 2023 was predicated on two scenarios of N17.99 trillion and N16.98 trillion.

The first scenario of N17.99 trillion projected for 2023, which is N669.82 billion or 3.9 percent higher than the 2022 budget of N17.32 trillion, inclusive of government owned enterprises (GOEs) is based on the non-provision for ministries, departments and agencies (MDAs') capital expenditure beyond multilateral/bilateral loan- funded and project-funded developments.

"In this scenario, given the severely constrained fiscal space, it is not feasible to make any provision for MDAs' capital expenditure in 2023 beyond multilateral/bilateral loan- funded and project-funded developments. The federal government's 2023 aggregate expenditure is estimated at N16.98 trillion, which is N337.05 billion (1.9 percent) lower than the 2022 budget," she said.

In the second scenario, Ahmed said: "The federal government's 2023 aggregate expenditure is estimated at N17.99 trillion, N699.82 billion (3.9 percent) higher (inclusive of GOEs) than 2022. The sums of N20.29 trillion and N22.73 trillion are projected to be spent by the federal government in 2024 and 2025 respectively."

Oil price benchmark for 2023 was predicated on $70, $66 and $62 per barrel in 2023, 2024 and 2025 respectively. Oil production is also based on 1.69 million, 1.83 million and 1.83 million barrels per day in 2023, 2024 and 2025 respectively. The projected exchange rate for 2023 was pegged at N435/$ as against N410.15 in 2022.

Of the projected revenue of N6.34 trillion in 2023, only N373.17 billion or 5.9 percent is coming from oil-related sources while the balance of N5.97 trillion is to be earned from non-oil sources.

In another development, the minister affirmed that the federal government will work with the Nigerian NNPC Ltd to navigate any impact of its transitioning on the fiscal position of the federal government.

Mrs. Ahmed stated this in a speech delivered at the official unveiling of the NNPC Ltd recently.

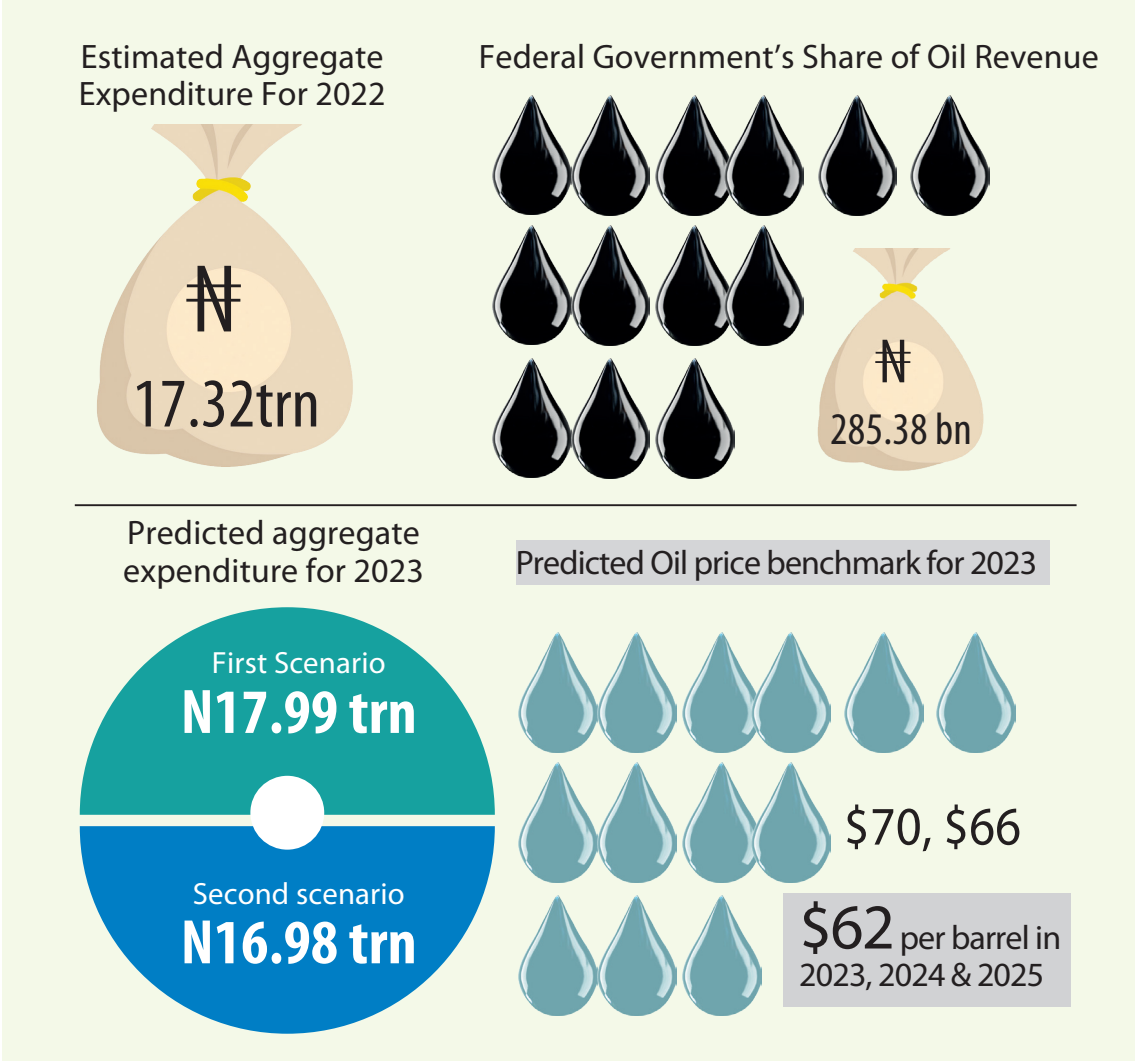
The unveiling which was done by President Muhammadu Buhari is part of the fulfillment of one of the cardinal objectives of the Petroleum industry Act (PIA) 2021.

The Corporate Affairs Commission (CAC) had on September 21 last year completed the incorporation of the NNPC Ltd. in accordance with the provisions of the Petroleum Industry Act 2021.

The PIA was signed into law by President Muhammadu Buhari on 16th August, 2021, following its passage by the National Assembly in July of the same year.

With the registration by the CAC, the NNPC Ltd was floated with an initial capital of N200bn making history as the company with the highest share capital in the country.

Speaking at the event, Mrs. Ahmed said that as stipulated in the PIA, under the new dispensation, NNPC Ltd is expected to become a commercially oriented and profit driven national firm, that would be one of the most attractive to



different industry players in the energy space.

She said that the finance ministry, as an investor in NNPC on behalf of the government of the federation, sees this development as an attractive one that would give comfort to local and international investors.

She also said that with the transitioning, there would be cross over implication to the flow of funds into the federation account, noting that this has made it compelling for the ministry to work with the NNPC to manage the possible fallout and make the transition as seamless as possible.

The Honourable Minister said: "There are important things we will be watching in the next few months of the transition. First is the transfer of assets as especially the implication of the toxic assets that will be left behind in the corporation and its implication on both the fiscal and the sovereign balance sheets.

"The second is the issue of inflow of revenue into the federation accounts. In my capacity as the chairperson of the monthly federation allocation committee, the cross-over has important implications to the flow of funds into federation accounts of the allocation committee, and the attendant cost that is being charged to the distributable pool of funds of the company.

"In this respect, we will work closely with the management of NNPC to navigate all important situations. Relatedly, the Federal Ministry of Finance, Budget and National Planning will work closely with the steering committee on the implementation of the PIA, especially the work stream of the federation assets to ensure that we manage possible fallout and make the transition as seamless as it could be.

"Lastly, we will work with the steering committee to determine and calculate the risks arising from the transition and management of same to minimise the risk overall on the fiscal situation of the federal government and other federating entities."

As a limited liability company with pursuits of returns on investment to its shareholders, Mrs. Ahmed said that it goes without saying that NNPC Ltd is expected to go all out to acquire more oil and gas assets with a view to attaining the status of one of the biggest world class oil firms while employing world class best practices in the petroleum industry sector in the course of its operations.

With this giant stride, she said that there is no doubt that the administration of President Muhammadu Buhari through the PIA and emergence of NNPC Ltd has achieved a remarkable feat in the face of daunting economic challenges.

Mrs. Ahmed also said that the President Buhari's administration could not allow the NNPC to continue living in the shadow of its past, while being unable to meet present expectations of funding the operation of the federation accounts from oil production.

By this transitioning, she expressed optimism that the government aims at opening the space for private players to venture into the oil and gas industry and make NNPC Ltd a global company of choice.

She said: "Even with the fast-evolving nature of the gas sector, we expect that the new management and board of this important investment will stir the new firm to take maximum advantage of the energy transition through... our natural resource endowment. Using our gas resources to address our energy poverty, and more importantly, to move to a clean and energy efficient future, this will justify the new slogans of NNPC 'energy for today and energy for tomorrow.'

"Therefore, we are hopeful that in the months and years to come, the new NNPC will transform its ways of doing business in order to be the global player it is destined to be in this all-important energy space. And most importantly, NNPC will provide the expected returns on investment for its shareholders amidst the expectations of shareholders in the energy space." she added.

Responding to questions on subsidy, the Minister of State, Budget and National Planning, Mr. Clem Agba, noted that the federal government subsidies PMS to the tune of between N600 and N700 per litre, adding that this should not be allowed to continue.

Agba said that if the trend was allowed to continue full stream till the end of next year, nothing would be left for capital expenditure. He said: "There is still a huge subsidy because the cost of production of PMS is in the neighborhood of about N600 or N700 per litre.

Right now, Nigeria is the only country in the world that is selling at about N165 or N200. "If you call your friends or brothers in the States or in Europe or in other African countries, you will know that PMS is currently being sold at a range of between N800 and N1000 per litre.

"I think that the time to remove the subsidy was yesterday. We are only eating away our future and that is what some people call a consumption economy. "Finally, it is difficult to understand a situation where citizens say that they want an omelette and then when the government wants to break eggs so that they can produce, they say do not break the eggs. So, it is a decision that Nigerians will have to take because if you look at scenario one, it means that we will not have any capital expenditure in 2023. Simple. There will be no capital expenditure at all, and taking care of recurrent expenditure will be a huge challenge.

Nigeria To Maintain 3.4% GDP, Amidst Rising Inflation, Says IMF

Despite rising inflation, Naira depreciation in Nigeria, the International Monetary Fund (IMF) has maintained a 3.4 percent Gross Domestic Product (GDP) growth rate for the country.

The IMF said in its World Economic Outlook released on Tuesday that Nigeria's economy will maintain same growth trajectory of 3.4 percent in 2022, held previously during last review in April.

IMF had in January 2022 predicted a growth rate of 2.7 percent for Nigeria in 2022, but the multilateral lender reviewed the 2023 growth rate downwards to 3.2 per cent.

IMF said that global recovery looks "gloomy and more uncertain", hence the baseline forecast is a slow growth from 6.1 percent in 2021 to 3.2 percent in 2022.

This reflects a 0.4 percentage point lower in the April 2022 World Economic Outlook.

The IMF admitted that several shocks including inflation have hit a world economy which was weakened already by the pandemic.

The global institution said that it is "triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID- 19 outbreaks and lockdowns; and further negative spillovers from the war in Ukraine."

Only recently, the Central Bank of Nigeria (CBN) raised interest rates from 13 percent to 14 percent, while retaining other parameters.

The CBN Governor, Godwin Emefiele, said at the end of the last Monetary Committee Meeting that available data on key macroeconomic variables indicate the likelihood of a subdued output

growth for the Nigerian economy in 2022.

The IMF revealed, "Baseline growth in the United States is revised down by 1.4 percentage points and 1.3 percentage points in 2022 and 2023, respectively, reflecting weaker-than-expected growth in the first two quarters of 2022.

"Growth in the Euro area is also revised down: by 0.2 percentage point in 2022, when improved prospects for tourism and industrial activity in Italy are more than offset by significant downgrades in France, Germany, and Spain; and by 1.1 percentage point in 2023.

IMF said this would reflect the spillovers from the war in Ukraine as well as the assumption of tighter financial conditions.

"The outlooks for countries in the Middle East and Central Asia and sub-Saharan Africa remain on average unchanged or positive, reflecting the effects of elevated fossil fuel and metal prices for some commodity-exporting countries," IMF said.

FAAC Shares N802.407 bn June 2022 Revenue To FG, States And LGCs

The Federation Account Allocation Committee (FAAC) has shared a total sum of N802.407billion June 2022 federation account revenue to the Federal Government, States and Local Government Councils.

This was contained in a communiqué issued at the end of the FAAC meeting for July 2022, held in Abuja.

The N802.407 billion total distributable revenue comprised distributable statutory revenue of N608.580 billion and distributable Value Added Tax (VAT) revenue of N193.827 billion.

In June 2022, the total deduction for cost of collection was N44.606 billion and deductions for transfers, savings, refunds and 13 percent derivation to Anambra State was a total sum of N373.200 billion.

The balance in the Excess Crude Account (ECA) was $376,655.09.

The communiqué confirmed that from the total distributable revenue of N802.407 billion; the federal government received N321.859 billion, the state governments received N245.418 billion and the Local Government Councils received N182.330 billion. The sum of N52.799 billion was shared to the relevant states as 13 percent derivation revenue.

