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## The Fuel Subsidy Should Not Be Extended Beyond June 2023

EDITORIAL

Recall the Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Shamsuna Ahmed, had at the 28th National Economic Summit hinted that the federal government will do away with petroleum subsidy by June this year. This was based on the reports submitted to Federation Account Allocation Committee (FAAC) concerning the monthly NNPC cost-under-recovery.

Also, in the Medium-Term Expenditure Framework, the federal government proposed to spend N3.3trillion on fuel subsidy between January and June 2023.

We note that the removal of fuel subsidy is part of the government's medium-term plan in the budget. The challenge has been how to go about removing the subsidy.

Good enough, the government has already engaged with the states and the public before it was approved as part of the medium-term plan. It has done this by systematically informing Nigerians about the size and the quantum of the fuel subsidy. The government has also taken time to educate the citizens about the opportunity cost of what we are unable to do because of the fuel subsidy.

The cost of making petrol cheaper for us Nigerians through subsidy process has continued to rise for a country that produces crude oil but imports refined products. Therefore, there is need to scrap the regime.

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# Reasons For Fuel Subsidy Removal Tick Government's Decision Right

## As Subsidy Gulps Over N4.6 trn In 3 Years

*Nigeria had introduced fuel subsidies to keep prices of petroleum products at bay. But now the federal government has decided it would no longer be able to sustain the process. **Enam Obiosio** examines the issue and highlights the position of a number of stakeholders as the government decides to do away with the subsidy once for all.*

Last year alone, Nigeria spent about 3,271,934,406,053.75, an average of 272,661,200,504.48 on keeping fuel subsidies. Experts have said that the process of subsidising the petroleum industry is hugely inefficient and does not add value to government's revenue drive. Many have claimed that it does not alleviate the sufferings of low-income earners nor end fuel scarcity.

While some people are taken aback by the government's decision to remove the subsidy, others believe subsidy did not exist in the first place. That it is surcharge that exists and not subsidy. All this points to too much inefficiency in the Nigerian oil industry.

Beneficially, both the government and the petroleum product marketers have justified the decision to increase the pump price of petrol, explaining that the decision has taken into consideration developments at the international oil market, where prices of oil have been recording recoveries.

On the basis of the development at the international market, the government has reiterated its position that the subsidy on the refined product, premium motor spirit (PMS) or petrol, has to go and would never return, so that the cost of petroleum products would henceforth be determined by the factors of the international crude oil market.

The Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Shamsuna Ahmed, who advanced the government's decision on the issue while speaking at a session, had stressed that incurring further costs on under-recovery has now been

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## NNPC Cost-Under-Recovery 2020-2022 Based On Reports Submitted To FAAC

