

**EDITORIAL**

## We Sue For Peace, Understanding And Collective Interest Among Government Agencies

**E**nsuring inter-ministerial, inter-departmental and inter-agency peace and collective responsibility of every Nigerian should be key for all of us to enjoy the full benefits of good governance. There is need to imbibe a sense of collective productivity for the growth of the country through peace and unity as important tools for national development. After all, peace is a fundamental asset to building collective growth, national development and robust institutions. Peace creates an enabling environment for human capital formation, infrastructural development and rule of law in commerce and government.

CONTINUES ON PAGE 6

# Budget Padding Alien To Us - Finance Minister

- Clears Air Over Alleged N424 Budget Insertions
- Explains 2023 Budget Compositions
- Insists On June 2023 Exit For Fuel Subsidy Payment

*The Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, has provided explanations to the alleged N424 billion insertions in the 2023 Budget. Our correspondent, Musa Ibrahim reports...*

**T**he Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, has offered clarifications over allegations of budget padding by some ministries, departments and agencies (MDAs), saying that budget padding is alien to this administration.

She, who said the federal government has taken steps to increase transparency in the budgeting process, noted that the funds in question were only wrongly captured in the budget estimates submitted to the National Assembly.

She stated this while reacting to a newspaper publication which went viral alleging that the Federal Ministry of Finance, Budget and National Planning was aware of over N424 billion insertions in the 2023 budget.

Recall that the Federal Ministry of Humanitarian Affairs and Disaster Management recently alleged that N206,242,395,000 found its way into its budget without its knowledge.

However, the Special Adviser to the Honourable Minister on Media and Communications, Mallam Yunusa Tanko Abdullahi, in a statement noted that the funds in question were only wrongly captured in the budget estimates submitted to the National Assembly.

The statement reads in part: "The project

CONTINUES ON PAGE 3



R-L: Mr. Ben Akabueze, Director General, Budget Office of the Federation, Mrs. Zainab Shamsuna Ahmed, Honourable Minister of Finance, Budget & National Planning, Aliyu Ahmed, Permanent Secretary Finance, Ministry of Finance, Budget and National Planning at the Interactive Meeting with the House of Reps Committee on Appropriations recently.

### ECONOMY

NICA Signals Unprecedented Foundation For Nigeria's Economy Transition **PG 4**

### SUKUK

DMO Raises N3.2trn From Domestic Market To Fund 2022 Budget **PG 3**

### POWER

NBET Seeks To Build Sustainable Power Sector Through Partnerships **PG 8**



**...it pays to pay your TAX**



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# Budget Padding Alien To Us -Finance Minister

CONTINUES FROM COVER

so referred to is domiciled in the Ministry of Humanitarian Affairs, Disaster Management and Social Development headquarters. The World Bank is the funding source for the National Social Safety Net-Scale Up project to the tune of \$473,500,000 which is equivalent to N206,242,395,000, using the N435.57/USD exchange rate.

"The project was correctly described in the submission from the International Economic Relations Department (IERD) for the 2023 budget. But, unfortunately, a wrong code was selected from the drop-down menu which resulted in a wrong description of the project which resulted in it being captured as 'Purchase of Security Equipment' in the Government Integrated Financial Management Information (GIFMIS) Budget Preparation System (BPS).

"Please, note that the BPS has a limited range of encoded programme/project descriptions. Also note that the multilateral loans are usually project-tied, and have specific codes in the budget system. The multilateral loans are different from the envelopes usually given to ministries, departments and agencies (MDAs).

"The funds are drawn by the beneficiary ministries under the terms of the agreements, and the financial institutions disburse directly to service providers.

"There were ample opportunities to review details for observations by ministries and corrections made by the Budget Office of the Federation (BOF)," Mallam Abdullahi said.

The statement further said that the proposed 2023 budget for each ministry was circulated for review and feedback before the Federal Executive Council (FEC) reviewed it and was submitted to the National Assembly by President Buhari.

On the refurbishment and

procurement of Harris RF-5/7800 military communication equipment by the Ministry of Defence, the statement explained that the president had approved 50 per cent of the requirement for phases 2 & 3 (using the exchange rate of N435.57/USD), amounting to N8,600,000,000 and had been included in the 2023 budget.

For the 2023 Multilateral/Bilateral Tied-Loan project for the Ministry of Power, the ministry said the four projects total USD448,757,149, which is N195,465,151,790 and would be implemented by the World Bank, AfDB and Export-Import Bank of China.

Also, Mrs. Ahmed has insisted that the federal government will end petrol subsidy payments by June 2023.

Speaking at the just concluded Nigeria Economic Summit, she noted that Petrol subsidy has been a controversial issue in Nigeria as spending continues to deplete the country's revenue.

Between January and August 2022, the federal government paid N2.565 trillion to settle part of petrol subsidy shortfalls.

According to Ahmed, petrol subsidy removal is part of the federal government's medium-term plan in the budget. She, however, said that the challenge is how to go about removing the subsidy.

"First, we have to engage. We have already engaged with the states and the public before it was approved as part of the medium-term plan," she said.

"We have to do it by systematically informing the citizens about the size and quantum of the subsidy. We also have to educate them about the opportunity cost of what we are unable to do because of the fuel subsidy."

According to the Honourable Minister, the fuel subsidy, in addition to the budget deficit, is putting enormous pressure on



R-L: Mrs. Zainab Shamsuna Ahmed, Honourable Minister of Finance, Budget & National Planning, Mr. Aliyu Ahmed, Permanent Secretary Finance, Ministry of Finance, Budget and National Planning, and Mr. Sani Gwarzo, Permanent Secretary, Ministry of Humanitarian, Management & Safety Affairs at the Interactive Meeting with the House of Reps Committee on Appropriations recently.



L-R: Hon. Muktar Betara Aliyu, Chairman, House of Reps Committee on Appropriations, Mrs. Zainab Shamsuna Ahmed, Honourable Minister of Finance, Budget & National Planning, and Mr. Ben Akabueze, Director-General, Budget Office of the Federation, at the Interactive Meeting with the House of Reps Committee on Appropriations recently.

revenue. "It is not money that we have; it is money that we have to borrow to maintain the fuel subsidy," Ahmed explained.

"Some countries introduced subsidy during COVID-19, and because of the Russia-Ukraine conflict, but they are using their

money to fund such subsidy.

"In our case, we are borrowing to pay the subsidy; that is double jeopardy. It is something that has to stop.

"We are glad that the majority of people in decision-making positions, including the political

parties, have agreed that subsidy is not sustainable.

"The plan is, by June 2023, we must have completely exited subsidy, and it has to be a gradual process.

"The federal government had said that it would spend up to N3.

## DMO Raises N3.2trn From Domestic Market To Fund 2022 Budget

### ● As Sukuk Yields N612bn

By Musa Ibrahim

The Debt Management Office (DMO) has said that it raised a total of N3.3 trillion from the domestic market to finance the 2022 federal government budget.

The Director-General (DG) of DMO, Ms. Patience Oniha, disclosed this in Abuja recently while briefing the media on the N100 billion Sukuk now being offered to the Nigerian public for investment.

According to her, DMO has raised the sum of N612 billion through Sukuk, the ethical debt instrument since it was introduced in September, 2017, with all proceeds dedicated to road infrastructure.

She said: "We raised all of those monies for roads and bridges and there are signs around them so that Nigerians can see them and hold us accountable for the utilisation of the proceeds."

Ms. Oniha, who expressed satisfaction that the product had become widely accepted to the investing, said: "The first time we did Sukuk, we had to undertake



Ms. Patience Oniha, DG, DMO

road shows to five states and held bilateral meetings to convince members of the public to invest in the product. But since then, the instrument has become very acceptable to Nigerian public.

"The fact that people can see

the roads and bridges that are being constructed by Sukuk when they drive around, has helped a lot. Sukuk has a product that is selling itself.

"We are happy to reach a lot

more people to invest in the Sukuk. We have a lot of products that are available to all investors, local and foreign, including retail investors but Sukuk has the added advantage that it is financing infrastructure.