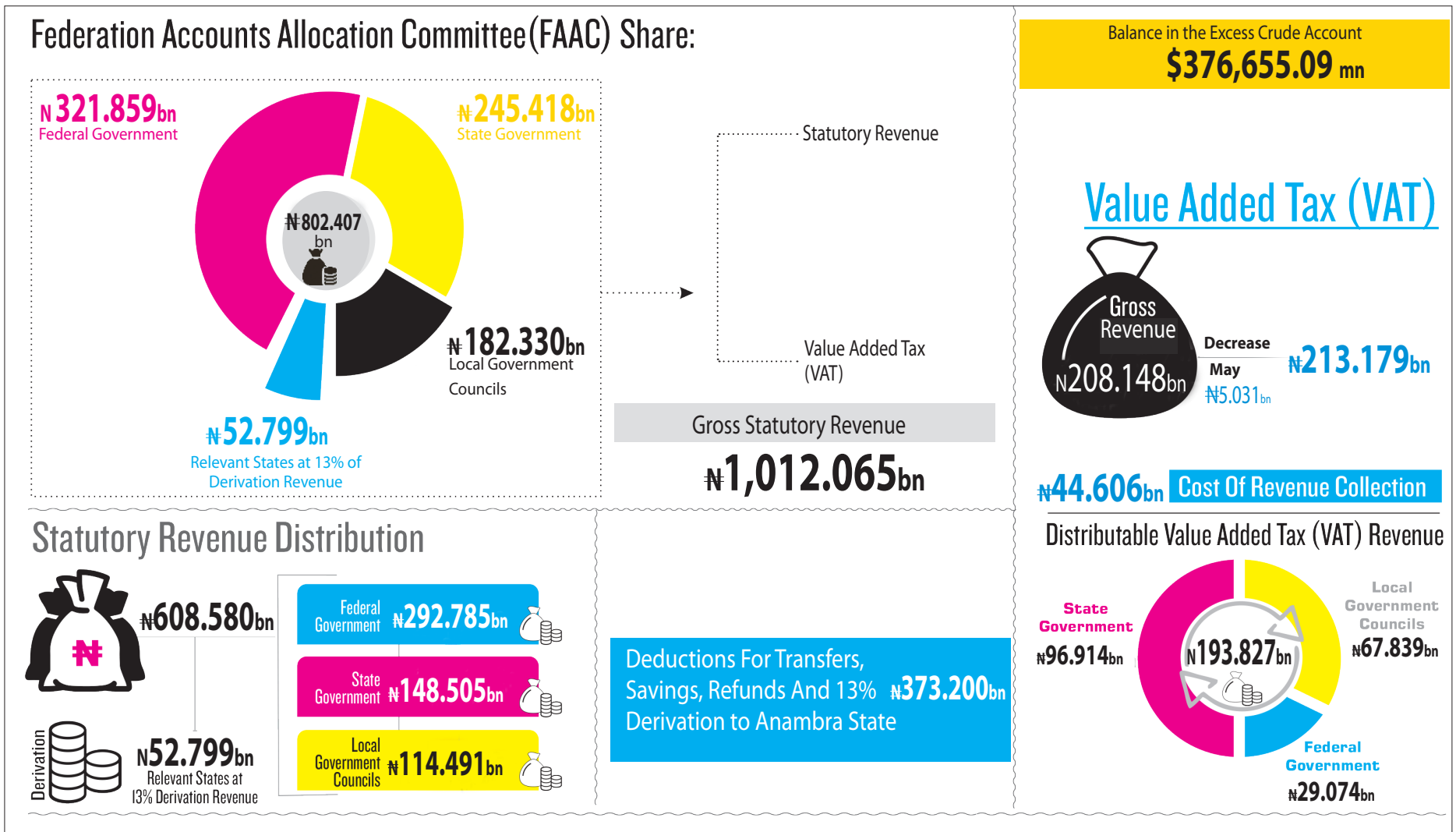
Gross statutory revenue of N1,012.065 billion was received for the month of June 2022. This was higher than the sum of N589.952 billion received in the previous month by N422.113 billion.

From the N608.580 billion distributable statutory revenue, the federal government received N292.785 billion, the state governments received N148.505 billion and the Local Government Councils received N114.491 billion. The sum of N52.799 billion was shared to the relevant states as 13 percent derivation revenue.

In the month of June 2022, the gross revenue available from the VAT was N208.148 billion. This was lower than the N213.179 billion available in the month of May 2022 by N5.031 billion.

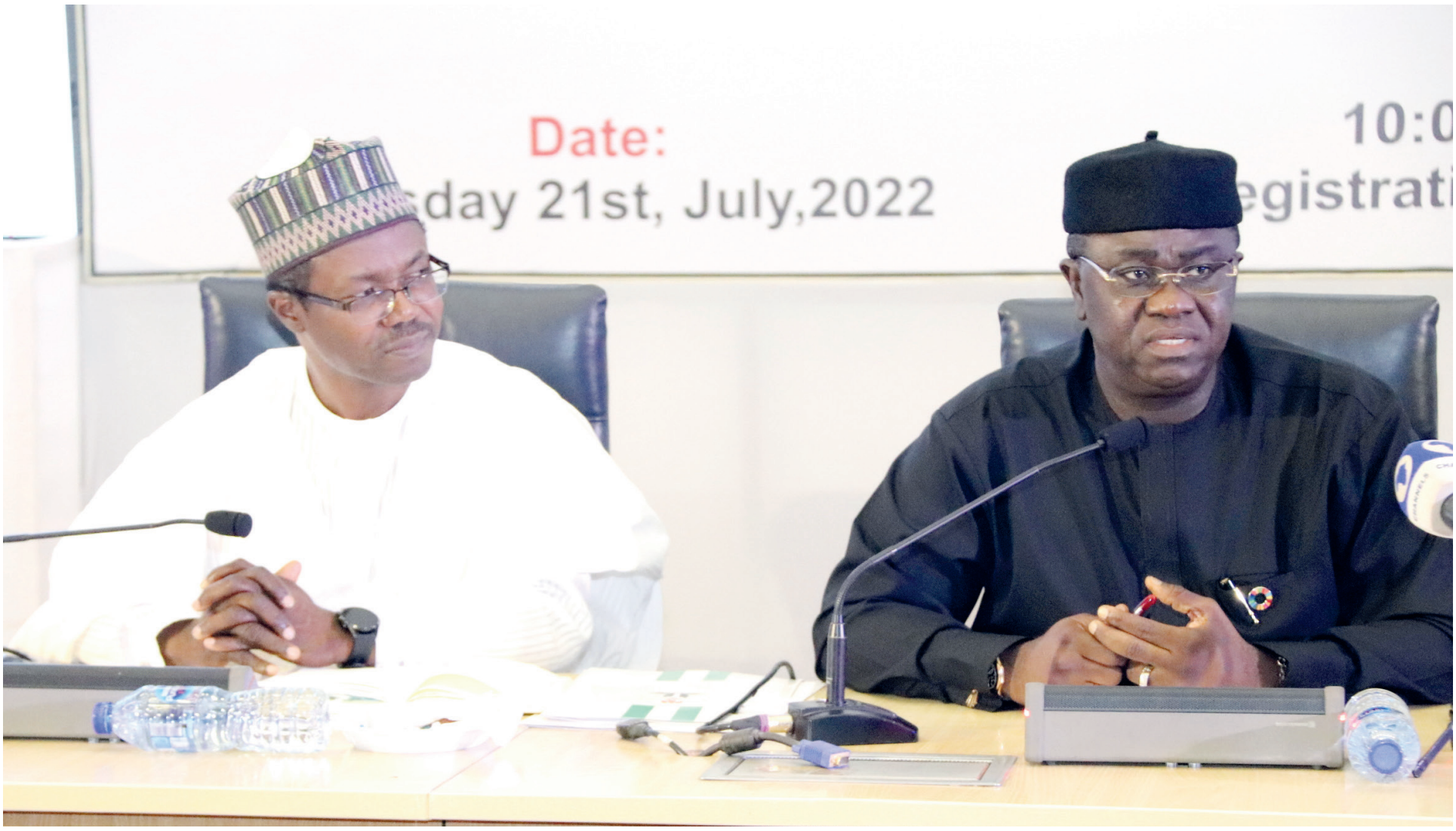
From the N193.827 billion distributable VAT revenue, the federal government received N29.074 billion, the state governments received N96.914 billion and the Local Government Councils received N67.839 billion.

According to the communiqué, in the month of June 2022, Companies Income Tax (CIT) and Petroleum Profit Tax (PPT) recorded tremendous increases, while import duty, oil and gas royalties increased marginally. Excise duties decreased significantly while VAT decreased marginally.



NEWS IN PICTURES

L-R: **Mr. Ben Akabueze,** Director-General, Budget Office of the Federation, **Ms Patience Oniha,** Director-General, Debt Management Office, during Public Consultative Forum On 2023-2025 Medium-Term Fiscal Framework in Abuja recently.



L-R: **Aliyu Ahmed,** Permanent Secretary Finance, Federal Ministry of Finance, Budget and National Planning, **Prince Clem Agba,** Honourable Minister of State, Budget & National Planning, during Public Consultative Forum On 2023-2025 Medium-Term Fiscal Framework in Abuja recently.

The New NNPC: Both Sides Of A Coin

By Felix Omoh-Asun

Last week, President Muhammadu Buhari unveiled a new Nigerian National Petroleum Company (NNPC), which is now a limited company.

Expectations are high that the new NNPC will offer Nigerians something to smile about as it is hoped that with the last phase of the privatisation, oil resources would be channelled to the benefits of Nigerians.

More so now that the sector would be opened to more players who are expected to fine-tune the industry to maximising the resources therein.

Recall that on August 16, last year, the President signed the Petroleum Industry Bill (PIB) 2021 into law, providing a legal, governance, regulatory and fiscal framework for the petroleum industry, development of host communities and related matters.

For decades, the Nigerian legislature seemingly played with the law. Under President Buhari, the law was passed. It provided a new governance framework in the oil and gas sector.

The law removes the subsidy in the downstream sector, especially with regard to petrol. It decrees a transformation of the NNPC into a profit making, independent, commercial venture. Before now, the NNPC has been run as a cash cow for the Nigerian government, as a dependent public sector agency. It manages the oil and gas resources of the country, makes money, transmits same to the national treasury. Every month, state governments carry bowls in hands, rush to Abuja and at what is called the Federation Accounts Allocation Committee (FAAC) meeting, collect their own share of the national cake. NNPC got to a point it started protesting that there was very little to share or add again.

For months, the NNPC, using the excuse of under-recovery and subsidy, has not been able to contribute as much as it should to the national purse. This is one reason why its reform is imperative.

The new NNPC is expected to do things differently to attract investment, promote innovation, eliminate corruption and inefficiency, and ensure clarity.

It must measure up like Saudi Arabia's Aramco, and Brazil's Petrobras. Its business model must work for the country's benefit. The new NNPC must represent a transition in real terms into a new style and philosophy.

However, stakeholders have continued to peruse both sides of the coin. Some are of the opinion that it is the best thing to happen to the Nigerian oil industry while others believe that a mere change of name may not usher in the deserved effects.

Meanwhile, President Buhari, basking in the euphoria of the unveiling, said that the role of the company is mandated by law to ensure that Nigeria's national energy security is guaranteed.

He expressed optimism that NNPC Limited will sustainably deliver value to its over 200 million shareholders and the global energy community; operate without relying on government funding and be free from institutional regulations such as the Treasury Single Account (TSA).

"Our country places a high premium in creating the right atmosphere that supports investment and growth to boost our economy and continue to play an important role in sustaining global energy requirements.

"We are transforming our petroleum industry to strengthen its capacity and market relevance for the present and future global energy priorities," he said.

According to the President, NNPC would conduct itself under the best international business practice in transparency, governance and commercial viability.

In the same vein, Minister of State for Petroleum Resources, Mr. Timipre Sylva, said that the signing of the Petroleum Industry Act (PIA) provided international and local oil firms adequate protection for their investments, adding that the nation's petroleum industry is no longer rudderless.

"From the outset of this administration, Mr. President never concealed his desire to create a more conducive environment for the growth of the oil and gas sector, and addressing legitimate grievances of communities most impacted by extractive industries.

"We are setting all these woes behind us, and a clear path for the survival and growth of our petroleum industry is now before us," he said.

The Group Chief Executive Officer of NNPC Limited, Mr. Mele Kyari, announced that the company had adopted a strategic initiative to achieve the mandate of energy security for the country by rolling out a comprehensive expansion plan to grow its fuel retail presence from 547 to over 1,500 outlets within the next six months.

He assured stakeholders and the global energy community that the new company was endowed with the "best human resources one can find anywhere in the industry.

"NNPC Limited is positioned to lead Africa's gradual transition to new energy by deepening natural gas production to create low carbon activities and positively change the story of energy poverty at home and around the world," he said.

Former President at Nigerian-American Chamber of Commerce (NACC) and business mogul, who heads Tricontinental Group, Olabintan Famutimi, however, insisted that there is nothing to show that the country is ready to get a national oil company that would abide by global best practices.