All figures in Naira

| Month | NNPC Cost-Under Recovery 2020 | NNPC Cost-Under Recovery 2021 | NNPC Cost-Under Recovery 2022 |
|---|---|---|---|
| January | Nil | Nil | 210,381,727,073.04 |
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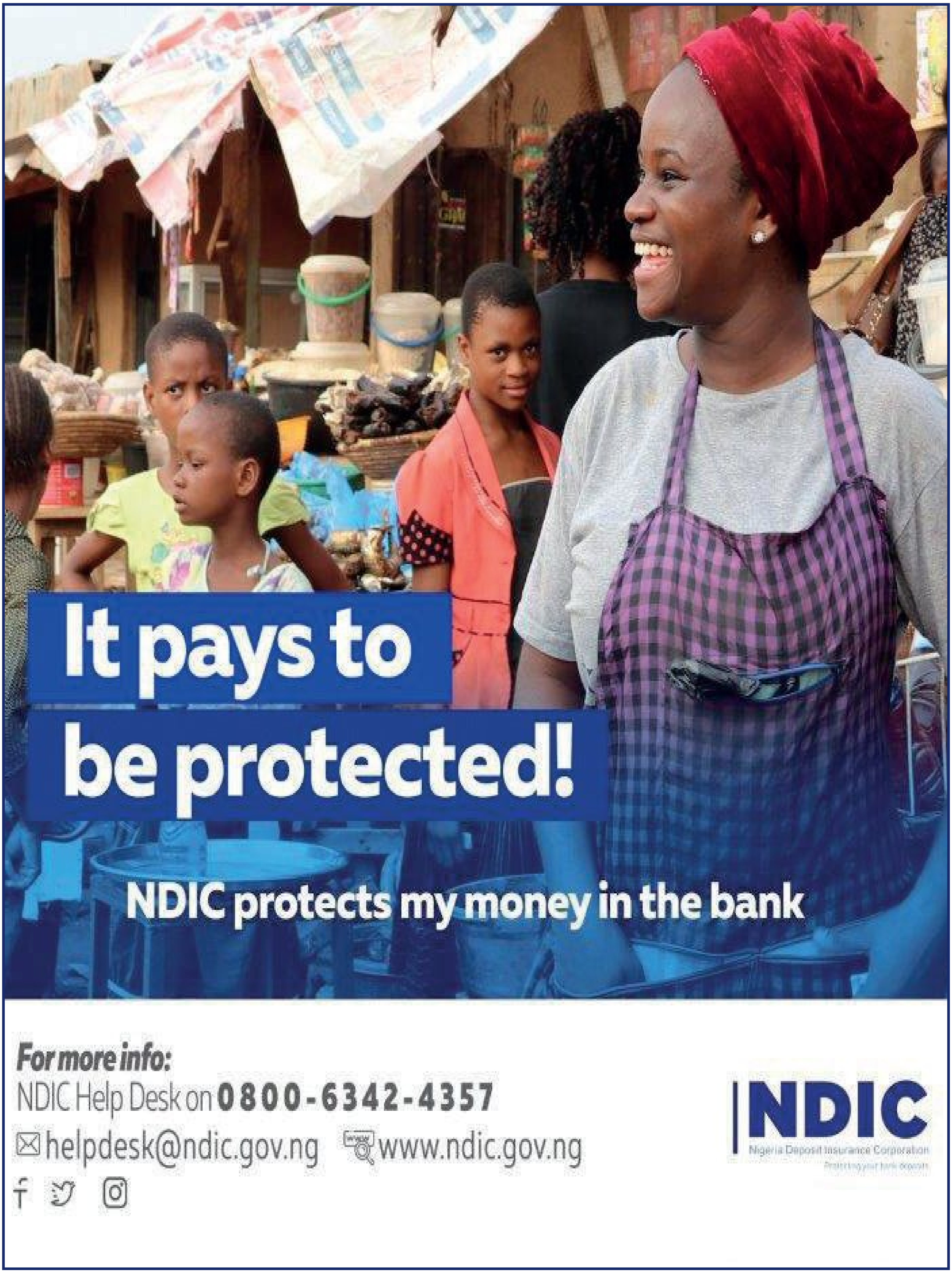
| October | Nil | Nil | Nil |
| November | Nil | 131,400,236,846.95 | 361,732,514,585.87 |
| December | Nil | 270,831,143,856.56 | Nil |
| AVERAGE | 5,307,462,009.56 | 105,525,425,166.69 | 272,661,200,504.48 |
| TOTAL | 63,689,544,114.74 | 1,266,305,102,000.27 | 3,271,934,406,053.75 |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# Agba Inaugurates Governing Council Of NISER

**By Edmond Martins**

Minister of State for Budget and National Planning, Prince Clem Ikanade Agba, on Tuesday, 14 February, 2023, inaugurated the Governing Council of Nigerian Institute of Social and Economic Research (NISER).

The Governing Council members include Dr. Emmanuel O. Imafidon who will serve as Chairman while Dr Hauwa V. Ibrahim, Prof. Banji Oyelaran-Oyeyinka, Alhaji Sabiu Zakari, Mallam Kalli Gazali, Prof. Benedict N. Akanegbu, Mrs. Felicia I. Onibon will serve as members.

Others are the Permanent Secretary, Federal Ministry of Industry, Trade and Investment or representative, the Director-General of the Institute, the Statistician-General, National Bureau of Statistics, the Director of Research, Central Bank of Nigeria; and the Director, Macroeconomic Analysis, Budget and National Planning.


Honourable Minister of State, Budget and National Planning, Prince Clem Agba during the inauguration of the Governing Council of NISER recently

Speaking at the event which took place in his conference room, Mr. Agba urged the council members to understand the extent of their roles and responsibilities.

He tasked them to provide policy guidelines for the Institute and not to be involved in the day-to-day running of the parastatal.

"The day-to-day operations of NISER is the responsibility of the Director- General who is the Accounting Officer and Chief Executive Officer of the Institute.

"It is important to also note that Governing Council are not empowered to suspend or remove the Director-General appointed by the President.

"However, Governing Council may articulate infractions, investigate wrong doing and make their recommendations to Government through the supervisory Ministry," Agba said.

He added that the working relationship between the Council and the management of the Institute, represented by the Director-General was as explained in the Guidelines Governing Relationship between Governing Councils/Boards and Government Agencies.