"We are driving retail investors and promoting financial inclusion, meaning those who have investible funds but having no securities that are acceptable for them to invest in find the Sukuk that product that they can invest in and earn some money.

"So overall, we are specifically borrowing to fund infrastructure and developing the market and giving people more investment opportunities."

#### Rationale For The N100bn

The DG explained that Nigerians were asking for the product, but that her team put N100 billion on offer because it was already very close to its domestic borrowing limit of about N3.5 trillion for the current fiscal year.

According to her, there has been a lot of excitement around

Sukuk because road infrastructure provided job opportunities and added value to the socio-economic development of the nation, describing it as a "win-win situation for all members of the public.

The N100 billion to be raised from the current exercise, she said, would be applied on road infrastructure, under the Federal Ministry of Works and Housing and the Federal Capital Territory Administration.

Ms. Oniha added: "DMOs focus is those people who ordinarily would not invest either for reasons of ethics or they are not even aware that their money, though not big, can buy Sukuk. Or some who say, 'I want to give my money to the government but I want to see what they are doing with my money.' Sukuk is just the right product."

She stated that funds borrowed from the capital market, at cheaper rates earlier in the year, had been very helpful in supporting the government in the implementation of the budget.

# NICA Signals Unprecedented Foundation For Nigeria's Economy Transition

## • As Institute Hails FG For Approving Its Supervisory Role

Musa Ibrahim

The Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, has said that National Institute of Credit Administration (NICA) signals that an unprecedented foundation has now been laid by this present administration for the transition of Nigeria's economy from a cash-based to a credit-based system that would serve as catalyst for economic growth and development.

Speaking recently at the occasion of the unveiling of the NICA Act 2022 in Lagos on behalf of President Muhammadu Buhari, she drew the attention of those present to the fact that no economy grows without the use of credit and there is no example of any advanced society where credit is not in use.

Going memory lane, Mrs. Ahmed said: "The journey that brought us to this stage had no doubt been very daunting and challenging. However, I am excited that through sheer determination and the painstaking commitments of critical stakeholders, we are here to witness yet another major milestone in our nation's quest to institutionalise systems that would ensure the steady growth, stability and sustainability of our economy."

"It is, however, imperative to state that credit at any level or sector, if not properly managed, could spell doom for an economy. This is why the federal government took deliberate steps towards ensuring an enduring credit system within our economy to be managed by reputable professionals.

She said: "The professional status of Nigeria credit managers has evolved. As you all know, accountants, attorneys, doctors, and engineers, amongst others, all pass through lawful processes to qualify as professionals. This means that, for an occupation to qualify for the status of being professional, it needs to satisfy certain criteria that can be used to evaluate such work.

"In the past, individuals came into the credit management field without prior preparation and certification. What this signified for our credit management system was that the specialised knowledge and skills required for the effectiveness of credit management practitioners were only haphazardly learned through work experience rather than a robust and thorough certification process," Mrs. Ahmed noted.

She stated that the above situation and the attendant need for thorough credit professionals, coupled with the rapid pace of change in credit management, indicated that the need for a sound approach to learning credit-related skills, certification and regulation of the activities of credit management professionals is now



Honourable Minister of Finance, Budget & National Planning, **Mrs. Zainab Ahmed** (CON), at the unveiling of the National Institute of Credit Administration Establishment Act 2022 recently in Lagos.



L-R: **Mrs. Zainab Ahmed** (CON), Honourable Minister of Finance, Budget & National Planning, **Dr. Mohammed Ali**, Director, Home Finance, and **Professor Chris Onalo**, Registrar/CEO, National Institute of Credit Administration (NICA) at the unveiling of the National Institute of Credit Administration Establishment Act 2022 recently in Lagos.

required more than ever.

She also said that this would ensure adherence to standards, check unethical conducts and insider abuse resulting to sharp practices in the industry as well as grow the economy to the point of providing desired jobs and creating wealth.

"You may recall that one of the incidents that triggered economic and financial meltdown worldwide years back was largely due to lack of attention to sound and disciplined credit management

systems.

"This re-enforces the need for every country desirous of sustainable economic growth and development to amongst others institutionalise necessary regulatory frameworks for proper credit management and provide necessary safeguards and infrastructure to protect local credit markets.

It was, therefore, with these in mind that on Tuesday, 16th August, 2022, Mr. President signed into law the National Institute of Credit

Administration (Establishment), Act, 2022. With this assent, the institute is now known as the NICA.

Mrs. Ahmed charged NICA to ensure that bad management of trade credit, unethical handling of consumer credit, and unprofessional treatment in business credit dealings with SMEs are reduced to the barest minimum.

She commended the efforts of patriotic Nigerians and professional institutions and particularly Chris Onalo, Professor of credit

management, who has over the last three decades championed the course of seeing that credit management becomes a distinct profession in Nigeria.

"The National Assembly must also be commended for the consistent support to this administration to deliver on its promises through enacting laws critical to the successes we have recorded so far.

She, therefore, called on all key players to support the institute to deliver its mandate

# NICA Signals Unprecedented Foundation For Nigeria's Economy Transition

for the development of a robust credit-based economy and to also take advantage of the Act to entrench professionalism and ethical conduct in the management of credit for the growth and development of the country.

In another development, the federal government have been commended for recently signing into law an Act which establishes NICA as a credit system supervisory management body.

With the President's assent, the institute is now known as the National Institute of Credit Administration (NICA), Act No. 1018 of 2022.

The Founding Registrar & Chief Executive Officer of the Institute, Professor Chris Onalo, while reacting to the development thanked Buhari administration for making the dream of many years possible after operating without national recognition for three decades.

He also expressed appreciation to all those who worked tirelessly and whose support made the vision a reality. According to him, to bring credit management into the basket of professions in Nigeria was a tough one, bad management of trade credit, poor treatment in business credit dealings with SMEs is over, lax financial credit management, abuse of political credit, unprofessional handling of consumer credit are all over.

The Institute is enabled to promote the integrity and weigh the capacity of government to borrow for economic development against the backdrop of internal creditworthiness of the overall economy.

Similarly, to handle any form of credit management or credit control functions will require a person to be academically, professionally and experientially qualified through capacity building and skills development programmes. With the robust curriculum modules already developed for the study of credit management by the Institute, Nigerians are set for the attainment of academic and professional qualifications in credit administration which prepares them for credit management functional positions in the labour market of credit industry, both nationally and internationally.

## About NICA

The NICA is the collaborative partner that employers in the credit industry need in order to hold their credit analysts, credit controllers, credit managers, directors of credit, to mention but a few, accountable in cases of unethical credit management conduct or abuse of office.

Also, it serves as a training organisation running credit management or credit administration courses, educational Institutions offering credit management/credit administration programmes, or business organizations operating a credit management training department as part of their operational capacity building will be required to seek accreditation for their credit management training courses from the Institute.

This will enable SMEs in the



L-R: Mr Andy Ojei, FICA, President of NICA, Kabiyesi Jacob Esan, Mrs. Zainab Ahmed, Honourable Minister of Finance Budget and National Planning, Professor Chris Onalo, Registrar/CEO, National Institute of Credit Administration (NICA) at the unveiling of the National Institute of Credit Administration Establishment Act 2022 recently in Lagos.

country to have a good financial breath to run their businesses. More importantly, NICA will seek to influence executive policies of government on credit economic matters, maintain a robust relationship with legislature and judiciary on related laws and interpretation of such laws as they affect credit economy of the nation or credit business transaction and management generally in the

The present and future governments at federal and state level can collaborate with the National Institute of Credit Administration to achieve national industrialisation and business growth strategy objectives. Globally, credit economy is known for promoting the culture of integrity and honesty in business or any form of commercial dealings.

As a national profession body,

management elites, charged with the national task of controlling, supervising and regulating credit management profession in Nigeria, the Institute will preserve, promote, and protect the integrity, honesty and ethics in credit management profession, locally and globally. This is our token of development covenant with credit management professional internationalisation.

"The institute serves as the

and practical training and research into credit management profession, helping to foster effective credit administration in the country, amongst others.