According to him, the current transition by NNPC is merely a change of nomenclature. He noted that while most of the profiting national oil firms are run without interference, political overbearing would play out at NNPC.

"Government will still be the one to dictate a lot of things. They are the ones that would not make the refineries work. They will still dictate who gets a licence and gets access to foreign exchange. I do not see what has changed.

"Aramco has privatised its operation and is the most valuable corporation in the world. They have the most digitalised operation in the world. But we are retrogressing at a time when we should be making money. We are still subsidising oil. The system is designed to allow a few make an unimaginable amount of money from the industry and not allow commercial sense to take over," Olabintan said.

Energy lawyer, Madaki Ameh, said: "I am not optimistic about the unveiling of NNPC as a limited liability company under CAMA 2020 because it is akin to putting new wine in old wineskins."

Madaki said that while the staff remain the same as well as their operational modus, the company, as a consistent loss-making organisation, may not change. I do not see how the change will catapult NNPC Ltd into a profitable business. It is early days yet, but the optimism has to be a cautious one, so that Nigerians will not be disappointed, again," he noted.

Finance analyst, Kalu Aja, noted that with NNPC still making premium motor spirit (PMS) subsidy payments, the prevailing transition "is more of audio literally."

Former Director-General (DG) of the Lagos Chamber of Commerce and Industry (LCCI), Dr. Muda Yusuf, insisted that for the new NNPC to become like Aramco in the coming years, political will and a total operational shift would be needed. According to him, the redundant staff and entities must give way while the company must make efforts to be listed internationally, including offering shares to Nigerians.

Yusuf said: "I am expecting a very profitable company. We also want to see the most valuable company. I am also hoping for it to be listed in the international stock exchanges around the world.

"But what is important in all of this is that the business model must be right. We need a business model that moves beyond political interference, interference from bureaucracy and a model that will dilute ownership and ensure that the management of the company is in the hands of professionals."

Former President of the Nigerian Association of Petroleum Explorationists (NAPE), Abiodun Adesanya, said that dealing with issues around subsidy, refineries, liabilities and frontier exploration have critical roles to play on the company's cash flow and profitability.

According to him, the management of the company and the level of autonomy enjoyed by the company will mar or make projected expectations. "We need to now decide whether to sell the refineries. Any entity that is a drain to the system now must be cut off. That will have a significant impact on their balance sheet. They have some debt, litigation and staff issues. They have to let go some staff that are not productive anymore.

"We are aware that there are liabilities and the liabilities are quite significant. They are still subsidising petrol and the lawful frontier issues must be addressed," he noted, adding that the frontier exploration and cost already captured in PIA must be looked at.

Executive Director, Civil Society Legislative Advocacy Centre (CISLAC), Auwal Rafsanjani, noted that transparency and accountability issues would impact the new company, insisting that NNPC is still not transparent.

Rafsanjani noted that months after the PIA implementation, a fuel hike was brought back into the system, adding that steps made towards the implementation of the PIA have been dismal.

Rafsanjani said that there was a need for a political will for consistent implementation of the provisions of the law and continuous engagement and consultations with all stakeholders for their unflinching support necessary for the success of the law.

Executive Secretary, Nigeria Extractive Industries Transparency Initiative (NEITI), Dr. Orji Ogbonnaya Orji, while applauding the transitioning of NNPC, said: "Nigeria needs a business-oriented NNPC to deliver the country's energy needs, energy transition, energy security, diversification of its economy and the building of a sustainable energy future for the country."

He explained that the immediate challenge that the new NNPC faces is freeing Nigeria from fuel importation.

He commended the new team at NNPC and President Buhari's administration for the political will to get this reform done, expressing confidence that the company would live up to its obligations as a supporting firm of the global NEITI.

He also reiterated his call on the federal government to replicate the same feat for the solid minerals sector.

Among other advantages of the new set up is the inability of some government officials to manipulate and control staffing of the NNPC.

The control of the Minister of Petroleum will be limited. As a commercial entity, the NNPC is beholden to its shareholders. Competence, quality will determine recruitment. The old practice of anyone in government sending notes for NNPC allocation or positions would be untenable under the new arrangement. Nobody can send in a note anyhow.

The influence of rent collectors would be watered down, if not completely eliminated. It also means that the country can no longer depend mainly on NNPC for Federation Accounts returns.

The federal government would be entitled strictly to returns on its shares.

THE TEAM

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08058334933

Marketing
Elizabeth Akamai

Subscriptions
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Graphics/Production
Gabriel Olatunde Emmanuel

D2-32 Atiku
Abubakar Crescent,
Cityview Estate,
Dakwo, Abuja

EDITORIAL

Prioritise Critical Sector Now That Agriculture Imports Exceed Exports

Despite the steady growth in the value of Nigeria's agriculture exports over the last three years (2016 to 2018), the country's agriculture exports to total exports have remained low.

Between 2016 and 2018, the country's total agriculture exports were driven by export of sesame seeds, fermented cocoa beans, cashew nuts, ginger, crude palm kernel oil, soya beans, frozen shrimps and prawns, among other commodities. Cumulatively, the country earned N0.53 trillion from agriculture export between 2016 and 2018. In contrast, Nigeria's total agriculture import

bill over the same period stood at N2.39 trillion. As a result, agriculture trade deficit stood at N1.86 trillion. Thus, the country is a net food importer.

Recently, information has it that Nigerian agricultural exports have yet again experienced decreases in revenue because of price instability at the international market. Compared to manufactured products imported from advanced countries around the world, the agricultural products are made less competitive, resulting in trade deficits.

This has had a major impact on the share of agricultural products in Nigeria's economic growth.

As argued, agricultural exports have undoubtedly played a crucial role in boosting Nigerian economy growth as well as other sub-Saharan countries, contributing to foreign-exchange earnings in Nigeria and the SSA countries used to promote other capital projects.

The value of agricultural goods imported into the country exceeded exports by N443.35billion in the first quarter of 2022 amid rising security challenges that have continued to affect the fortunes of the sector.

Data obtained from the National Bureau of Statistics (NBS) reveal that the value of total trade in agricultural goods in Q1, 2022 stands at N644.94billion of which exports are valued at N201.59billion in Q1, 2022."

Further figures obtained from the NBS show that exports of agricultural goods increased by 51.89 percent and 58.35 percent when compared to the value recorded in Q4, 2021 (N132.71billion) and Q1, 2021 (N127.31billion) respectively.

Experts blame insecurity as Nigeria's agriculture imports exceed exports by N503billion

During the quarter, agricultural products exported to Asia were valued at N101.99billion, followed by Europe with N27.49billion.

The export of agricultural products was dominated by superior quality cocoa beans valued at N72.59billion, followed by sesamum seeds, whether or not broken with N56.45billion and standard quality cocoa beans with N13.21billion.

By direction of trade, superior quality raw cocoa beans worth N27.16billion and N16.11billion was exported to The Netherlands and Belgium respectively.

Sesamum seeds worth N24.34billion and N11.11billion were exported to China and Japan respectively, followed by exports of standard quality cocoa beans worth N6.70 and N2.74billion were exported to Germany and Malaysia respectively.

Total imports of agricultural goods imported in Q1, 2022 stood at N443.36billion or 7.51 percent of total imports in Q1, 2022.

This shows a decrease of 33.55 percent when compared to the value recorded in Q4, 2021 (N667.16billion) and rose by 8.39 percent compared to the value recorded in Q1, 2021(N409.03billion).

Consequently, oil revenue continues to account for more than 80 percent of total value of annual exports. However, the agriculture industry contributed approximately 25 percent to total gross domestic product (GDP) in 2018 while the oil sector's share of total economic output was 8.6 percent over the same period.

In 2016, total agriculture exports stood at N60.7 billion or 0.7 percent of total exports for the period. In 2017, total agricultural exports grew by 180.7 percent over the previous year to close at N170.4 billion and it accounted for 1.3 percent of total exports. By 2018, agriculture exports increased by 77 percent over 2017 to close at N302.3 billion, and accounted for 1.6 percent of total exports.

The country's total exports have been driven by crude oil exports. In 2018, crude oil exports accounted for 82.3 percent of total export revenues while agriculture exports accounted for just 1.6 percent.

Also, the banking industry had decried the effect on insecurity on several interventions introduced for the agricultural sector.

With the federal government's intent on diversifying the economy away from oil, there has to be steady interest in the agricultural sector as a critical sector to lead the charge. Since the agriculture sector is the largest contributor to Nigeria's GDP, unlocking the potential of agricultural exports is key.

Under-40 Workers Lead In Contributory Pensions, Stand At 86%

By Ahmed Ahmed

The National Pension Commission (PenCom) has disclosed that workers below 40 years under the Contributory Pension Scheme (CPS) rose from 73 percent at the end of 2021 to 86.4 percent by end of the first quarter of 2022.

In its quarterly report on 'Age and Gender Distribution' report for Q1, 2022, the commission said that the figure showed that the CPS had an increasing sustainability level.

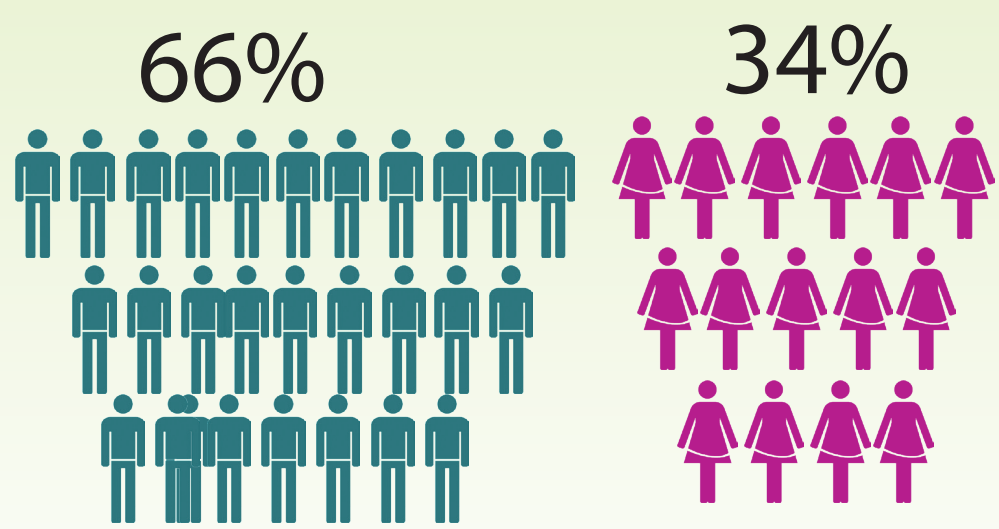
The report also showed that male contributors dominated the Retirement Savings Account (RSA) holders' list.

It states: "Analysis of new registrations on the CPS for the quarter ended 31 March 2022 showed that 86.4 percent were below the age of 40 years.

"This points to the increasing sustainability of the CPS, as the younger generation are actively being enlisted into the scheme.

"Regarding gender distribution, 66 percent of those registered during the quarter were male, while 34 percent were female."

Gender Distribution for the Contributory Pension Scheme (CPS)



Age Distribution for the Contributory Pension Scheme (CPS)

<30 years	3.5 mn	30-39 years	3.35 mn
40-49 years	1.79 mn	50-59 years	709,748
60-65 years	27,632		

According to PenCom, 9,621,979 workers had RSAs during the period under review.

According to PenCom, 9,621,979 workers had RSAs during the period under review.

The figures showed that 3.5 million workers were less than 30 years; 3.35 million were between 30 and 39 years; 1.79 million were between 40 and 49 years; 709,748 were between 50 and 59 years; 65,136 were between 60 and 65 years, while 27,632 were above 65 years.

Director, Centre for Pension Rights Advocacy, Mr. Ivor Takor, said organisations planned for its employees' old age by putting pension schemes in place for them.

"Pension is a retirement plan that provides monthly income in retirement," he said.

The Pension Reform Act, he said, introduced measures aimed at developing a system that was sustainable and had the capacity to achieve the ultimate goal of providing a stable, predictable and adequate source of retirement income for each worker in the country.

On safety of the pension funds, the Pension Funds Operators Association of Nigeria said that the CPS, which Nigeria currently practices, had inbuilt checks and balances embedded into the system.

It stated: "The model is such that the Pension Fund Administrators who administer and make investment decisions do not have custody of the funds. The custody of all the pension funds is with separate and independent entities – the Pension Fund Custodians.

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.

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

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.

OUR CORE MANDATES

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

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

Draft 2023 - 2025

Medium Term Expenditure Framework & Fiscal Strategy Paper [MTEF&FSP]

INTRODUCTION & BACKGROUND

- The draft 2023 – 2025 MTEF&FSP has been prepared against the backdrop of continuing global and domestic challenges in the aftermath of the COVID-19.
- Factors impacting the medium term fiscal outlook include:
  - The Russia and Ukraine war which has assumed a new and worrisome dimension with severe implications on food and energy prices;
  - The resurgence of COVID -19 in some major economies, which has led to slowdown in economic activities in those countries;
  - Renewed elevated inflation in most economies, prompting monetary tightening in these economies with the inherent negative impact on capital inflow to emerging markets economies;
  - Challenging domestic macroeconomic and business environment; and
  - Negative impact of insecurity on the domestic economy.
- The Nigerian economy sustained its recovery from recession for the fifth consecutive quarter, growing by 3.11% in real terms in Q1 2022.
  - Most sectors recorded positive growth.
  - The broad-based growth reflects the effective implementation of our economic sustainability measures.
- Like many other economies, our economy faces lingering Covid-19 pandemic effects, as well as higher global food and fuel prices due to the Russia-Ukraine war.
- The International Monetary Fund (IMF) projects global growth to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023.
- Nigeria continues to be exposed to risk aversion in the global capital markets, which will put further pressure on the foreign exchange market as foreign portfolio investors are yet to return to the Nigerian Market.
- The CBN expects the renewed pressure in the foreign exchange market and the accompanied naira depreciation to subside from the third quarter of 2023.