Mr. Agba said that this would be made available to all members to guide and manage relationships.

"You are thus, enjoined to come up with research-based innovative policies, programmes and projects which will support the mandate of NISER toward improved productivity.

"Please be informed that your appointments are on a part-time basis; and the conduct of meetings, allowances and entitlements are as expressly stated in extant laws.

"Relevant Circulars will be made available for your information and proper guidance in due course.

"Given that conflict is inevitable in any setting, in case of its occurrence, this must be resolved as quickly as possible in order for the Institute not to suffer negatively from it.

"As you are aware, presently, the federal government is the sole funder of NISER and the need to strengthen the financial base of the Institute cannot be overemphasised.

"While the Government is expected to improve budgetary allocation to the Institute, there is also clearly a need to seek novel alternative and sustainable funding sources, especially during his period of economic downturn and dwindling Government revenue.

"It is, therefore, imperative for members of this esteemed NISER Governing Council to reach out for collaboration or partnership with other Ministries, Departments and Agencies (MDAs), private sector actors, other research and academic Institutions, Development Partners," Agba said.

Mr. Agba said that there was no doubt that their appointments were made after careful consideration of their qualifications and experiences; and in the case of the institutional members, their relevance as key stakeholders to the Centre in delivering on its mandates.

"I therefore have no doubt about your individual and collective ability to contribute significantly from your wealth of knowledge and experiences to promote management excellence in Nigeria," he stated.

The Chairman of the Council, Dr Emmanuel Imafidon thanked President Muhammadu Buhari for approving their appointment and Prince Agba for recommending him.and his colleagues for appointment.

He said that the Council would work assiduously to help NISER management achieve its mandates.

# PenCom Grows Pension Funds To N14.99trn

**By Musa Ibrahim**

The resilient regulation and supervision of the Contributory Pension Scheme (CPS) in Nigeria by the National Pension Commission (PenCom) has yielded positive results, as evidenced by significant growth in pension assets, which have increased by N1.56 trillion in 2022 to stand at N14.99 trillion as of 31 December, 2022.

In 2021, pension assets increased by N1.12 trillion to end the year at N13.43 trillion.

PenCom oversees Pension Fund Administrators (PFAs) to ensure that employees' pension funds are managed professionally, and their benefits are guaranteed. Under the CPS, pension assets have witnessed growth through pension contributions and investment returns.

In terms of pension contributions, the CPS, established by the Pension Reform Act (PRA) 2014, is an arrangement where both the employer and the employee contribute a portion of an employee's monthly emolument towards the payment of the employee's pension at retirement.

The PRA 2014 provides a minimum contribution rate of 18 percent of the employee's monthly emoluments comprising 10 percent by the employer and eight percent by the employee. An employee may also decide to add to his contribution by voluntarily making additional contributions through his employer.

PFAs invest pension contributions on behalf of the employees. In 2022, the CPS recorded 333,002 new contributors, bringing the total CPS membership to 9.86 million. Pension contributions from the new Retirement Savings Account (RSA), holders contributed to the overall growth in pension assets in the year.

For investment returns, PFAs invest pension contributions in a diversified portfolio of assets, including government bonds, stocks, real estate, and other asset classes such as private equity funds.

The returns generated from investments in the above assets contribute to the growth of pension funds. Consequently, workers participating in the CPS are assured of adequate funds to cater for their pension at retirement.

Section 85(1) of the PRA 2014 states that "All Contributions made under this Act shall be invested by the PFAs with the objectives of safety and maintenance of fair returns on the amount invested". Furthermore, section 85(2) states, "Pension funds and assets shall only be invested in accordance with regulations and guidelines issued by the Commission, from time to time".

It is instructive to note that the returns on all pension fund investments are apportioned directly to the RSAs of pension contributors. Consequently, PFAs must indicate clearly in the RSA Statement of Accounts the total monthly pension contributions from the inception of the account and the returns on investment accrued to the contributor during the reporting period. In addition, to ensure transparency, PenCom requires PFAs to publish on their websites the daily value of an accounting unit for the RSA Funds and disclose the three-year rolling average rates of returns on pension funds.

Meanwhile, a vital benefit of the CPS is that the investment returns generated from pension contributions are compounded over the years, thus resulting in increased RSA balances that avail the contributor of financial security during retirement.

Indeed, due to the sound investment regulatory framework established by PenCom, returns on investment have been good over time, such that it contributes a significant proportion of the RSA balances of contributors.