As a registrar and regulator of credit management professional practice activities in Nigeria, NICA is responsible for issuing professional practice license to any person or persons who wish to set up an organisation to offer professional debt recovery services, credit bureau services, credit information services, credit rating services, credit facility mitigation/arrangement intermediary services, debt factoring and receivables management services, credit management training /education services, credit derivative services, credit management consulting services, and such other credit management related professional practice services.

The promoter(s) of the organisation or company must be a Fellow of the NICA. He or she or they must in the first instance obtain professional practice License (PPL) from the NICA. These are part of professional competence requirements which the promoter or promoters of such organisation must satisfy in order to register or incorporate such organisation by the Corporate Affairs Commission," he explained.

The institute is open to national and global membership; the only credit management professional body in the world whose membership is open to all and sundry regardless of the economic sector or industry of business an individual or organisation belongs.

## ...to handle any form of credit management or credit control functions will require a person to be academically, professionally and experientially qualified through capacity building and skills development programmes

country.

The Act enabled NICA to assist the federal and state governments in policy formulation to achieve credible and sustainable regime of industrially supported credit economy.

Using credit to produce and sell more goods and services will keep the nation's production machines running round the clocks which in turn create jobs and wealth for the nation.

NICA will maintain constructive advocacy for national rebirth in terms of trust, integrity and honesty characteristics – it can't be business as usual anymore. The much desired and anticipated good standards of living in any country and Nigeria in particular, calls for respect for due process.

Commenting on the functions of the Institute, Prof. Onalo further remarked: "As a chartered prestigious body of eminent credit

only national body of expertise for all matters relating to credit management, setting professional and ethical standards and awarding professional qualifications in credit management; testing, and assessing those who wish to become members, while enhancing, promoting and protecting the interests of business credit providers and grantors.

"The institute will further encourage and advance education

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## EDITORIAL

# We Sue For Peace, Understanding And Collective Interest Among Government Agencies

CONTINUES FROM COVER

“However, promoting inter-ministerial, inter-departmental and inter-agency peace and understanding ought to be a collective responsibility of all within the government. The cooperation of government through its agencies is needed to build a robust, sustainable and formidable national unity.

We call on government agents to promote peace within the civil service by encouraging good relationships with and among their colleagues.

We ask the government’s agents to desperately try and hold things together, maintain peace and ensure understanding. Whereas many stakeholders and commentators are pointing out ways to remedy ugly situations in Nigeria, it should not seem those saddled with governance and leadership in the geopolitical spaces either do not listen or do not have the capacity to save the country from chaos.

And those who sue for peace in the belief that it is a lot better than strife, should not cease from doing so. They should continue to maintain that it is only through peace that meaningful development can come to the nation.

Nigeria has grown to become the most populous country and the largest economy in Africa and also one with the

largest youth population in the world, next to India and China. This calls for a resetting of her developmental focus to cater for the needs of this big chunk of our population.

A recent development whereby some agents of government would make very unsubstantiated comments that resulted in a media backlash was uncalled for, to say the least.

Particularly, the situation which led to the Honourable Minister of Humanitarian Affairs, Disaster Management and Social Development, backtracking and exonerating the Federal Ministry of Finance, Budget and National Planning from the allegation of budget padding was uncalled for. We strongly believe that there would not have been any wrangling if just a phone call was made to seek understanding.

The Honourable Minister of Humanitarian Affairs, Disaster Management and Social Development only had to request for time to correct the mistake that she observed, by interfacing with the Budget Office and the Ministry of Finance, Budget and National Planning seeking clarification.

The Honourable Minister of Finance had said that the alleged insertion of N206 billion which had generated serious

reaction within the past week was never an insertion but money properly allocated for the National Social Safety Nets Project funded by the World Bank and domiciled in the Humanitarian Ministry.

She did note that the wrong coding resulted in the item being wrongly captured as ‘purchase of security equipment’ and that it had nothing to do with Budget padding, but an oversight.

According to her, the Minister of Humanitarian Affairs and Disaster Management should have drawn the attention of the Budget Office to the anomaly, as her counterparts in other ministries.

She disclosed that the Ministry of Defence, Federal Ministry of Power, among others, also committed the same error. The Honourable Minister called for collaboration among ministries department and agencies (MDAs) of the government in a bid to forestall such oversight.

To avoid this kind of back-and-forth scenario, we, therefore, sue for peace, understanding and collective interest among government agencies. For it is only when there is peace and understanding that there could be meaningful productivity and development in the country.

## SEC Warns Fund Managers Against Holding Clients’ Funds, Securities

### ● As Finance Minister Expresses Confidence In Capital Market’s Growth

By Musa Ibrahim

The Securities and Exchange Commission (SEC) has warned fund managers still in the habit of holding on to clients’ funds and securities to desist from such acts or face the wrath of the apex regulator.

The commission noted that holding on to clients’ funds and securities is a clear violation of the commission’s Consolidated Rule 95 (1-2). It reminded fund managers that all funds and securities of clients being managed by their firms must be vested with the custodians.

The Director-General (DG) of the SEC, Mr. Lamido Yuguda, stated this at the Post Capital Market Committee briefing held in Lagos recently.

According to a statement by the Head of Corporate Communications of the SEC, Efe Ebelo, the SEC DG also drew the attention of fund managers to issues that arose from the commission’s recently concluded inspection of Fund/Portfolio Management operations, whereby several fund managers managing discretionary and non-discretionary products and portfolios were yet to seek a ‘no objection’ of their products and portfolios from the commission, which is a violation of the commission’s rules.

Mr. Yuguda announced that the e-Dividend Committee notified members of efforts to rebuild the e-Dividend Management Mandate



Mr. Lamido Yuguda, DG, SEC

System (e-DMMS) platform.

This, he said, involves having a centralised submission of e-dividend mandate forms, Application Programming Interface (API) for banks and registrars, and a revamped web interface, among others.

Meanwhile, the SEC has said that it would not be considering cryptocurrencies in its push for digital assets.

The commission in February 2021 suspended the approval of cryptocurrencies and related products and warned the investing public against crypto and crowdfunding platforms.

Despite the ban, Nigerians continued to show interest in the

crypto market. In May 2022, it released guidelines on the issuance and custody of digital assets in the country, a move seen as supporting the adoption of crypto.

The DG of the commission noted that the commission was avoiding the digital currency as crypto exchanges do not have access to the banking platform that is needed to drive their trades in Nigeria yet.

“We are looking at digital assets that really protect investors,” not necessarily crypto, bloomberg reported him saying.

He said that the SEC would promote investment in ‘sensible digital assets’, with investment protection and also explore

blockchain technology to advance virtual and traditional investment products.

“The commission is in the business of protecting investors, not in the business of speculation,” he said, alluding to volatility concerns in cryptocurrencies.

He, however, said that SEC may promote crypto as the digital assets market undergoes development. “Now any asset that is traded in the Nigerian capital market requires the joint approach of different regulators,” he said.

The guidelines it released in May this year mandates the registration of “the offering and sale of digital tokens that are considered securities”, saying the rules shall apply to all issuers seeking to raise capital through digital asset offerings.

According to the regulation, digital asset actors include digital asset offering platforms (DAOPs), digital asset custodians (DACs), virtual assets service providers (VASPs), and digital assets exchange (DAX).

The commission said that it would review applications within 30 days before determining whether the digital asset proposed to be offered constitutes a ‘security’.

“The commission may reject any application for registration of digital assets if, in its opinion, the proposed activity infringes public policy, is injurious to investors or violates any of the laws, rules and regulations implemented by the commission,” it said.

In another development, the Minister of Finance Budget and National Planning, Mrs. Zainab Ahmed, in Lagos recently described investor confidence as one of the key ingredients that would accelerate the growth of the nation’s capital market and increase both domestic and foreign investors’ participation.

The Minister who was represented by the DG of Debt Management Office (DMO), Ms. Oniha, at the launch of the revised Capital Market Master Plan, pledged that the federal government would continue to strengthen the regulator to effectively do its job of regulating and developing the capital market.