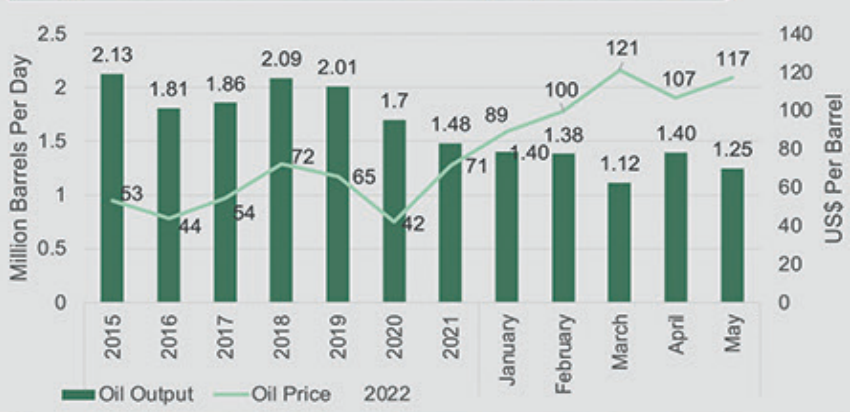
PERFORMANCE OF 2022 BUDGET PARAMETERS

Parameter	2021 Actual	2022 Amended Budget	2022 Revised Forecast (as at July 2022)	2022 Actual
Oil Production (mbpd)	1.48	1.60	1.60+	1.32+
Oil Price (US$ per barrel)	71.28	73.00	73.00	103.60*
Exchange Rate (N per US$)	383.00	410.15	410.15	415.19^
Inflation	16.98	13.00	16.11	17.71++
GDP Growth (%)	3.40	4.20	3.55	3.11**

Source: NNPC, OPEC, CBN, NBS

+ Average production as at April 2022, exclusive of volumes for repayment of arrears.
* OPEC average price of Bonny Light crude as at April 2022;
^ CBN April 29 2022 exchange rate.
++ NBS Inflation rate as at May 2022;
** NBS Q1 2022 real GDP growth.

Nigeria: Crude Oil Price and Output, 2015-2022



- Actual average crude oil price is higher than the budget benchmark price of $73 per barrel.
- However, higher oil price is offset by lower oil output, which as of April 2022 stood at an average of 1.32 mbpd.
  - NNPC attributes the fall in Oil production to the high incidence crude oil theft and pipeline vandalism.
- Exchange rate, inflation and GDP growth varied adversely from the targets.
- Growth is however expected to accelerate given efforts to contain structural issues impacting adversely on the cost of doing business.

FG Revenue Performance (Jan-Apr)

S/N		2022 Amended Budget	Pro Rata (Jan-Apr)	Actual (Jan-Apr)	Variance	
		Billions of Naira			Billions of Naira	%
	AGGREGATE FEDERAL GOVERNMENT REVENUE	9,969.17	3,323.06	1,630.60	(1,692.46)	-50.9%
	FEDERAL RETAINED REVENUES (excl. GOEs)	8,240.78	2,746.93	1,493.09	(1,253.84)	-45.6%
A						
1	Oil Revenue	2,190.37	730.12	285.38	(444.75)	-60.9%
2	Share of Dividend (NLNG)	195.72	65.24	46.85	(18.39)	-28.2%
3	Minerals & Mining Revenue	2.92	0.97	1.18	0.20	21.0%
4	Non-Oil Revenue:	2,258.39	752.80	632.56	(120.24)	-16.0%
i	CIT	909.30	303.10	298.83	(4.27)	-1.4%
ii	VAT	316.69	105.56	102.97	(2.59)	-2.5%
iii	Customs Revenues	834.12	278.04	210.02	(68.02)	-24.5%
iv	Federation Account Levies	71.97	23.99	15.24	(8.75)	-36.5%
v	Share of Electronic Money Transfer Levy	29.37	9.79	5.50		
vi	Share of Oil Price Royalty	96.94	32.31			
B		5,321.77	1,773.92	664.64	(1,109.29)	-62.5%
1	FGN Independent Revenue	2,616.22	872.07	394.09	(477.98)	-54.8%
2	FGN Drawdowns from Special Accounts/Levies	300.00	100.00	40.14	(59.86)	-59.9%
3	Signature Bonus / Renewals / Early Renewals	280.86	93.62	70.21	(23.40)	-25.0%
4	Domestic Recoveries + Assets + Fines*	26.93	8.98	7.15	(1.83)	-20.4%
5	Grants and Donor Funding	63.38	21.13		(21.13)	-100.0%
6	Education Tax (TETFUND)	306.00	102.00	15.54	(86.46)	-84.8%
7	GOEs Retained Revenue	1,728.39	576.13	137.51	(438.62)	-76.1%

- As of April 2022, FGN's retained revenue was only N1.63 trillion, 49% of the prorata target of N3.32 trillion.
- The FGN share of oil revenues was N285.38 billion (representing 39% performance), while non-oil tax revenues totalled N632.56 billion – a performance of 84%.
- CIT and VAT collections were N298.83 billion and N102.97 billion, representing 99% and 98% of their respective targets.
- Customs collections (made up of import duties, excise and fees, as well as federation account special levies) trailed target by N76.77 billion (34.08%).
- Other revenues amounted to N664.64 billion, of which Independent revenue was N394.09bn.

FG Expediture Performance

S/N	Fiscal Items	2022 Amended Budget	Pro Rata (Jan-Apr)	Actual (Jan-Apr)	Variance	
		Billions of Naira			Billions of Naira	%
	AGGREGATE FGN EXPENDITURE	17,319.39	5,773.13	4,717.74	1,055.4	-18.3%
	FGN EXPENDITURE (excl. GOEs and Project-tied Loans)	14,447.76	4,815.92	4,556.54	259.38	-5.4%
A	Statutory Transfers	803.60	267.87	289.89	(22.02)	8.2%
B	Recurrent Expenditure	11,048.39	3,682.80	3,654.22	28.57	-0.8%
1	Non-Debt Recurrent Expenditure	7,092.30	2,364.10	1,715.48	648.62	-27.4%
	Non-Debt Recurrent Expenditure (excl. GOEs)	6,023.57	2,007.86	1,581.76	426.10	-21.2%
i	Personnel Costs (MDAs)	3,655.77	1,218.59	1,133.94	84.65	-6.9%
ii	Personnel Costs (GOEs)	617.72	205.91	99.59	106.32	-51.6%
iii	Pensions & Gratuities including Service wide pension	577.86	192.62	129.09	63.53	-33.0%
iv	Overheads (MDAs)	371.73	123.91	163.58	(39.67)	32.0%
v	Overheads (GOEs)	451.00	150.33	34.13	116.20	-77.3%
vi	Other Service Wide Votes	987.92	329.31	132.71	196.59	-59.7%
vii	Presidential Amnesty	65.00	21.67	21.67	(0.00)	0.0%
iv	TETFUND - Recurrent	15.30	5.10	0.78		
v	Special Intervention Programme	350.00	116.67		116.67	-100.0%
2	Debt Service	3,956.09	1,318.70	1,938.74	(620.05)	47.0%
i	Domestic Debt	2,562.15	854.05	1,198.57	(344.52)	40.3%
ii	Foreign Debt	1,123.23	374.41	334.24	40.17	-10.7%
iii	Sinking Fund	270.71	90.24		90.24	-100.0%
iv	Interest on Ways & Means		-	405.93	(405.93)	
C	Aggregate Capital Expenditure	5,467.40	1,822.47	773.63	1,048.83	-57.6%
	Capital Expenditure (MDAs + Others)	3,664.50	1,221.50	746.15	475.35	-38.9%
	GOEs Capital Expenditure	647.08	215.69	27.49	188.21	-87.3%
	Multi-lateral/Bilateral Project-tied loans	1,155.82	385.27		385.27	-100.0%

- The aggregate expenditure for 2022 is estimated at N17.32 trillion, with a prorata spending target of N5.77 at end of April.
- The actual spending as of April 31st was N4.72 trillion. Of this amount,
  - N1.94 trillion was for debt service, and
  - N1.26 trillion for Personnel cost, including Pensions.
  - As at April, N773.63 billion has been spent on capital expenditure.

2023 – 2025 KEY Assumptions and Macroeconomic framework

Description	2021 Revised Forecast	2021 Actual	2022 Amended Budget	2022 Revised Forecast (as at July 2022)	2023	2024	2025
Oil Price Benchmark (US$/b)	40.0	71.3	73.0	73.0	70.0	66.0	62.0
Oil Production (mbpd)	1.86	1.48	1.60	1.60	1.69	1.83	1.83
Exchange Rate (N/$)	410.0	383.0	410.15	410.15	435.57	435.92	437.57
Inflation (%)	15.00	16.98	13.00	16.11	** 17.16	16.21	17.21
Non-Oil GDP (N'bn)	154,102.1	166,439.5	169,697.4	188,278.1	214,049.5	239,691.9	268,553.1
Oil GDP (N'bn)	14,500.5	9,636.0	14,684.6	10,652.0	11,457.8	12,316.0	13,225.7
Nominal GDP (N'bn)	168,602.6	176,075.5	184,382.0	198,930.0	225,507	252,177.4	280,797.9
GDP Growth Rate (%)	2.50	3.40	4.20	3.55	***3.75	3.30	3.46
Imports	30,348.5	20,844.0	33,188.8	23,145.3	24,385.6	26,346.6	27,634.4
Nominal Consumption (N'bn)	136,568.1	118,437.1	*149,349.4	120,172.6	121,933.1	123,693.5	125,454.0

Notes:
(i) * The initial projection is not likely to be achieved based on current trends.
(ii) The medium-term projections deviate from the projections in the National Development Plan (NDP) 2021-2025. They have been updated based on a combination of current realities and a modified medium-term outlook. For instance, inflation and growth in the NDP are projected at **14.93% and ***4.39%, respectively, for 2023.

The key parameters as well as other macroeconomic projections driving the medium-term revenue and expenditure framework have been revised in line with the emergent realities. The new figures are presented in the table below.

The medium-term projections deviate from the projections in the National Development Plan (NDP) 2021-2025. They have been updated based on a combination of current realities and a modified medium-term outlook.

In the MTEF, real GDP growth is projected at 3.75% in 2023, from a revised projection of 3.55% for 2022. Growth is expected to moderate to 3.30% in 2024 before picking up to 3.46% in 2025.

The inflation rate is projected to average 17.16% in 2023, up from the revised average of 16.11% for 2022.

Upward pressure on prices is expected to be driven by the current and lag effect of the global price surge due to the Russian-Ukraine war, domestic insecurity, rising costs of imports, exchange rate depreciation, as well as other supply-side constraints.

Overview of the 2023-2025 MTRF

The projected fiscal outcomes in the medium term are presented under two scenarios based on the underlying budget parameters/assumptions, as follows:

Scenario 1 - the Business-as-Usual scenario: This assumes that the subsidy on PMS, estimated at N6.72 trillion for full year 2023, will remain and be fully provided for.

Scenario 2 – the Reform scenario: This assumes that petrol subsidy will remain up to mid-2023 based on the 18-month extension announced early 2021, in which case only N3.36 trillion will be provided for.

Both scenarios have implications for net accretion to the Federation Account and projected deficit levels.