She noted that the capital market should be characterised by high level of compliance with ethical standards, deep liquidity and sophistication, good corporate governance, and a strong domestic investor base.

According to her, “Nigeria needs a capital market that broadens access to economic prosperity by enabling the emergence of financially responsible citizens, accelerating wealth creation and distribution, providing capital to small and medium scale enterprises, and catalysing housing finance.

“I consider the revised Capital Market Master Plan a veritable tool which the capital market must use as it drives key initiatives towards achieving the country’s economic growth objectives.

Mrs. Ahmed said that the

CONTINUES ON PAGE 10



By law, Deposit Insurance coverage is compulsory for all licensed banks in Nigeria. Look for the NDIC sticker at your bank or ask your bank representative.

# NBET Seeks To Build Sustainable Power Sector Through Partnerships

By Enam Obiosio

The theme, 'Building A Sustainable Power Sector Through Partnerships' which is fundamentally at the heart of the Nigerian Bulk Electricity Trading Plc. (NBET), was extensively explored at its 2nd 2-day capacity building workshop for members of Power Correspondents Association of Nigeria (PCAN), Civil Society Organisation and other stakeholders recently in Lagos.

Quality resource persons and experts from the Nigerian power sector were present to deliver outstanding presentations to the participants.

## Actualising Enhanced Electricity Supply And Commercial/Industrial Decarbonisation In Nigeria

In his presentation on the above topic, Dr. Nnaemeka Ewelukwa, Managing Director/CEO, Nigerian Bulk Electricity Trading Plc, said that over the past 10 years, NBET has made strides in the electricity sector, creating value for all market participants.

On electricity payments facilitated through contract administrations, he said that the administration of PPAs and Vesting Contracts by NBET has resulted in electricity payments worth N5 trillion from February 2015 till date.

"NBET has ensured successful and transparent management of the N1.3 trillion payment assurance facility which aided a 30 percent increase in the highest peak generation ever attained, from 4500Mw (Feb. 2015) to 5,800Mw (March 2021), due to capacity recovery by generation companies (GenCos)," he said.

According to him, there was facilitation of privatisation of generation companies through PPAs with core investors. This led to \$2.5 billion dollar privatisation of GenCos and DisCos in 2013, with Afam Power Plc and Afam Three Fast Power Limited (N105.3 billion; \$343.6 million dollars).

"NBET ensured finalisation of the first financed power project Azura (450Mw), which herald an investment of close to \$1 billion (gas IPP). It executed PPAs with 14 Solar IPPs for 1GW.

Dr. Ewelukwa also said that within the period, NBET operationalised itself as a going-concern and built the capacity to demonstrate credibility to potential developers and investors in the power sector, especially its IPP planning and procurement capabilities.

According to him, the company has been acting as the anchor for the FGN-World Bank Power Sector Recovery Program (PSRP) implementation channel for the application of the \$750 million Power Sector Recovery Operation (PSRO) loan proceeds, the Payment Assurance Facility (PAF) and federal government's budgetary appropriation in addressing tariff shortfalls in the electricity market.

He reeled out key statistics which showed that with the population of 214 million, the grid electricity access is 55 percent, grid



Dr. Nnaemeka Ewelukwa, MD/CEO, NBET addressing participants at the workshop

electricity consumption per capita: 144kWh, national peak demand forecast: 19.8GW, grid generation installed capacity: 13GW, available generation capacity: 7.6GW, transmission wheeling capacity: 8.1GW, all-time peak generation ever attained: 5.8GW, number of generating plants on the grid: 26, and number of distribution companies: 11.

On electricity sector challenges, considering National peak demand forecast of 19.8GW (Transmission Company of Nigeria) and highest peak generation of 5.8GW, he noted that the sector has had self-generation by commercial/industrial customers (petrol/diesel) of between eight GW and 13GW (National Development Plan 2021-2025).

Dr. Ewelukwa noted, among others, that 80 percent of operational energy capacity is from off-grid diesel/petrol generators

those who need it, including timely and complete payments to IPPs and provision of payment security instruments as may be required.

Dr. Ewelukwa also mentioned transformation of the electricity market to a customer-centered market, where commercial and industrial customers drive network investments for enhanced electricity supply, saying that current regulatory framework already permits this transformation, including the following NERC Regulations: Regulations for Investments in electricity networks in Nigeria 2015; eligible customer regulations 2017; guidelines on distribution franchising in the NESI 2020.

Considering the NBET's objective, he stated the need for the implementation of the objective with an automated energy trading platform/ exchange to be deployed. According to him, IPPs wishing

generation plants; transmission and distribution network; the gas pipeline network; the energy locations, including solar irradiation, wind and mini-hydro potentials.

"The interactive map will facilitate transaction structuring by willing buyers and sellers, network investment coordination, guide investment decision-making, and facilitate greater policy planning and efficient resource planning", he said.

Dr. Ewelukwa spoke on value proposition for the automated energy trading platform/ exchange, as a vehicle for driving low carbon economic growth.

He said that the platform/ exchange would bring about enhancement of electricity supply to commercial/industrial customers and actualisation of rapid decarbonisation.

The target customers, according

**Comprehensive interactive map will be developed, showing the geo-locations of the following facilities within Nigeria and the ECOWAS region (existing, on-going and proposed)**

(Energy Transition Plan 2022), and that there is growing energy deficit as the population continues to grow (with an annual growth rate of 3.2 percent, the country's population of over 200million is projected to be about 402 million by 2050).

He mentioned the imperatives for electricity market growth such rapid development of a self-sustaining, electricity market devoid of financial and infrastructural challenges; the need to stimulate effective demand for energy by

to sell power can register on the platform and immediately have access to a comprehensive database of commercial/industrial customers across the country, and their energy requirements.

He said that comprehensive interactive map will be developed, showing the geo-locations of the following facilities within Nigeria and the ECOWAS region (existing, on-going and proposed): Commercial and industrial customers and industrial clusters;

to him, are commercial and industrial undertakings, Manufacturers Association of Nigeria (MAN) with 3064 members, micro, small and medium enterprises with 39,654,385 (micro: 96.9 percent; small and medium: 3.1 percent) (SMEDAN), industrial clusters and Free Trade Zones (FTZ): (42FTZ; 25 active), and Nigeria Customs Service, government departments and agencies, universities, telecommunication companies, banks, large housing estates,

agricultural processing business undertakings & markets.

Then there will be facilitation of a market for renewable energy projects including solar projects and mini hydro projects, catalysing the rapid growth of the carbon credit market in Nigeria and the ECOWAS region.

Apart from speaking on national decarbonisation targets and strategy, Dr. Ewelukwa also highlighted other key objectives such as transparent transactions and price discovery, enhanced energy infrastructure investment, enhanced power generation investments, provision of energy market intelligence, enhanced payment discipline in the energy market, boosting of export market and cross border trades, boosting of economic growth and development, and stakeholder engagements.

## Partial Activation Of Contracts: Implications For The Power Sector

Dr. Eugene Edeoga, Head, Strategy, Coordination and Corporate Communications, NBET, in his contextual backgrounding on the above topic, said that NBET purchases energy and capacity from 25 generation plants owned by the respective generation companies (GenCos) that have contracts with NBET. While some have Power Purchase Agreements (PPAs), others have Interim Agreements executed, pending the finalisation of PPAs.

According to him, for the GenCos that have PPAs, some of the PPAs are active while others await the fulfilments of conditions for full activation.

"Despite the execution of a fully termed PPA with energy and capacity payment obligations between some of the on-grid GenCos and the NBET, the PPAs did not take effect due to inadequate capacity to wheel the generated power to consumers. For other GenCos, no PPAs were signed, and energy was being supplied to the grid and paid for by NBET on a best endeavour basis", he said.

In his words: "In both cases, NBET would pay the GenCos only for the energy that is dispatched. The impact of this was both on the consumers and the investors – for consumers, a significant portion of the generation capacity in the NESI were stranded and could not be delivered; for investors, the investments in the generation companies could not be recovered due to the sub-optimal utilisation of the assets.

"To address this challenge, the Nigerian Electricity Regulatory Commission (NERC) came up with the idea of implementing a phased activation of the contracted capacity under the PPAs between NBET and each of the GenCos as part of a strategy to ensure increased electric power supply across the value chain.

"Essentially, the partial activation is designed to, amongst other things, – enshrine market discipline among the NESI operators through the mechanism of liquidated damages for breach of service level obligations; and address



The Nigerian Bulk Electricity Trading Plc. is a Federal Government of Nigeria owned public liability company established to be a catalyst in the development of an efficient and competitive wholesale electricity market through bulk purchase of power and ancillary services from Independent Power Producers (IPPs) and successor Generation Companies (GENCOS) for resale to Distribution Companies (DISCOS) and other large consumers who may take electricity directly from the national grid. NBET purchases electricity from the Generating Companies through Power Purchase Agreements (PPAs) and resells to the Distribution Companies through Vesting Contracts.

At the end of each monthly cycle, the Market Operator (MO) takes the reading and issues a monthly settlement statement for energy and capacity delivered on the network. The MO issues a Final Settlement Statement (FSS) to NBET, it is based on the FSS that NBET invoices the DISCOS for electricity off-taken from the grid, and validates the GENCOS invoice for electricity injected to the grid.

DISCOS are mandated to collect, in whole, revenue based on the approved tariff which is a percentage of the ACTUAL cost reflective tariff (i.e., Cost reflective tariff minus the Shortfall). The approved tariff determines the percentage of the total invoice figure to be paid by the DISCOS and this is referred to as the Minimum Remittance (MR). The Minimum Remittance is contained in an Order that is published by NERC called the Minimum Remittance Order (MRO). Upon receipts of DISCOS remittances, NBET then makes payment to GENCOS for their invoices. NBET also utilizes other sources of funds to top-up payments to GENCOS which includes FGN Budgetary Appropriation and Power Sector Recovery Operations that caters for tariff shortfall.

Please visit [www.nbet.com.ng](http://www.nbet.com.ng) for more details.

The September 2022 NBET Market Payment is as shown below:

SEPTEMBER 2022 CYCLE PAYMENTS TO GENCOS							
S/N	GENCOS	GENCO INVOICES (N)	MARKET PAYMENTS (N)	OTHER PAYMENT	PAF PAYMENTS + BUDGETARY APPROPRIATION + PSRO (N)	TOTAL PAYMENTS (N)	% PAYMENT
1	KAINJI (Mainstream)	2,668,380,724.46	1,486,659,778.70	607,671,128.12		2,094,330,906.81	78.49%
2	JEBBA (Mainstream)	4,128,919,879.85	2,300,383,546.68	940,280,140.05		3,240,663,686.73	78.49%
3	SHIRORO (North South Power)	6,404,783,268.15	3,568,356,490.04	1,458,563,179.62		5,026,919,669.66	78.49%
4	EGBIN	9,681,465,672.63	5,393,925,043.15	2,204,763,028.46		7,598,688,071.60	78.49%
5	UGHELLI TRANSCORP (DELTA)	5,092,994,448.96	2,837,507,380.78	1,159,829,125.56		3,997,336,506.34	78.49%
6	SAPELE (POWER) STEAM	347,669,535.66	193,700,363.00	79,174,885.73		272,875,248.73	78.49%
7	GEREGU	638,692,635.12	355,840,769.98	145,449,661.87		501,290,431.84	78.49%
8	AFAM IV-V	972,440,218.25	541,784,666.04	221,454,097.25		763,238,763.29	78.49%
9	OLORUNSOGO	2,806,082,666.57	1,563,378,942.83	639,030,031.94		2,202,408,974.78	78.49%
10	OMOTOSHO ELECTRIC	2,761,474,276.98	1,538,525,855.72	628,871,350.25		2,167,397,205.97	78.49%
11	ALAOJI NIPP	732,391,766.35	408,044,238.70	166,787,792.61		574,832,031.32	78.49%
12	GEREGU (POWER) NIPP	1,463,516,237.95	815,382,417.69	333,286,983.82		1,148,669,401.51	78.49%
13	ODUKPANI (CALABAR) NIPP	5,015,986,955.35	2,794,603,479.42	1,142,292,186.36		3,936,895,665.78	78.49%
14	OLORUNSOGO (POWER) NIPP	-	-	-		-	-
15	OMOTOSHO GEN CO. NIPP	-	-	-		-	-
16	SAPELE (OGORODE) NIPP	59,450,828.02	33,122,392.92	13,538,754.57		46,661,147.50	78.49%
17	IHOVOR NIPP	311,198,556.97	173,380,947.33	70,869,339.02		244,250,286.34	78.49%
18	GBARAIN NIPP	-	-	-		-	-
19	IBOM	315,256,879.80	175,641,998.48	71,793,542.07		247,435,540.55	78.49%
20	RIVERS IPP	2,017,225,996.71	1,123,875,887.11	459,383,470.23		1,583,259,357.33	78.49%
21	TRANS AMADI (FIPL)	1,094,849,364.77	609,983,612.69	249,330,368.23		859,313,980.92	78.49%
22	OMOKU (FIPL)	684,983,232.41	381,631,081.12	155,991,433.22		537,622,514.33	78.49%
23	MABON (DADIN KOWA HYDRO)	504,768,952.98	281,226,622.97	114,951,182.30		396,177,805.27	78.49%
24	*AZURA POWER (NAIRA)	14,340,985,527.21	7,989,926,690.27	3,265,876,856.99		11,255,803,547.26	78.49%
25	SHELL (AFAM VI)	-	-	-		-	-
26	AGIP (OKPAI)	6,363,486,445.64	3,545,348,407.10	1,449,158,642.07		4,994,507,049.17	78.49%
	<b>TOTAL</b>	<b>68,407,004,070.79</b>	<b>38,112,230,612.70</b>			<b>53,690,577,793.03</b>	<b>78.49%</b>

**SEPTEMBER 2022 DISCOS INVOICES AND PAYMENTS**

S/N	DISCOS	NERC APPROVED MINIMUM REMITTANCE	INVOICE VALUE (N)	MRO VALUE (N)	DISCO PAYMENT (N)	PAYMENT PERFORMANCE RELATIVE TO MRO
1	ABUJA	100.00%	9,871,279,557.74	9,871,279,557.74	7,895,844,655.41	79.99%
2	BENIN	94.02%	6,467,566,163.81	6,080,805,707.21	5,378,106,650.87	88.44%
3	EKO	100.00%	6,751,331,673.72	6,751,331,673.72	5,632,369,225.55	83.43%
4	ENUGU	100.00%	6,057,973,181.58	6,057,973,181.58	5,014,111,944.29	82.77%
5	IBADAN	100.00%	8,239,171,225.17	8,239,171,225.17	6,885,072,712.70	83.57%
6	IKEJA	100.00%	10,317,122,630.30	10,317,122,630.30	9,989,813,214.47	96.83%
7	JOS	73.65%	3,878,911,505.38	2,856,818,323.71	2,521,238,068.04	88.25%
8	KADUNA	100.00%	4,826,839,642.96	4,826,839,642.96	841,841,665.42	17.44%
9	KANO	100.00%	4,558,933,713.15	4,558,933,713.15	3,123,496,567.56	68.51%
10	PH	89.94%	5,073,636,599.34	4,563,228,757.45	2,276,896,657.68	49.90%
11	YOLA	10.50%	1,968,868,496.75	206,731,192.16	206,731,192.16	100.00%
	<b>TOTAL</b>	<b>94.59%</b>	<b>68,011,634,389.91</b>	<b>64,330,235,605.15</b>	<b>49,765,522,554.15</b>	<b>77.36%</b>

**NOTES:**

- Payment Performance to Generation Companies (GENCOS) for September 2022 Invoice Cycle is 78.49%
- Supplementary Payments from Distribution Companies (DISCOS) will be paid to the Gencos as received, to top-up payments for the September 2022 Cycle.
- Discos expected performance based on the Regulators' (Nigerian Electricity Regulatory Commission) Minimum Remittance Order (MRO) is 94.59% of total invoice to Discos for the July 2022 Cycle. However, Discos payment to NBET is 77.36%.
- Except YOLA Disco, No other Disco achieved 100% of the MRO, thus subsequent payments are expected from the Discos to meet up the MRO targets for the period.