Oil & Gas Revenues and Federally Funded Upstream Project Costs (2023 – 2025)

FISCAL ITEMS	Amended 2022 Framework	2023 Scenario 1 - Business As Usual	2023 Scenario 2 - Subsidy Reform	2024	2025
Budget Oil Production Volume Net Incremental Oil Prodution for Repayment Arrears (mbpd)	**1.60**	**1.69**	**1.69**	**1.83**	**1.83**
Projected Budget Benchmark Price (US$ per barrel)	**73.00**	**70.00**	**70.00**	**66.00**	**62.00**
Average Exchange Rate (N/US$)	**410.15**	**435.57**	**435.57**	**435.92**	**437.57**
Oil production (mbpd)					
Total Oil & Gas Revenue	**9,369,960,116,854**	**8,501,165,182,893**	**8,501,165,182,893**	**9,038,996,940,232**	**8,814,361,919,359**
13% Derivation	678,230,179,465	1,105,151,473,776	1,105,151,473,776	1,175,069,602,230	1,145,867,049,517
Total Oil & Gas Revenue after Derivation	**8,691,729,937,389**	**7,396,013,709,117**	**7,396,013,709,117**	**7,863,927,338,002**	**7,668,494,869,842**
Deductions	**4,152,804,890,199**	**6,895,446,846,631**	**3,537,826,797,031**	**184,578,342,656**	**170,090,152,431**
Other Federally Funded Upstream Projects	**4,152,804,890,199**	**6,789,424,770,733**	**3,431,804,721,133**	**74,244,282,238**	**74,525,304,136**
National Domestic Gas Development	25,000,000,000	-	-	-	-
Gas Infrastructure Development	23,011,057,500	-	-	-	-
Crude Oil Pre-Export Inspection Agency Expenses (NESS)	5,823,500,000	-	-	-	-
Frontier Exploration Services (NFES)	10,476,800,000	-	-	-	-
Renewable Energy Development (RED)	3,338,070,000	-	-	-	-
Pipeline Security & Maintenance Cost	8,792,023,199	-	-	-	-
Pre-Export Financing	58,011,057,500	74,184,671,533	74,184,671,533	74,244,282,238	74,525,304,136
PMS Under-Recovery	4,000,000,000,000	6,715,240,099,200	3,357,620,049,600	-	-
Refinery Rehabilitation	-	-	-	-	-
Nigeria Morocco Pipeline	9,326,000,000	-	-	-	-
NUPRC Cost of Collection		**106,022,075,899**	**106,022,075,899**	**110,334,060,418**	**95,564,848,295**
NUPRC 4% Cost of Collection (Royalty, Concessional, Gas Flared & Miscellanous)		99,716,729,162	99,716,729,162	100,163,154,520	93,181,065,330
NUPRC 4% CoC with Incidental Rev & Signature Bonus		6,305,346,737	6,305,346,737	10,170,905,898	2,383,782,964
Net Oil & Gas Revenue after Costs, Deductions & Derivation	**4,538,925,047,190**	**500,566,862,485**	**3,858,186,912,085**	**7,679,348,995,346**	**7,498,404,717,411**

Federation Account Revenues (2023 – 2025)

FISCAL ITEMS	Amended 2022 Framework	2023 Scenario 1 - Business As Usual	2023 Scenario 2 - Subsidy Reform	2024	2025
Budget Oil Production Volume Net Incremental Oil Prodution for Repayment Arrears (mbpd)	**1.60**	**1.69**	**1.69**	**1.83**	**1.83**
Projected Budget Benchmark Price (US$ per barrel)	**73.00**	**70.00**	**70.00**	**66.00**	**62.00**
Average Exchange Rate (N/US$)	**410.15**	**435.57**	**435.57**	**435.92**	**437.57**
NET FEDERATION ACCOUNT (MAIN POOL)	**8,523,576,046,045**	**4,910,796,431,596**	**8,268,416,481,196**	**12,835,601,845,648**	**13,181,013,331,918**
Transfer to Police Trust Fund (0.5% of Fed. Acct.)	48,492,527,862	24,553,982,158	41,342,082,406	64,178,009,228	65,905,066,660
NET FEDERATION ACCOUNT - MAIN POOL (after 0.5% transfer to Police Trust Fund)	**8,475,083,518,183**	**4,886,242,449,438**	**8,227,074,398,790**	**12,771,423,836,419**	**13,115,108,265,259**
Net Oil Revenue after Costs, Deductions & Derivation	4,516,230,421,954	498,064,028,173	3,838,895,977,525	7,640,952,250,369	7,460,912,693,824
Net Solid Minerals Revenue after Derivation	6,011,202,666	7,514,013,071	7,514,013,071	9,392,516,339	11,740,645,424
NLNG Dividend		153,732,619,872	153,732,619,872	153,732,619,872	153,732,619,872
Net Corporate Tax Distributable	1,874,850,814,324	1,924,288,830,489	1,924,288,830,489	2,208,520,241,533	2,560,174,201,254
Net Customs Revenue Distributable	1,719,828,043,369	1,957,924,806,341	1,957,924,806,341	2,350,573,846,211	2,500,340,422,331
Net Special Levies Distributable	148,397,663,459	344,718,151,493	344,718,151,493	408,252,362,095	428,207,682,554
NET FEDERATION ACCOUNT (VAT POOL)					
Net Federation Account - VAT Pool (after CoC and Transfers to NEDC and NPTF)	**2,262,078,931,572**	**2,736,375,247,640**	**2,736,375,247,640**	**2,948,568,037,340**	**3,138,214,153,388**
FEDERATION ACCOUNT (EMTL)	**210,819,469,760**	**137,032,655,344**	**137,032,655,344**	**157,587,553,646**	**189,105,064,375**
Transfer to Police Trust Fund (0.5% of Fed. Acct.) from EMTL	1,054,097,349	685,163,277	685,163,277	787,937,768	945,525,322
Net Electronic Money Transfer Levy after transfer to NPTF	**209,765,372,411**	**136,347,492,067**	**136,347,492,067**	**156,799,615,877**	**188,159,539,053**
DISTRIBUTION		-			
Distribution - Federation Account (Main Pool, VAT Pool and EMTL)	**10,946,927,822,166**	**7,758,965,189,146**	**11,099,797,138,498**	**15,876,791,489,637**	**16,441,481,957,700**
Main Pool	**8,475,083,518,183**	**4,886,242,449,438**	**8,227,074,398,790**	**12,771,423,836,419**	**13,115,108,265,259**
FGN's Share of Federation Account (52.68%)	4,464,673,997,379	2,574,072,522,364	4,334,022,793,283	6,727,986,077,026	6,909,039,034,138
States' Share of Federation Account (26.72%)	2,264,542,316,059	1,305,603,982,490	2,198,274,279,357	3,412,524,449,091	3,504,356,928,477
Local Govt.'s Share of Federation Account (20.60%)	1,745,867,204,746	1,006,565,944,584	1,694,777,326,151	2,630,913,310,302	2,701,712,302,643
VAT Pool	**2,262,078,931,572**	**2,736,375,247,640**	**2,736,375,247,640**	**2,948,568,037,340**	**3,138,214,153,388**
FGN's' Share of VAT Pool Account (15%)	339,311,839,736	410,456,287,146	410,456,287,146	442,285,205,601	470,732,123,008
States' Share of VAT Pool Account (50%)	1,131,039,465,786	1,368,187,623,820	1,368,187,623,820	1,474,284,018,670	1,569,107,076,694
Local Govt.'s Share of VAT Pool Account (35%)	791,727,626,050	957,731,336,674	957,731,336,674	1,031,998,813,069	1,098,374,953,686
Electronic Money Transfer Levy (EMTL)	**209,765,372,411**	**136,347,492,067**	**136,347,492,067**	**156,799,615,877**	**188,159,539,053**
FGN's' Share (15%)	31,464,805,862	20,452,123,810	20,452,123,810	23,519,942,382	28,223,930,858
States' Share (50%)	104,882,686,206	68,173,746,034	68,173,746,034	78,399,807,939	94,079,769,526
Local Govt.'s Share (35%)	73,417,880,344	47,721,622,224	47,721,622,224	54,879,865,557	65,855,838,668

FGN Revenues (2023 – 2025)

	FISCAL ITEMS	Amended 2022 Framework	2023 Scenario 1 - Business As Usual	2023 Scenario 2 - Subsidy Reform	2024	2025
	Budget Oil Production Volume Net Incremental Oil Prodution for Repayment Arrears (mbpd)	**1.60**	**1.69**	**1.69**	**1.83**	**1.83**
	Projected Budget Benchmark Price (US$ per barrel)	**73.00**	**70.00**	**70.00**	**66.00**	**62.00**
	Average Exchange Rate (N/US$)	**410.15**	**435.57**	**435.57**	**435.92**	**437.57**
	AMOUNT AVAILABLE FOR FGN BUDGET (excluding GOEs retained revenue)	**8,240,777,990,640**	**5,151,337,895,483**	**7,271,641,390,919**	**9,627,909,343,139**	**9,599,929,817,641**
a	**Share of Oil Revenue**	**2,190,371,754,648**	**241,561,053,664**	**1,861,864,549,100**	**3,705,861,841,429**	**3,618,542,656,505**
b	**Dividends**	**195,716,305,950**	**81,786,706,388**	**81,786,706,388**	**80,876,885,588**	**80,876,885,588**
	NLNG	*187,397,535,000*	*74,560,320,638*	*74,560,320,638*	*74,560,320,638*	*74,560,320,638*
	Bank of Industry	*8,318,770,950*	*7,226,385,750*	*7,226,385,750*	*6,316,564,950*	*6,316,564,950*
c	**Share of Minerals & Mining**	**2,915,433,293**	**3,644,296,339**	**3,644,296,339**	**4,555,370,424**	**5,694,213,031**
d	**Share of Non-Oil Taxes**	**2,132,083,163,179**	**2,433,154,452,006**	**2,433,154,452,006**	**2,821,962,553,400**	**3,101,380,299,951**
	Share of CIT	*909,302,644,947*	*933,280,082,787*	*933,280,082,787*	*1,071,132,317,143*	*1,241,684,487,608*
	Share of VAT	*316,691,050,420*	*383,092,534,670*	*383,092,534,670*	*412,799,525,228*	*439,349,981,474*
	Share of Customs	*834,116,601,034*	*949,593,531,075*	*949,593,531,075*	*1,140,028,315,412*	*1,212,665,104,830*
	Share of Federation Acct. Levies	*71,972,866,778*	*167,188,303,474*	*167,188,303,474*	*198,002,395,616*	*207,680,726,039*
e	Share of Electronic Money Transfer Levy (formerly called Stamp Duty)	29,367,152,138	19,088,648,889	19,088,648,889	21,951,946,223	26,342,335,467
f	Share of Oil Price Royalty	96,943,894,289	13,366,750,326	13,366,750,326	17,306,145,651	12,835,076,039
g	Revenue from GOEs	3,806,600,375,927	2,232,114,703,577	2,232,114,703,577	2,341,258,774,100	3,264,219,519,061
h	GOEs Operating Surplus (80% of which is captured in Independent Revenue)	(2,078,211,097,139)	(1,043,319,113,158)	(1,043,319,113,158)	(1,097,442,098,433)	(753,525,758,823)
i	Independent Revenue	2,616,217,091,075	1,682,491,894,006	2,182,491,894,006	2,278,947,315,582	2,057,482,879,416
j	Draw-down from Special Levies Accounts	300,000,000,000	300,000,000,000	300,000,000,000	300,000,000,000	300,000,000,000
k	Signature Bonus / Renewals / Early Renewals	280,855,138,079	57,048,776,004	57,048,776,004	57,048,776,009	-
l	Domestic Recoveries + Assets + Fines	26,933,139,822	27,898,500,000	27,898,500,000	28,946,000,000	8,160,000,000
m	Grants and Donor Funding	63,376,918,168	43,028,488,073	43,028,488,073	26,309,405,392	63,413,689,755
n	Education Tax (TETFUND)	305,998,000,000	248,268,329,787	248,268,329,787	284,143,103,442	325,201,781,889
	AMOUNT AVAILABLE FOR FGN BUDGET (including GOEs)	**9,969,167,269,428**	**6,340,133,485,902**	**8,460,436,981,337**	**10,871,726,018,806**	**12,110,623,577,879**

Scenario 1

- The 2023 FGN Revenue is projected at N6.34 trillion, out of which only N373.17 billion or 5.9% comes from oil-related sources. The balance of N5.97 trillion is to be earned from non-oil sources.

Scenario 2

- In addition to subsidy reform, this scenario assumes an aggressive implementation of cost-to-income limits of GOEs, With these, the 2023 FGN Revenue is projected at N8.46 trillion (15.1% or N1.51 trillion less than the 2022 Budget) but N2.12 trillion more than scenario 1.
  - Of this, N1.99 trillion or 23.6%, is projected to come from oil-related sources, while the balance is to be earned from non-oil sources.