**IMPLEMENTATION OF NERC'S ORDER ON SECURITIZATION OF GAS PAYMENTS IN NESI**

Under the Partial Contract Activation regime, to firm up the required gas supply, and in line with NERC's order, the Gas Supply Securitization Fund [GSSF] Implementation Agreement ("GIA") was executed by NBET and Gas Aggregation Company of Nigeria (GACN). As stipulated under the GIA and in line with NERC's order on Gas payment securitization, applicable GENCOS had the respective September 2022 Gas Company (GasCo) Suppliers/Transporters invoice netted off the GENCOS invoices. Thus, The respective Gas invoices for September 2022 has been paid in full (i.e. 100%) for the applicable GENCOS with activated contracts through GACN.

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# NBET Seeks To Build Sustainable Power Sector Through Partnerships

CONTINUES FROM PAGE 8

the liquidity shortfall in the NESI by providing an effective payment security framework to ensure that all NESI market operators or vendors – gas suppliers, GenCos, the Transmission Company of Nigeria (TCN), and DisCos are paid all due invoices in full.

According to Dr. Edeoga, the whole of this is meant to secure available generation capacity of at least 5,500MW in Phase – 1 (1st July 2022), and 6,500MW in Phase – 2 (1st July 2023), create certainty in the gas-power market segment through contracting, as a way to improve firm gas availability to power stations, grow the electricity market in line with TEM requirements and overall goals of the power sector reform objectives towards addressing issues with gas supply and transportation contracts and constraints; transmission and distribution network constraints; challenges surrounding securitisation of payments across the NESI value chain; and widening gap between peak demand and available generation.

Apart from the implementation plan, “It is expected that under the first phase, the NESI would be able to generate, transmit and distribute 5500 MW and that this power would be fully paid for.

That following the success of this trial phase, a further 1000 MW would be added to the activated contracts bringing the total to 6500 MW within the following year.

“It would improve capacity off take by the DisCos on an incremental basis, create certainty in the gas power market segment through contracting as a way of improving gas availability to the electricity market, grow the electricity market in line with TEM requirements and the overall goals of the power sector reforms, and sustained incentive for investment in the sector to drive further growth and expansion.

## NBET and Its role in Promoting the Power Sector Recovery Program (PSRP)

Mr. Akinawo Johnson, Head, Origination, Contract Management and Admin, NBET, in his presentation, said that the PSRP is a series of policy actions, operational,



governance and financial interventions to be implemented by Federal Government of Nigeria over the next five years to reset the Nigerian electricity supply industry for future growth.

“The PSRP was designed with the aim of resetting the NESI with the World Bank being the anchor of the Program. Under the program, the FGN recognised the ‘Tariff Shortfall’ in the NESI as its obligation to be settle through NBET,” he said.

The objective of the program, according to him, is to renew Nigeria’s economy by rebuilding a functioning and fair power system through restoring the sector’s financial viability; improving power supply reliability to meet growing demand; strengthening the sector’s institutional framework and increase transparency; implementing policies that promote and encourage investor confidence in the sector; and institutionalising a contract-based electricity market.

He said that the PSRP financing plan represents the funding requirements and sources of funds to cover new and historical tariff shortfalls in the power sector until cost recovery is achieved. He also talked about sources of funds and the uses of funds.

Talking about the vicious cycle of the power sector and the PSRP, Mr. Johnson said that the program aims to break the vicious cycle by

ensuring that sector companies receive their allowed revenues (per NERC’s tariff regulation) while gradually enforcing their contractual obligations and improving service delivery.

Apart from governance and implementation arrangements, he also made reference to the program’s disbursement link indicators (DLI), saying that the program includes seven DLIs - two Global DLIs and five standard DLIs.

On other aspect of the program, the technical assistance (TA) component, he said that there is a US\$20 million component of technical assistance to help the MDAs with the implementation of the DLIs and with overall institutional strengthening and capacity building. Below summarises the scope of the TA that relates to NBET.

Speaking on fiduciary and funds flow arrangements, he also mentioned Payment Discipline Committee, saying that the Technical Committee on DisCo Payment Discipline Committee was created out of the meeting of the Presidential Power Sector Coordinating Working Group (PSC-WG), chaired by Vice President Yemi Osinbajo on Friday June 5th, 2020.

The Honourable Minister of Finance, Budget and National Planning and the Central Bank of Nigeria (CBN) were to chair the

committee and hold meetings with the DisCo owners, commercial banks and the relevant government agencies, including others. The committee was to deliberate on issues surrounding the persistent lack of payment discipline in remittances made by DisCos to NBET and TCN, address the challenges and proffer solutions. The committee was also tasked with looking at the market issues that needed to be resolved, and a 90-day window period was set at initial target for providing resolutions on the issues identified.

## EPSRA Explained - Understanding the Act And The Proposed Amendments

This topic, handled by Damilola Alada of Bloomfield Law Practice, had shed some light on the objectives of the Regulatory Reform, Electric Power Sector Reform Act: Key reform policies in the Act, Provisions in the Act, the Electricity Bill: Highlights of the Bill, and other general points.

Understanding Key Clauses in the Power Purchase Agreements (PPAs)

Presented by Dr. Peter Oniemola, Energy Consultant and Senior Lecturer, Faculty of Law, University of Ibadan, he captured areas such as main parties, stipulations as to time, and salient provisions of a PPA. He stated in conclusion: “In a private driven power sector, the role

of PPA cannot be overemphasised as a very important document. It is a viable document for ensuring that the sellers and purchasers of electricity are coordinated within the framework of the law and laid down negotiated terms and conditions that are memorialised into a contract.

## PPAs – Examining the Ghana/Kenya Model

Dr. Oniemola, also speaking on ‘PPAs – Examining the Ghana/Kenya Model’, led his presentation from structure of the power sector in Ghana and structure of the power sector in Kenya, highlighting the model in both Ghana and Kenya. He concluded by asking the nation to explore adopting standardised PPAs that address existing peculiarities and support credit enhancement for off-takers. He went further to say that IPPs should do extensive market research before making projections and not get locked in by producing more of either than is actually required.

## Securitisation Instruments In The Electricity Market

On this topic by Itohan Ehiede, Head, Guarantees and Risk Management Department of NBET, she, from the general overview, captured areas such as securitisation instruments, partial risk guarantee, put/call option agreement, letter of credit, bank guarantee, security trust deed, and escrow arrangement.

Ehiede rounded off her presentation by saying that the foregoing arrangements around market visibility on the collections of the DisCos and their payment obligations to NBET may, indeed, be a measure to ensure that the DisCos are managing their collections properly to be able to meet their payment obligations to NBET and other market participants and remain a going concern. “This way, the DisCos would not even have control of their collection accounts, and payments would be remitted directly in accordance and satisfaction of the subsisting payment waterfall to NBET and other market participants by the relevant DMB on the instruction of the Central Bank of Nigeria (CBN)”, she said.

# SEC Warns Fund Managers Against Holding Clients’ Funds, Securities

CONTINUES FROM PAGE 6

implementation of the Master Plan is one of the key initiatives in the 40- Deliverable Presidential mandate of the Federal Ministry of Finance, Budget and National Planning.

This, the Minister said, underscores the fact that capital market growth resonates with this administration’s unwavering commitment to deepening and re-positioning the financial market as a key anchor to achieving a private sector-led development of our economy as emphasised in the National Development Plan (NDP) objectives.

“This administration and especially my office has supported

the Capital Market Master Plan implementation efforts since inception.

“The Master Plan, which represents collective aspirations of the capital market community, is focused on driving initiatives geared towards growing and deepening the market with the ultimate goal of accelerating the emergence of our country in the top 20 global economies by the year 2025.