FGN Expenditure (2023 – 2025)

	FISCAL ITEMS	Amended 2022 Framework	2023 Scenario 1 - Business As Usual	2023 Scenario 2 - Subsidy Reform	2024	2025
	Budget Oil Production Volume Net Incremental Oil Prodution for Repayment Arrears (mbpd)	1.60	1.69	1.69	1.83	1.83
	Projected Budget Benchmark Price (US$ per barrel)	73.00	70.00	70.00	66.00	62.00
	Average Exchange Rate (N/US$)	410.15	435.57	435.57	435.92	437.57
	STATUTORY TRANSFER	817,699,410,208	609,168,849,599	722,109,468,797	882,360,368,413	900,271,626,535
	DEBT SERVICE	3,685,375,317,302	6,415,953,044,242	6,309,870,967,327	8,060,429,029,023	10,428,263,580,761
	SINKING FUND	292,711,793,135	247,726,644,470	247,726,644,470	232,002,962,545	233,002,962,545
a	Sinking Fund to retire maturing bond to Local Contractors	292,711,793,135	247,726,644,470	247,726,644,470	232,002,962,545	233,002,962,545
	Sub-Total	292,711,793,135	247,726,644,470	247,726,644,470	232,002,962,545	233,002,962,545
	RECURRENT (NON-DEBT)	7,108,621,131,850	8,522,742,458,276	8,522,742,458,276	8,715,640,423,640	8,403,076,691,292
a	Personnel Costs (MDAs)	3,717,432,596,125	4,547,575,971,000	4,547,575,971,000	4,684,003,250,130	4,684,003,250,130
b	Personnel Costs (GOEs)	617,724,992,745	779,313,511,833	779,313,511,833	833,990,459,384	619,373,793,114
c	Overheads (MDAs)	376,379,579,862	451,655,495,834	451,655,495,834	451,655,495,834	451,655,495,834
d	Overheads (GOEs)	451,001,890,322	451,001,890,322	451,001,890,322	451,001,890,322	451,001,890,322
e	Pensions, Gratuities & Retirees Benefits	577,862,188,757	827,862,188,757	827,862,188,757	827,862,188,757	827,862,188,757
f	Other Service Wide Votes (including GAVI/Immunization)	937,919,984,040	1,037,919,984,040	1,037,919,984,040	1,037,919,984,040	937,919,984,040
g	Presidential Amnesty Programme	65,000,000,000	65,000,000,000	65,000,000,000	65,000,000,000	65,000,000,000
h	TETFUND - Recurrent	15,299,900,000	12,413,416,489	12,413,416,489	14,207,155,172	16,260,089,094
	SPECIAL INTERVENTIONS (Recurrent)	350,000,000,000	350,000,000,000	350,000,000,000	350,000,000,000	350,000,000,000
	AGGREGATE CAPITAL EXPENDITURE	5,862,274,043,664	1,493,412,051,645	2,598,432,894,624	2,961,521,502,083	3,347,231,814,206
a	Capital Supplementation	437,432,000,000	437,432,000,000	437,432,000,000	437,432,000,000	437,432,000,000
b	Capital Expenditure in Statutory Transfers	446,977,605,142	306,344,435,399	411,365,278,378	560,686,307,900	577,633,648,639
c	Special Intervention Programme (Capital) - Family Home Fund	7,000,000,000	7,000,000,000	7,000,000,000	7,000,000,000	7,000,000,000
d	Amount Available for MDAs Capital Expenditure	2,716,942,380,838	-	1,000,000,000,000	1,200,000,000,000	1,500,000,000,000
e	GOEs Capital Expenditure	647,079,937,729	450,385,464,550	450,385,464,550	442,851,694,870	439,975,706,979
f	TETFUND Capital Expenditure	290,698,100,000	235,854,913,298	235,854,913,298	269,935,948,270	308,941,692,795
g	Grants and Donor Funded Projects	63,376,918,168	43,028,488,073	43,028,488,073	26,309,405,392	63,413,689,755
h	Multi-lateral / Bi-lateral Project-tied Loans	1,155,823,207,500	-	-	-	-
i	FGN Share of Oil Price Royalty Transferred to NSIA	96,943,894,289	13,366,750,326	13,366,750,326	17,306,145,651	12,835,076,039
	Capital Expenditure (Exclusive of Transfers)	5,415,296,438,523	1,187,067,616,247	2,187,067,616,247	2,400,835,194,183	2,769,598,165,567
	TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans)	14,448,074,062,723	15,301,957,746,128	16,308,816,288,411	18,563,423,933,227	21,223,861,636,284
	TOTAL FGN BUDGET (Including GOEs & Project-tied Loans)	17,319,704,091,019	16,982,658,612,833	17,989,517,155,116	20,291,267,977,803	22,734,213,026,699

Scenario 1

- In this scenario, given the severely constrained fiscal space, it is not feasible to make any provision for MDAs' capital expenditure in 2023 beyond multilateral/bilateral loan-funded and donor-funded projects. The FGN's 2023 aggregate expenditure is estimated at N16.98 trillion, which is N337.05 billion (1.9%) lower than the 2022 budget. The sums of N20.29 trillion and N22.73 trillion are projected to be spent by the FGN in 2024 and 2025, respectively.

Scenario 2

- The FGN's 2023 aggregate expenditure is estimated at N17.99 trillion, N669.82 billion (3.9%) higher than 2022. (Inclusive of GOEs). The sums of N20.29 trillion and N22.73 trillion are projected to be spent by the FGN in 2024 and 2025, respectively.

CONCLUSION

- The draft 2023-2025 MTEF/FSP has been prepared against the backdrop of continuing global challenges occasioned by lingering Covid-19 pandemic effects, as well as higher food and fuel prices due to the war in Ukraine.
- Overall, fiscal risks are somewhat elevated, following weaker-than-expected domestic economic performance and structural issues in the domestic economy.
- Revenue generation remains the major fiscal constraint of the Federation. The systemic resource mobilization problem has been compounded by recent economic recessions. Efforts will however focus on improving tax administration and collection efficiency.
- Crude oil production challenges and PMS subsidy deductions by NNPC constitute significant threat to the achievement of our revenue growth targets, as seen in the 2022 Performance up to April.
- Bold, decisive and urgent action is urgently required to address revenue underperformance at National & Sub-National levels.

SEC, AfDB Undertake Modernisation Of Nigeria's Capital Market

By Anita Dennis

The Securities and Exchange Commission (SEC) and the African Development Bank Group (AfDB) are bringing together expertise to see to the modernisation of Nigeria's capital markets to meet up with international standard.

The cooperation will also ensure that the market is well positioned to support economic transformation of the country driven by private sector investment.

This is as they signed a grant valued at $460,000, which is to finance technical assistance and capacity building for capital markets development under the 'Nigeria Securities Market Surveillance System Project'.

Speaking at the ceremony, Director-General (DG), Nigeria Country Office, AfDB Group, Mr. Lamin Barrow, said that the grant from the Capital Markets Development Trust Fund (CMDTF) – a multi-donor trust fund administered by the AfDB- and supported by the Ministry of Finance of Luxembourg and the Ministry of Foreign Trade and Cooperation of the Netherlands - will support the acquisition, installation and deployment of a real-time automated securities market surveillance system of the Nigerian capital markets.

According to Barrow, "Today's ceremony marks yet another important milestone in our partnership and efforts to modernise Nigeria's capital markets and ensure that it is well positioned to support economic transformation driven by private sector investment.

"The introduction of a surveillance system will enhance oversight over securities trading across all existing and future trading platforms and all tradable securities and products by the SEC. It will, therefore, preserve securities market integrity, boost investor confidence and enhance financial inclusion, among other expected outcomes.

The AfDB DG said that to ensure sound implementation and sustainability, the design of the technical assistance project embeds training activities to strengthen the capacity of users of the securities market surveillance system, and the preparation of relevant operational manuals and workflow processing and document management for the surveillance solution.

He said that the bank's support for the project derives from the federal government of Nigeria's efforts to promote development of a competitive, deep and liquid capital market supported by an enabling regulatory environment that can efficiently mobilise resources from Nigeria's fast-growing institutional investor base, the private sector and international capital to finance sovereign and corporate investment programs.

"The technical assistance support builds on the SEC's initiatives to strengthen the supervisory and regulatory framework as well as enhance market integrity and transparency under the Nigeria Capital Markets Development Master Plan 2015-2025, with a view to positioning Nigeria as an attractive destination for portfolio investments.

Mr. Lamido Yuguda, Director-General of the Securities and Exchange Commission (SEC)

Mr. Lamin Barrow, Director-General (DG), Nigeria Country Office, AfDB Group

"It also aligns well the bank's Country Strategy Paper for Nigeria 2020-2024 which recognises the importance of a sound, well-regulated, resilient, effectively functioning and globally competitive financial markets in Nigeria for sustainable growth and development," he said

Barrow also said that at a time when economies are buffeted by global shocks, improving the attractiveness of capital markets to domestic and portfolio international investors is imperative for greater resource mobilisation and building resilience to sustain Africa's economic recovery.

He noted that the COVID-19 pandemic has reinforced global risk aversion, prompting international investors to move their portfolios into safer assets and havens, expressing the desire to see growth of the equity market well beyond the current NGN 28.16 trillion underpinned by continued growth of the corporate bond market in Nigeria.

In his remarks, Director-General (DG) of the SEC, Mr. Lamido Yuguda, said that the SEC is very pleased and thankful to AfDB for providing the grant support to execute these very important projects, particularly the project to acquire a surveillance solution.

Mr. Yuguda said that a market surveillance system is required to aid the regulator in detecting and addressing market abuse as quickly and efficiently as possible and to proactively prevent major infractions.

> The introduction of a surveillance system will enhance oversight over securities trading across all existing and future trading platforms and all tradable securities and products by the SEC

An automated market surveillance tool will enhance the commission's role in investor protection, as well as ensure a transparent, fair and orderly market, and reduce systemic risk.

"With the successful acquisition of a surveillance solution for the commission, the SEC expects the following outcomes: The curtailment of market infractions; modernised and technology driven regulatory approach which enhances the protection of investors; and enhanced investor confidence leading to the increased participation of domestic investors (both institutional and retail) in the capital market," SEC boss stated.

He also said that the surveillance solution would also aid an increased impact on gross domestic product (GDP) through the capital market's role in the efficient intermediation and allocation of capital to the real economy to create jobs, encourage savings and facilitate wealth creation as well as increased investment in the economy through foreign direct investments (FDI) and growth in the rate of domestic investor participation in our markets

Mr. Yuguda disclosed that the SEC is currently implementing a comprehensive market and institutional reform program intended to reposition the Nigerian capital market to be globally competitive and an attractive destination for investment activities in Africa.

The 10-year Capital Market Master Plan (2015-2025) sets the vision, objectives and initiatives required to achieve this goal.

The commission, he noted, has recorded significant traction and successes in achieving some key master plan objectives such as full dematerialisation of share certificates, recapitalisation of capital market operators, launch of national investor protection fund, new corporate governance scorecard for public companies, and electronic dividend mandate management system, amongst others.

"The SEC is at a critical half-way point in the implementation of the capital market master plan where the deployment of market surveillance infrastructure has become exceedingly necessary. In addition, the SEC is focusing on capacity development as a catalyst to drive the actualisation of other strategic initiatives in the plan.

To realise these focus areas aligned closely to AfDB's 'High 5s' priority sectors for the economic transformation of Africa, he said that the commission leveraged its strong partnership with AfDB to drive some of these key initiatives, to strengthen internal and issuer capacity.

"We believe that your support and our collaboration underscore the commission's and the bank's mutual goal to grow the capital market and create viable avenues for sustainable economic growth for Nigeria and the region.

"Finally, let me state our commitment to discharge the terms of this agreement and with your support look forward to the timely and successful execution of this critical project" he further stated.

Boost In Non-oil Revenue

FIRS Grows Revenue AS Experts Harp On ICT Deployment

By Jennet Ugo Anya

For the first time in nearly half a century, non-oil revenue surpassed oil revenue to become the main source of the Nigerian federal government's revenue in 2021, and that dominance has grown since then.

As it stands, non-oil revenue, compared to oil that in the recently published financial accounts of the federal government, is growing especially through Corporate Income Tax (CIT), one of the three main sources of non-oil income.

In the four-month period of 2022, CIT alone (N298 billion) contributed more to the federal government's retained revenue than oil revenue at N285.38 billion.

That is the first time ever that corporate taxes would be higher than revenue from crude oil export, according to data sourced from the country's budget implementation documents.

When the revenues from other non-oil income sources - from value added tax (VAT) to revenues from Customs Service are added, the total comes to N632.5 billion, more than double the amount generated from oil in the period under review.

The unprecedented turn of events highlights the country's dwindling oil revenue and the rise in non-oil revenue, even though the former is more significant.

Oil revenues have more than halved from about N4 trillion in 2014 to less than N2 trillion annually and could fall even lower this year as a growing petrol subsidy bill and low production levels eat into the government's earnings from oil.

The state-owned Nigerian National Petroleum Company Limited (NNPC), which is reported to have recorded a N704 billion deficit within the first six months of 2022, has not made any contribution to the Federation Account this year.

The government expects the expensive petrol subsidy which has become a burden to the NNPC Ltd to gulp N4 trillion this year, a quarter of the budget. The World Bank and International Monetary Fund (IMF) think it will be higher and are pegging their estimates at N5 trillion and N6 trillion respectively.

Crude oil production losses have also jumped with the country losing $650.7 million to crude oil losses due to force majeure between April and May 2022.

Taxes have had to fill up part of the huge gap created by the slump in oil revenue in monthly allocations to the three tiers of government.

The Federal Inland Revenue Service (FIRS), which collects taxes on behalf of the government, has contributed up to 60 percent of the money distributed by the Federal Account Allocation Committee (FAAC) to the federal, states, and local governments this year.

Last year, the FIRS contributed N5.298 trillion or 59.45 percent of the N8.912 trillion allocated to the three tiers of government.

The rising contribution of the agency is due to improved tax collections and reforms specifically with the 50 percent increase in VAT. The FIRS has seen its collection rise from N5.26 trillion in 2019 to N6.4 trillion in 2021.

Muhammad Nami, Executive Chairman, Federal Inland Revenue Service

Under the leadership of Mr. Muhammad Nami, Chairman of FIRS, the agency is said to be more technology-oriented and there is a renewed focus on plugging leakages in tax collection.

Although taxes now seem to be the main revenue source of the government, it would need even more attention to become the new oil as the amount generated from the source remains low relative to government spending.