Speaking earlier, the DG of the SEC stated that the Master Plan is designed to chart a strategic direction while providing clarity of vision and a robust road map required to facilitate innovation, investment, growth and expansion of empowering opportunities in

Nigeria and beyond.

According to him, “Our vision is to be Africa’s most modern, efficient, and internationally competitive market that catalyses Nigeria’s economic growth and development. We believe the Plan provides a solid roadmap for achieving this vision as we collaborate with other stakeholders to effectively drive its implementation.

Mr. Yuguda stated that the main objective of the review was to produce an updated version of the document primarily to engage stakeholders on the current level of market development and opportunities for further capital market growth; review and update the assumptions and vision of

the Capital Market Master Plan (CMMP) and develop targets for the various thematic areas of the CMMP; and introduce a Strategy Map and KPIs for the CMMP and use the balanced scorecard approach for performance measurement.

Other objectives, the DG said, are to align existing initiatives with new ones based on targets and strategic objectives; develop an implementation plan for initiatives with clear milestones, deliverables, timelines, resource requirements, and dependencies; identify challenges, opportunities and risks associated with the CMMP implementation and recommend ways of effective and more efficient implementation; and identify and

incorporate new product ideas and initiatives to deepen and grow the capital market.

Representing Financial Sector Deepening Africa, Mr. Victor Nkiri, said that the Nigerian capital market has gained prominence among its peers, having increased in size, depth and sophistication in terms of diversified products, adding that the capital market continues to play a key role in the economy.

Mr. Nkiri said that the revised CMMP would provide a blueprint for Nigeria’s capital market to remain up to date with emerging trends and future realities, even as it continues to attract increased local and foreign investors’ participation.

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# NEWS IN PICTURE

The Federal Inland Revenue Service (FIRS) recently hosted the 42nd Technical Conference of the Commonwealth Association of Tax Administrators (CATA) in Abuja, Nigeria. Among others, the Secretary to the Government of the Federation, **Mr. Boss Mustapha**, was part of the government's delegation that graced the occasion.



# OFFER FOR SUBSCRIPTION



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The screenshot displays the NAICOM Insurance Policy Portal System interface. At the top, there is a navigation bar with links for NAICOM Home, Directories, Contact Us, and Online Assistance. The main header features the NAICOM logo and the text 'NATIONAL INSURANCE COMMISSION'. A search bar is located on the right side of the header. Below the header, the page is titled 'Insurance Policy Portal System'. The main content area is divided into three columns. The left column contains sections for 'Introduction' (About NAICOM, What does NAICOM Portal Do?, Publications, Laws and Regulations, Where to Start?), 'Explore' (For Consumers, For Insurers, For Agents, For Brokers, For Loss Adjusters, For Law Enforcement Agents, For NAICOM Officials), and 'Resources' (Licensing Online Applications, API Manuals). The middle column is titled 'Forms & Reports' and lists several PDF forms: Takaful Insurance Registration Form (PDF), Insurance Agent Registration & Renewal Form (Form 26) (PDF), Insurance Broker Registration & Renewal Form (Form 20) (PDF), Loss Adjuster Registration & Renewal Form (Form 22) (PDF), and Insurance Company Registration Form (PDF). A 'Find More' link is also present. The right column contains a 'Login' section with fields for Username and Password, a 'Login' button, and a 'Keep me logged in' checkbox. Below the login section is a 'Verify Insurance Policy' section with an 'Input Policy Unique ID:' label and a 'Policy Number' input field, followed by a 'Verify' button. At the bottom of the right column, there is a 'Connect with Us' section with social media icons for Facebook, Twitter, YouTube, and LinkedIn. The footer of the page includes links for Sitemap, Privacy, Sitemap, About, Disclaimer, and a copyright notice: ©2022 Copyright NAICOM.

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# Finance Minister Urges CATA, Others To Jettison Skewed International Tax Rules

## ● As FIRS Leverages Technology To Grow Revenue Base

By Musa Ibrahim

The Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Shamsuna Ahmed, has urged delegates and experts to jointly speak against the current international tax rules skewed against source countries; particularly the developing countries.

She said this recently at the 42nd Technical Conference of the Commonwealth Association of Tax Administrators (CATA) held in Abuja, Nigeria.

Calling this year's conference themed: 'Tax Administration in a Digital Era' to discuss and recommend solutions to some issues in the global tax administration, particularly the issue of fair international tax rules, Mrs. Ahmed noted: "Painfully, the skewness in the current international tax rules is again influencing the two-pillar solution of the inclusive framework."

"Over the past few years, our government committed huge monetary and human resources to championing the cause of developing countries. It is important for CATA and similar organisations to blend their voices with ours to insist that skewed international tax rules be straightened for the good of all.

In her keynote address, speaking on the theme, she said: "This (the theme) is very apt and timely considering that the business world had moved away from the 'bricks and mortar' model to the fast-paced, globalised and digitalised model.

"Certainly, tax administrative processes must keep pace with changes in the business world.

An African adage says 'where the hunter has learnt to shoot without missing, the birds that would avoid the hunter's soup-pot must learn to fly without perching.' Since businesses are evolving from physical presence to virtual place, tax administrations must also shift gear to the virtual realm.

"We have observed, for instance, that 'Amount A' profit meant for market jurisdictions is progressively being chipped away in favour of jurisdictions where the multinationals are resident.

In her words: "Another example of skewness of the 'Amount A' rules is the requirement for jurisdictions to surrender domestic tax disputes to mandatory and binding ruling of an arbitration panel composed and sitting outside the legal system of the respective jurisdictions.

According to her, it is a common knowledge that taxation is a matter of domestic law; disputes arising from the interpretation of domestic legislation should only be resolved within those domestic legislations and by people properly schooled to interpret them.

Mrs. Ahmed said: "The discussion to change the rules must start now; the world must rework the profit allocation rules used for transfer pricing and the sharing of taxing rights by tax treaty partners. Nigeria is of the view that CATA is

that organisation that is best placed to start this dialogue.

On digitalisation of tax administration, the Honourable Minister noted that it is a fact that the tax administrations of most developing countries are based on manual processes.

"In these tax administrations, information and communication technology (ICT) function is limited to provision of hardware and basic software in support capacity. Whereas automation, large data, artificial intelligence and machine learning capabilities is central to effective tax administration.

According to her, such capabilities would enable tax authorities to do e-invoicing, pre-populate tax returns, carry out automated tax risk profiling, etc.

Highlighting the issue of capacity development, Mrs. Ahmed also noted that there are many new things emerging in the field of taxation, particularly, taxation of multinationals. "Tax administrations must continually upscale the skills of their employees so that they can effectively and efficiently handle emerging tax issues. As such, tax officers must be trained and retrained on tax technicalities (including the new international tax rules) and the social effects of taxation," she said.

On nomad workers, she said: "An emerging trend occasioned by the digital era is remote-working (an individual resident in one country working remotely for an entity resident in another country). The fire of remote-working was given vent to by the lockdowns of COVID-19. This is raising many questions such as tax residency, employment tax, tax nexus for the company and possibility of other local taxes.

Mrs. Ahmed also noted that the digital era is quite exciting considering the possibilities – exotic products, efficiency, remote-working, etc. "However, in them are embedded the tax challenges, e.g. problems associated with identifying, tracking and accessing taxable transactions, income or persons. Extant rules are based on physical presence which render them inapplicable in the digital era.

She called on countries to cast aside their differences or individual



L-R: Executive Chairman, Federal Inland Revenue Service, **Mr. Muhammad Nami**, Chief Executive Officer/Director General, Inland Revenue Board of Malaysia, **Datuk Mohd Nizom Sairi**, Honourable Minister of Finance, Budget and National Planning, **Mrs. Zainab Ahmed**, and Executive Director, CATA, **Mr. Duncan Onduru** during a meeting at the CATA recently in Abuja.

self-interest to jointly develop workable, simple and fair solution.