According to Mr. Taiwo Oyedele, a partner at Lagos-based consulting firm, PricewaterhouseCoopers (PWC), some of the reforms to improve tax revenues, like the VAT increase, has helped boost non-oil revenue. The main reason why tax receipts can outpace oil revenues is due primarily to the slump in oil revenues."

"We can only say we have successfully replaced oil income with non-oil revenue when the latter can fund the majority of our expenditure," Oyedele said.

Despite the progress made in reforming the country's tax system, analysts say there is still more work to be done to further grow tax revenues to the point where the government relies less on oil revenues.

He added: "For now, non-oil income cannot fund even a quarter of the government's expenditure. Last year, the total cash generated from non-oil sources came to only 12 percent of the government's spending.

In the first four months of 2022, the N632.5 billion generated from non-oil sources was a paltry 13.8 percent of the N4.556 trillion spent by the federal government in the period,"

Meanwhile, tax experts have affirmed that technology and innovation have the potential to boost revenue collection from the informal sector, decrease significant leakages, and harmonise taxation in Nigeria.

Yemi Sheriff Sanni, Chairman of Chartered Institute of Taxation of Nigeria (CITN) Lagos and District Society (LDS) and Conference Director, said: "The increasing digitalisation of economic activities, the role of technology, and current efforts by government and revenue authorities at all levels to broaden the tax net for increased compliance and optimal revenue mobilisation is crucial. The discussion over expanding the country's tax net came in handy at a time when the government's expenses exceed revenue in the first quarter of 2022.

"Nigeria's oil and gas revenues fell 51 percent between January and April this year, compared to budget estimates of N1.23 trillion. While expected benefits from oil proceeds continue to elude the country due to significant reductions in oil production and the burden of petrol subsidies, taxation is the next way to go and technology is what to adopt."

In his speech, Adeola Agbogunleri, Chairman of the CITN Southwest Zonal District, said: "It is no longer news that taxation is the government's major sustainable source of revenue; therefore, attention and focus must be on how to generate that revenue that will sustain our economy."

Mr. Afolasade Coker, Director, Informal Sector, Lagos State Inland Revenue Service (LIRS), said: "There should be few or no loopholes for taxpayers to avoid or evade tax payment," Coker said.

He said that government can increase revenue through presumptive taxation and information and communications technology (ICT), build trust in the taxpayer through accountability, and digitise tax filing to improve compliance.

"Incorporating ICT and presumptive tax into the tax system will increase the number of income earners covered by the tax net and increase government revenue," said the LIRS Director.

Citing Rising Inflation, CBN Hikes MPR To 14%

■ Emefiele Gives Reasons Behind Decision
■ As Manufacturers Commend CBN over RT200 Policy

By Felix Omoh-Asun, Tony Tagbo & Musa Ibrahim

Worried by rising headline inflation rate to five-year high in May, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) recently increased the Monetary Policy Rate (MPR) by another 100 basis points (bps) to 14 percent from 13 percent.

The MPR is the benchmark interest rate that guides all other rates in the money market.

The hike represents the second consecutive hike in the MPR within months, as the committee had, at its meeting in May and for the first time since September 2020, jerked up the MPR by 150 bps to 13 percent from 11.5 percent. The May 2022 mark-up signalled a reversal of the apex bank's monetary tightening policy and is aimed at addressing persistent rise in the headline inflation rate which has risen to 18.6 percent as at last month from the 2022 opening point of 15.6 percent, showing a 3000 bps rise in just six months.

Announcing the decision to further raise the MPR, at a press briefing at the end of the MPC meeting in Lagos, recently, the Governor of CBN, Mr. Godwin Emefiele, stated: "The MPC noted that the current upsurge in price levels remains a primary concern to monetary policy as members focused on the optimal policy approach required to address this development while protecting the fragile recovery.

"As regards the decision as to whether to tighten, loosen or hold, members were unanimous and so did not consider both loosening or retaining rates at existing levels at this meeting. This is because on loosening, the MPC felt loosening will worsen the liquidity condition in the economy and further dampen the money market rates necessary to stimulate savings and investment. "Members also felt that loosening will trigger the weakening of the exchange rate, which will pass through to domestic prices.

"MPC did not also consider holding rate constant because the whole stance will suggest that the bank is not responding sufficiently to pull the global and domestic price developments as inflation numbers continue to trend aggressively upward.

And as regards tightening policy, members were unanimous that given the aggressive increase in inflation coupled with the resultant negative consequences particularly of purchasing power of the poor as well as retarding growth, there is the need to continue to tighten.

"However, the committee was unanimous about the level of tightening needed to drain inflation, without dampening the actual output which will result in a higher cost of borrowing.

"Apart from narrowing the negative real interest rate, members were also of the view that tightening will signal a strong determination of the bank to aggressively address its price stability mandate and portray the MPC sensitivity to the impact of inflation on the vulnerable households and the need to improve their disposable income.

Mr. Godwin Emefiele, Governor, Central Bank of Nigeria

"Members also noted that the last 150 bps hike by the committee in May have not permeated enough in the economy to halt the rising trend in inflation, and noted that the month-on -month percentage point increase in headline inflation rose sharply in June 2022 compared with May 2022.

"MPC also noted that other complimentary administrative measures deployed by the bank to address the growth in money supply did not moderate the inflationary trend.

"The committee thus voted unanimously to raise MPR. One member voted to increase the MPR by 150 bps. Six members by 100 bps; One member by 75 bps and three members by 50 bps.

"Consequently, the committee resolved to increase the MPR by 100 bps from 13 percent to 14 percent," Mr. Emefiele explained.

Uche Uwaleke, Professor of Capital Market and president of Association of Capital Market Academics of Nigeria, said that the hike in the MPR in quick succession could signal panic on the part of the CBN and heighten uncertainty.

"This policy stance may not necessarily curb inflationary pressure given that the pressure is not coming from monetary factors but from high costs of petroleum products, electricity and insecurity. Ditto for rising exchange rate, so, expect to see in the coming months higher cost of borrowing, widening government deficit, slower economic growth, rising unemployment and bearish stock market," Uwaleke added.

Ayodele Akinwunmi, relationship manager, corporate banking at FSDH Merchant Bank Limited, said that the rate hike would lead to increase in lending rates and saving rates.

On the implication for equities market, Oluwaseun Dosunmu, head of research at Parthian Securities, said: "The hike in monetary policy rate is bad for the long-term outlook of the equity market as we might start to see more investors leave the equity market to the fixed income market due to the anticipation that yields in the fixed income market would increase further.

"It is a disincentive to the stock market as investors look more to the money and fixed income market. Admitted, the purpose is to curb inflation, but its effectiveness is another issue for discussion. With hindsight, it is rarely effective in Nigeria because the pass-through process is rather ineffective," Saheed Bashir, CEO Meristem Securities, said.

> It is a disincentive to the stock market as investors look more to the money and fixed income market

Before the first rate hike in May, the market capitalisation of listed stocks on the Nigerian Exchange Limited had appreciated by N5.71 trillion between January and May 2022, translating to a monthly gain of N1.14 trillion.

But the stock market gained just N201.5 billion between May 24 2022 and July 19, 2022.

The rate hike is expected to worsen the country's rising debt stock.

Nigeria's domestic debt stock increased by N1.91 trillion from N18.23 trillion in September 2021 to N20.14 trillion in March 2022. The increase came mainly from the Nigerian Treasury Bills, N914.94 billion (47.9 percent), FGN Bonds, N777.64 billion (47.9 percent), and FGN Sukuk, which increased by N250 billion.

In another development, the RT200 FX programme, a special programme by the CBN to encourage non-oil exportation has continued to record unrivalled success as it has afforded Nigeria a total of $600 million from exportation by exporters.

The RT 200 programme is a set of policies, plans, and programmes for non-oil exports that will enable Nigeria to attain the lofty goal of $200 billion in FX repatriation, exclusively from non-oil exports, over the next three to five years.

The programme has five components as announced by Mr. Emefiele. The key anchors are value-adding exports facility; non-oil commodities expansion facility; non-oil FX rebate scheme; dedicated non-oil export terminal and biannual non-oil export summit.

As a result of the programme, exporters have received N20 billion as rebate, a decision described as encouraging by manufacturers.

Mr. Emefiele said that the bank paid eligible exporters over N20 billion rebates in the second quarter of implementing the RT200 FX programme for exports worth $600 million.

He said: "We are delighted that the race to $200 billion is yielding good results under the RT200 programme because in the data that we have so far, we found out that we have received inflow as at June this year of over $2.9billion.

"And we all know that in the first quarter when we started, we disbursed N3.6 billion as rebate for those who have conducted export activities. For quarter two, we have this morning just approved the release and payment and rebate to those who conducted export activities to the tune of N20billion.

"You can see a jump from N3.6 billion in quarter one to N20 billion in quarter two because whereas we found out that, yes there has been a lot of exports, those exports that were found to be eligible for the reason were in the tune of over $600 million and that is the reason why we are paying slightly over N20 billion in the second quarter."

Mr. Emefiele said that it was delighting that a lot of people had been doing export in Nigeria as a result of the incentive that the CBN was providing and paying promptly.

He said: "Exports in earnings are increasing and we have calculated that at some point, we will get to a point where the banks will not even need to come to the CBN to buy FX for the needs of their customers. We are delighted that we are moving gradually in that direction and this number will improve by the end of the year."

Meanwhile, the Manufacturers Association of Nigeria (MAN), while commending the programme, said that the rebate offered under the programme should be expanded to cover the forex rate gap between the official and parallel market.

Segun Ajayi-Kadir, Director-General (DG)/CEO of MAN said: "Without a doubt, the CBN RT200 FX programme is a good initiative as it was designed to stimulate the growth of non-oil export in Nigeria. This comes against the backdrop of the lacklustre implementation of the export expansion grant.

"We should also talk about the issue of adequacy of the RT200FX as an export incentive. The ambition is to hit $200 billion in foreign exchange earnings over the next three to five years from non-oil proceeds. So, it is important to create a conducive and stimulating environment for scale in order to achieve the target.

"It should be noted, therefore, that the N65 to $1 or N35 to $1 rebate offered by CBN is not covering the FX rate gap between the official and parallel market.

"The payment of N23.6billion as rebate in H1 2022 presupposed a commendable level of repatriated export proceeds sold on the investors and exporters (I&E) window.

"On this score, we may also assume that the programme is encouraging FX inflow and sale. We should, however, be interested in the content of the export that earned the repatriated proceeds. Are they commodities with value addition? Are they processed or manufactured goods?," he said.

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Economy & Investment

ADVERT RATE

COLOUR

PRODUCT		
Size	Rate	Vat (7.5%)
F/P	557,916.68	41,843.76
H/P	316,462.50	23,734.68
Q/P	152,770.00	11,457.76
14.5x5	452,218.76	33,916.40
14.5x3	271,293.26	20,347.00
10x6	374,250.00	28,068.76
10x5	311,875.00	23,390.62
10x4	249,500.00	18,712.50
9x6	336,825.00	25,261.88
9x5	280,687.50	21,051.56
9x4	224,550.00	16,841.26
9x3	168,412.50	12,630.94
8x6	299,400.00	22,455.00
8x5	249,500.00	18,712.50
8x4	199,600.00	14,970.00
7x6	251,975.00	18,898.12
7x5	218,312.50	16,373.44
7x4	174,650.00	13,098.76
7x2	172,150.00	6,549.38
6x4	149,700.00	11,227.50
6x3	112,275.00	8,420.62
6x2	74,850.00	5,613.75
5x6	187,125.00	14,034.38
5x5	155,937.50	11,695.32
5x4	124,750.00	9,356.26
5x3	93,562.50	7,017.18
5x2	62,375.00	4,678.12
4x4	99,800.00	7,485.00
4x3	74,850.00	5,613.76
4x2	49,900.00	3,742.50
3x2	37,425.00	2,806.88
2x2	24,950.00	1,871.26
2x1	12,475.00	935.62
1x1	6,237.50	467.82

PUBLIC NOTICE POLITICAL		
Size	Rate	Vat (7.5%)
F/P	578,838.55	43,412.90
H/P	328,329.84	24,624.74
Q/P	158,498.88	11,887.42
14.5x5	234,558.65	35,183.80
14.5x3	284,858.44	21,364.38
10x6	388,303.80	29,122.78
10x5	323,586.50	24,268.98
10x4	258,869.20	19,415.20
9x6	349,473.42	26,210.50
9x5	291,227.85	21,842.08
9x4	232,982.28	17,473.68
9x3	174,736.70	13,105.26
8x6	310,643.04	23,298.22
8x5	258,869.20	19,415.20
8x4	207,095.36	15,532.16
7x6	271,812.66	20,385.94
7x5	226,510.55	16,988.30
7x4	181,208.44	13,590.64
7x2	90,604.22	6,795.32
6x4	155,321.52	11,649.12
6x3	116,491.14	8,736.84
6x2	77,660.76	5,824.56
5x6	194,151.90	14,561.40
5x5	161,793.24	12,134.50
5x4	129,434.60	9,707.60
5x3	97,075.95	7,280.70
5x2	64,717.30	4,853.80
4x4	103,547.66	7,766.08
4x3	77,660.74	5,824.56
4x2	51,773.84	3,883.04
3x2	38,830.38	2,912.28
2x2	25,886.92	1,941.52
2x1	12,943.46	970.76
1x1	6,471.72	485.38

BLACK AND WHITE

PRODUCT		
Size	Rate	Vat (7.5%)
F/P	366,792.56	27,509.44
H/P	198,423.18	14,881.74
Q/P	95,782.00	7,183.66
14.5x5	283,950.60	21,296.30
14.5x3	190,000.00	14,250.00
9x6	234,993.60	17,624.52
9x5	176,245.20	13,218.4
9x4	140,996.16	10,574.72
9x3	105,747.12	7,931.04
8x6	187,994.88	14,099.62
8x5	156,662.40	11,749.68
8x4	126,329.92	9,474.74
7x6	164,495.52	12,337.16
7x5	137,079.60	10,280.98
7x4	109,663.68	8,224.78
7x2	54,831.84	4,112.38
6x4	93,997.44	7,049.80
6x3	70,498.08	5,287.36
6x2	70,498.08	5,287.36
5x6	117,496.80	8,812.26
5x5	97,914.00	7,343.56
5x4	78,331.20	5,874.84
5x3	58,748.40	4,406.14
5x2	39,165.60	2,937.42
4x4	62,664.96	4,699.88
4x3	46,998.72	3,524.90
4x2	31,322.48	2,349.18
3x2	23,499.38	1,762.46
2x2	15,666.24	1,174.96
2x1	7,833.12	587.48
1x1	3,916.56	293.74

PUBLIC NOTICE POLITICAL		
Size	Rate	Vat (7.5%)
F/P	435,178.08	32,638.36
H/P	254,538.96	19,090.42
Q/P	131,226.90	9,842.02
14.5x5	38,040.56	2,853.04
14.5x3	232,825.87	17,461.94
10x6	319,512.00	23,963.40
10x5	266,260.00	19,969.50
10x4	213,006.00	15,975.46
9x6	287,560.80	21,567.06
9x5	239,634.00	17,972.56
9x4	191,707.20	14,378.04
9x3	143,780.40	10,783.54
8x6	255,609.60	19,170.72
8x5	213,008.00	15,975.60
8x4	170,406.40	12,780.48
7x6	223,658.00	16,774.36
7x5	186,382.00	13,978.66
7x4	149,105.60	11,182.92
7x2	74,552.80	5,591.46
6x4	127,804.80	9,585.36
6x3	95,853.60	7,189.02
6x2	63,902.40	4,792.68
5x6	159,756.00	11,981.70
5x5	133,130.00	9,984.76
5x4	106,504.00	7,987.80
5x3	79,878.00	5,990.86
5x2	53,252.00	3,993.90
4x4	85,203.20	6,390.24
4x3	83,902.40	6,292.68
4x2	42,601.60	3,195.12
3x2	31,951.20	2,396.34
2x2	21,300.80	1,597.56
2x1	10,650.40	798.78
1x1	5,325.20	399.40

SPECIAL POSITION	Rate	Vat (7.5%)
FPS 6x2	1,291,193.44	96,839.50
BPS 6x2	923,375.00	69,253.12
STRIP (FRONT) 2X6	1,322,912.50	99,218.44
STRIP (BACK) 2X6	1,037,500.00	77,812.50
STRIP (INSIDE) 2X6	218,460.38	16,384.52
EARPIECE (FRONT) 2X2	517,094.30	38,782.08
EARPIECE (BACK) 2X2	405,145.10	30,385.88
EARPIECE (INSIDE) 2X2	240,000.00	18,000.00
CENTERSPREAD (FULL)	3,320,000.00	249,000.00
CENTERSPREAD (HALF)	1,992,000.00	149,400.00
CENTERSPREAD (STRIP)	594,300.00	44,572.50
DOUBLESPREAD	2,982,952.00	223,721.40

WRAP	Rate	Vat (7.5%)
FULL WRAP	41,500,000.00	3,112,500.00
10 X 6	28,620,690.00	2,146,551.76
HALF PAGE (FRONT)	20,800,000.00	1,560,000.00
5X6 (FRONT)	14,312,344.00	1,073,425.80
4X6 (FRONT)	11,448,274.00	858,620.56
2X6 (UNDER MASTHEAD	7,262,500.00	544,687.50
2X6 (FRONT POLITICAL)	1,560,000.00	117,000.00

LOOSE INSERT	
RATE PER 1,000 SHEETS	60,000.00
HANDLING CHARGE (SINGLE)	1,000,000.00
HANDLING CHARGE (SINGLE)	1,000,000.00

GENERAL INFORMATION

DEADLINE
WITHIN ABUJA
5 Days of Publication

SUR-CHARGE
SPECIAL POSITION
100% : Pages 2, 3 and 4
50% : Pages 5, 6 and 7

TECHNICAL DATA
Print Process = Web Offset Litho
Copy Required = Camera Ready Artwork with a good resolution (minimum 300dpi)

Printed by the 1065 Konsult
D2-32 Atiku Abubakar Crescent, Cityview Estate, Dakwo, Abuja | +234 802 313 0653
All correspondence to info@ the1065Konsult.com | www.the1065konsult.com

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POLICY BRIEF with ENAM OBIOSIO

Bridging $108bn Infrastructure Financing Gap Is To Increase Food Production, Exports

Just as the President of African Development Bank (AfDB) Group, Dr. Akinwumi Adesina, gave strong assurance to investor from United States of America (USA) that Africa is a secure, competitive and profitable market for investment, I do strongly also believe that U.S. investments are critical for accelerating infrastructure development on the continent.

Adesina was speaking at the U.S.-Africa Business Summit in Marrakech where he told American investors to see Africa as a logical investment destination and to engage with the continent in win-win partnerships.

He invited American businesses to invest in the opportunities created by the AfDB Group's $1.5billion African emergency food production facility, designed to ease the impact of the current global food crisis, worsened by Russia's invasion of Ukraine.

The facility, the first of its kind, will help countries purchase and distribute agricultural fertilizer and seeds, provide emergency support over four planting seasons, increase food production by 30 per cent, and create $12billion worth of food.

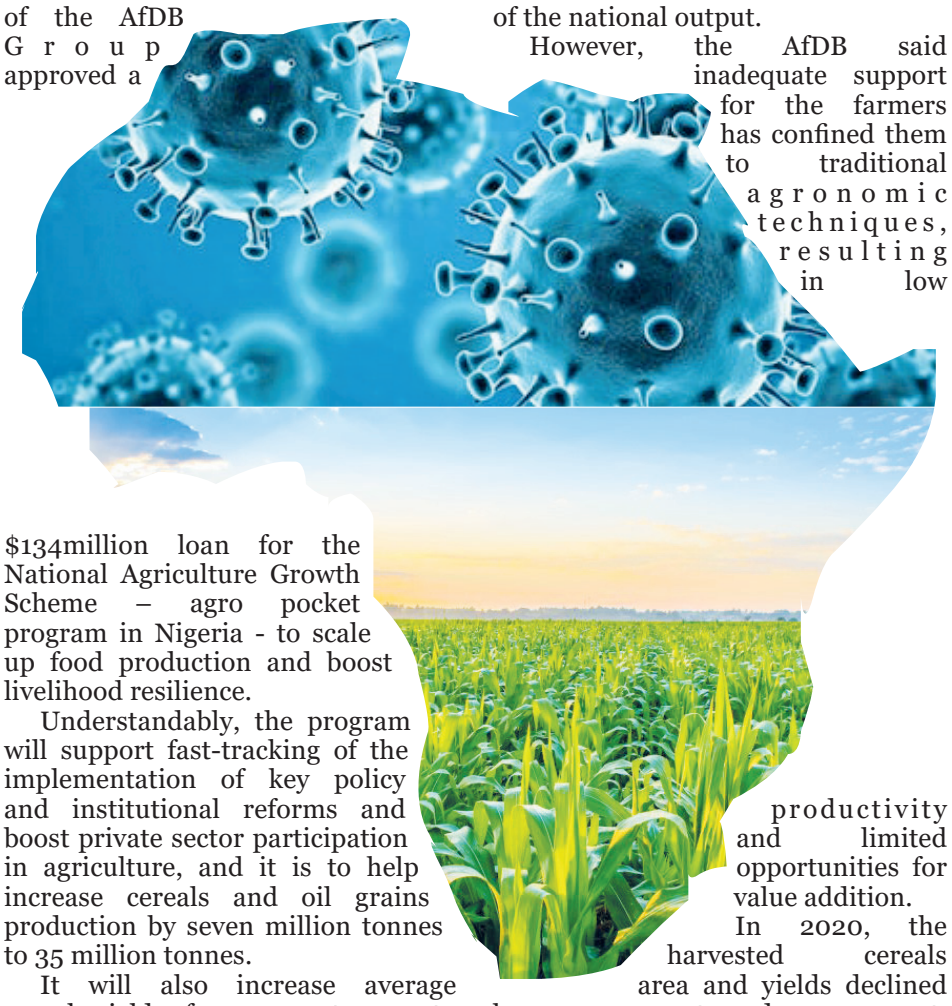
Obviously, some of Africa's multi-billion investments are proofs of the continent's investment potential.

Apart from the Dangote Group's $20billion petroleum refinery and fertilizer production complex in Nigeria, Adesina also cited South Africa's MTN Group, which currently operates in 19 markets.

Corroborating Adesina, I see that despite the disruptions of the COVID-19 pandemic and its impact on economies, the number of private equity deals in Africa had increased from 230 in 2019 to 255 by 2020, and even in turbulent times, opportunities still abound in Africa.

Although Africa still faces an annual infrastructure financing gap of between $68billion and $108billion, it is delighting that the AfDB Group's investments to help improve livelihoods and economies are in good measure; it had committed more than $44billion to infrastructure across the continent in the last six years alone, most notably in transport, energy, and water and sanitation.

A week ago, the Board of Directors of the AfDB Group approved a $134million loan for the National Agriculture Growth Scheme – agro pocket program in Nigeria - to scale up food production and boost livelihood resilience.



Understandably, the program will support fast-tracking of the implementation of key policy and institutional reforms and boost private sector participation in agriculture, and it is to help increase cereals and oil grains production by seven million tonnes to 35 million tonnes.

It will also increase average cereal yields from 1.42 tonnes to two tonnes per hectare during the September 2022-December 2023 implementation period.

The program aligns with the bank's African Emergency Food Production Facility and will support Nigeria's efforts to mitigate the impacts of the war in Ukraine.

Food prices have been rising rapidly due to higher volatility caused by the COVID-19 pandemic, aggravated by the war.

The program also aligns with the bank's 10-year strategy as it promotes climate-resilient agriculture and targets the vulnerable population, including youth and women.

Nigeria, Africa's most populous nation, is projected to hit 402 million by 2050 from 206 million people in 2020, making it the third-most populous country globally.

The bulk of its rural population, representing 48 percent of the populace, produces up to 90 percent of the national output.

However, the AfDB said inadequate support for the farmers has confined them to traditional agronomic techniques, resulting in low productivity and limited opportunities for value addition.

In 2020, the harvested cereals area and yields declined by 2.75 percent and 1.5 percent, respectively.

Lamin Barrow, Director General of the Bank's Nigeria Country Department, says the program would prioritise support for five strategic crops: maize, rice, wheat, soya beans and sorghum, with a particular focus on wheat value chains.

> ...inadequate support for the farmers has confined them to traditional agronomic techniques, resulting in low productivity and limited opportunities for value addition

The agro pocket program is anchored in the National Agriculture Technology and Innovation Policy (2022-27) which aims to modernise Nigeria's agriculture sector in line with changing global food systems and supply chains, and will complement the bank-supported operations in the country, particularly the special agricultural special zones.

The ank will support the federal government to put in place a robust institutional framework, including operationalisation of the agro pocket program Secretariat as the administrative vehicle to oversee the implementation of the scheme, whose precursor is the highly successful e-wallet scheme that was rolled out in Nigeria between 2012 and 2015.

It is commendable that the program would help build the resilience of farming livelihoods, enhance farmers' access to improved seeds, and strengthen the capacity of industry stakeholders.

I, therefore, share in the position of Beth Dunford, the bank's Vice President, Agriculture, Human and Social Development, that cushioning the poor from the effects of higher food, and energy costs, requires urgent and sustainable policy, such as increased public expenditure on agriculture.

Considering the whole development, it is even more delighting that Kamala Harris, Vice President of the USA, recently stated that the United States is focused on how to increase food production and exports within Africa, highlighting that public-private partnerships (PPP) could play a key role in this regard.

"We are focused on the urgent need to increase food production and exports with and within Africa," she said. Beyond saying that Joe Biden, President of USA and herself are looking forward to welcoming leaders from across the African continent to Washington, DC from December 13th through the 15th, for the United States-Africa Leaders Summit, Harris also recognises the critical importance of strengthening the U.S. relationship with countries across Africa.

Published by SA Media and Communications to the Honourable Minister of Finance, Budget and National Planning (07033828294);
All correspondence to Editor: **Enam Obiosio** (08058334933); D2-32 Atiku Abubakar Crescent, Cityview Estate, Dakwo, Abuja;
E-mail: info@fmfinsights.com; **Website:** www.fmfinsights.com
Printed by **The 1065 Konsult;** Tel: **08023130653**