"Nigeria is committed to working with other jurisdictions and international bodies to achieve a win-win solution. The 'Amount A' proposal being developed by the inclusive framework is not achieving consensus because it is founded on win-lose principles. Only rules that promote a win-win situation can

"Nigeria has remained in the fore-front of the global efforts at finding equitable and lasting solutions to international tax issues, including the long-standing issue of imbalance in the allocation of taxing rights between source and resident jurisdictions; information asymmetric between multinational enterprises and tax authorities in developing countries; the issue of

presumptive tax. We already have a tax law that allows us to bring the informal sector into the tax net. But it is on condition that regulation has to be issued by the Honourable Minister.

"We are doing that, and we will submit a draft regulation to the Honourable Minister. Thus, by 2023, we should come up with a framework of which we will use technology, our administrative apparatus, and other means to bring them into the tax net," he said.

### How FIRS Leverages Technology To Generate Over N7.5tn

Similarly, the FIRS has stated that the agency leveraged information technology to generate N7.5 trillion for the government in the last few years.

Mr. Muhammad Nami stated this recently at the Nigeria Computer Society (NCS), the umbrella body of all information technology (IT) professionals in Nigeria's conferment. Mr. Nami noted that the profession of the future is information technology.

"FIRS has leveraged technology to generate over N7.5 trillion for the government in the last few years. The profession of the future is information technology," he said.

He, therefore, encouraged other government agencies to make better use of the opportunities that technology offers.

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achieve the support of all.

According to her, Nigeria is glad that this year's train of CATA has come to Abuja the second time following the 2010 conference hosted by this same beautiful city.

"It is noteworthy that this conference is coming on the heels of the very successful 7th General Assembly of the African Tax Administration Forum (ATAF) held in Lagos a few weeks ago. The choice of Nigeria, as a destination for these important international tax events, is not by accident.

base erosion and profit shifting (BEPS); and tax challenges of the digitalised economy.

Earlier in his remarks, President of CATA and Chairman, Federal Inland Revenue Service (FIRS), Mr. Muhammad Nami, said that from 2023, there would be a definite effort to get more informal sector players into the tax net.

Speaking on the side-line of the conference, he said: "FIRS is trying to submit a regulation to the Honourable Minister of Finance, Budget and National Planning on

## Food Security: Agba Calls On Subnational Govts To Invest In Infrastructure Development



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

Minister of State for Finance, Budget and National Planning, Prince Clem Agba, has called on subnational governments to invest in infrastructure development in the rural areas to reduce post-harvest losses and ensure food security.

Agba made the call on Thursday, in Abuja, while declaring open the National Sensitization Workshop on Implementation of the UN Food Systems Transformation Pathways for

Nigeria.

In a post on his social media handles, Agba stressed the need to improve the nation's product space and complexity while urging the state governments to take advantage of the Food Systems Dashboard for the country.

The minister said that the subnational governments should concentrate on areas where they had comparative advantage and move them to the next level.

# It Only Calls For Regular Interface Instead Of Penchant For Headlines

Not long ago the attention of the Federal Ministry of Finance, Budget and National Planning and its Minister, Mrs. Zainab Shamsuna Ahmed, was drawn to the story in the media about the budget for National Social Safety Nets Project, and the budgets of a few other projects in other agencies of the government.

Apart from terrible insinuation, the allegation had obviously painted a picture of infighting, bad blood and undercurrent among the government's agencies.

Quickly, there was expectedly a rejoinder which was very particular about the word 'padding', saying that the allegation was 'fabricated and misleading'.

Over the allegation, the record was readily put straight from the Office of the Honourable Minister of Finance through her Special Adviser, Media and Communications, and it read: "The project so referred is domiciled in the Ministry of Humanitarian Affairs, Disaster Management and Social Development headquarters.

The World Bank is the funding source for the National Social Safety Net - Scale Up project to the tune of \$473,500,000 which is equivalent of N206,242,395,000, using the N435.57/USD exchange rate.

The project was correctly described in the submission from International Economic Relations Department (IERD) for the 2023 budget. But, unfortunately, a wrong code was selected from the drop down menu which resulted in a wrong description of the project which resulted in it being captured as 'Purchase of Security Equipment' in the Government Integrated Financial Management Information (GIFMIS) Budget Preparation System (BPS).

Please, note that the BPS has a limited range of encoded programme/project descriptions.

Also note that the multilateral loans are usually project's tied, and have specific codes in the budget system.

The multilateral loans are different from the envelopes usually given to ministries, department and agencies (MDAs).

The funds are drawn by the beneficiary Ministries under the terms of the agreements, and the financial institutions disburse directly to service providers.

There were ample opportunities to review details for observations by Ministries and corrections made by

## POLICY BRIEF

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## ENAM OBIOSIO



the Budget Office of the Federation (BOF).

The proposed 2023 budget for each Ministry was circulated for review and feedback, then Federal Executive Council (FEC) reviewed it before it was submitted to NASS by President Muhammadu Buhari.

You may recall that the federal government for a very long while has made significant progress in its budgeting process; just a few months ago, Nigeria at the Open Budget Survey (OBS) improved by 24 points

Disaster Management and Social Development, Sadiya Umar Farouq, at the House Committee on Appropriation interactive meeting, backtracked and exonerated the Federal Ministry of Finance, Budget and National Planning from the allegation of budget padding.

Farouq, represented by Permanent Secretary, Alhaji Nasir Sani Gwarzo, only said: "Before I comment on the content of the comment, let me comment on the context. I was at the briefing when the Minister was asked

You may recall that the federal government for a very long while has made significant progress in its budgeting process; just a few months ago, Nigeria at the Open Budget Survey (OBS) improved by 24 points to record its best budget performance

to record its best budget performance.

This administration has undeniably been highly committed to budget transparency, having undertaken various reforms in the public finance management space which have culminated in the significant recorded improvements.

Therefore, the amount of N206,242,395,000 is correct. The error in description is regretted, and will be corrected through the Appropriations Committee."

Shortly after the above response, all has so far shown that the allegation was an exhibition of penchant for a noise over nothing; the Honourable Minister of Humanitarian Affairs,

a question about the code, and she said that she did not understand that, and that she would get clarification. Then the chairman obliged that the clarification will be brought and the matter was closed.

"One of the members, then in his summary, insinuated that that was padding, and that was what the press took. So, the Minister of Humanitarian Affairs did not mention or use the word padding.

"She requested for time to correct this mistake that she observed. Secondly, we did not go to the media refuting or challenging, rather we wrote a letter to the Ministry of Finance, Budget and National

Planning seeking for clarification. Therefore, I concur totally that what has been provided in the budget is part of our project. The only mistake was the coding which has been clarified, even before this interactive meeting"

Therefore, the public was left to imagine where the allegation about 'budget padding' came from as it was clear that it was not the Ministry of Humanitarian Affairs that made the allegation. The Permanent Secretary, who stood in for the Minister, distanced her from the statement about any N206 billion insertion into her Ministry's 2023 Appropriation Bill by the Ministry of Finance.

It would be recalled that Farouq, during her appearance before the Senate Committee on Special Duties to defend 2023 budget proposal at the National Assembly, said that her Ministry was surprised that the money inserted was then 10 times of the 2023 proposed budget for her Ministry.

The Honourable Minister, who expressed surprise, said: "Yes, we made mention of the projects for 2022, which was not released, and part of it was for the NEDC. She also said: "The money was not released and now we have seen it recurring by almost 10 folds, and we are also going to clarify from the Ministry of Finance to know why this increase, despite the fact that the previous year, the money was not even released for the project. So, we will get the details, then send to you on that.

On upscaling of the National Social Safety Net Project, she said: "These projects are under the National Social Safety Net, the condition cash transfer, the updating of the national social register and the rapid response register as well to cushion the effect of inflation.

She further said: "This is all I can say for this. I cannot really give full details of how this amount is going to be utilised, because it is something that was negotiated between the Ministry of Finance and World Bank."

Following the above explanations, the public can now see that perhaps there was an uninvited guest in the one of the members at the deliberation at the Assembly from whom the allegation issues emanated. Going forward, it is very advisable that, to forestall such incidents, there is always need for regular interface among the MDAs before any public statement is made.