Accordingly, the CPS provides an opportunity to the contributor for higher retirement income, unlike the Defined Benefits Scheme, where retirement benefit payments are fixed upfront.

Due to the apparent benefits that pension contributors get from the investments of their pension savings, employees need to monitor their employers and ensure prompt remittance of their monthly pension contributions.

Employers are obliged by law to deduct and remit pension contributions into their employees' RSAs not later than seven working days from the date salaries are paid. Consequently, employers that delay remitting pension contributions will eventually pay the delayed contribution plus a penalty of not less than two percent of the total unpaid contributions monthly.

Overall, the CPS provide employees with a stable source of income during their retirement through a combination of contributions and investment returns. PenCom is committed to the effective regulation of the pension industry in Nigeria to ensure that employees under the CPS receive their retirement benefits as and when due.

The National Association of Nigerian Students (NANS) has inducted the Director- General (DG) of the National Pension Commission (PenCom), Mrs. Aisha Dahir-Umar, into the association's Hall of Fame in recognition of her professional service and purposeful leadership in the pension industry.

NANS also conferred on her the NANS Merit Award for her contributions to national development and support for young people and students.

Speaking during the award ceremony held in Abuja recently, the Senate president of NANS, Comrade Attah Felix Nnalue, said that NANS Merit Award is presented to individuals whose lives exemplify the ideas of living for the sake of others and dedicate themselves to national building and service to humanity.

Comrade Nnalue said that the induction of Mrs. Dahir-Umar into NANS Hall of Fame and the presentation of NANS Merit Award to her were in line with the resolution of the 68th Senate Meeting of NANS held on 25 January, 2023 at the University of Abuja.

He commended the DG for her hard work, exemplary lifestyle, contribution to nation building and the advancement of the pension industry. He said: "Mrs. Dahir-Umar has been part of the journey to reform pension administration and management in Nigeria.

"Under her leadership as the DG of PenCom, pension fund assets have been on a sustained growth trajectory, increasing from N6.15 trillion in 2016 to N14.99 trillion as of December 2022. Similarly, the number of registered pension contributors grew from 7.41 million to 9.86 million over the same period.

"The launch of the Micro Pension Plan (MPP) by President Muhammadu Buhari in March 2019 was another significant step under her towards the promotion of financial inclusion for self-employed persons and workers in the informal sector. In November 2020, PenCom launched the RSA Transfer System (RTS)," NANS said.

# Reasons For Fuel Subsidy Removal Tick Government's Decision Right

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stopped permanently.

In her words: "Specifically, in relation to the extractive industry, we took the opportunity to remove fuel subsidy that has been a significant drain on our resources and on the economy.

The government has decided to do this by adopting a price modulation mechanism, and the government strongly looks to remove the fuel subsidy provision from its revised budget and also from the Medium-Term Expenditure Framework (MTEF) for 2021-2023. Therefore, it would not nurse any plans to incur any expenditure on fuel subsidy, going forward.

What that means is that the price of petrol will be determined by the global price of crude oil, so the price will keep changing, according to how the global market operates.

The Minister of State for Petroleum, Mr. Timipre Sylva, would say that Nigeria was no longer in the business of fixing fuel prices, and that global oil price crash had made removing the subsidies inevitable.

"It is about the survival of our country," he said. Also recall that while declaring that removing subsidy was the way to go, he disclosed that the government was spending over N1trillion yearly on under-recovery, a development he described as unsustainable

Based on reports submitted to Federation Account Allocation Committee (FAAC), while the total of NNPC cost-under-recovery for 2020 was N63,689,544,114.74, an average of 5,307,462,009.56, that of 2021 was 1,266,305,102,000.27, an average of 105,525,425,166.69; and that of 2022 was 3,271,934,406,053.75, an average of 272,661,200,504.48. All these were between the months of January and December.

Memorably, Nigeria started subsidising its petroleum industry in the 1980s after the state-owned company, Nigerian National Petroleum Corporation (NNPC), had planned to unify the price of crude oil in accordance with the global market. But then-incumbent Head of State, Olusegun Obasanjo, reasoned that average Nigerians would not be able to afford a gallon of petrol at the pump. He instead introduced subsidy plan to keep the price of petrol low.

Recall, Mr. Ibe Kachikwu, Former Minister of State for Petroleum, had said that a large volume of petroleum products was diverted by corrupt senior government officials. He also said that the officials connived with marketers and transport owners to divert already subsidised fuel from depots to neighbouring West African countries.

In December 2015, after many years of providing fuel subsidy, the Nigerian government announced a withdrawal of the subsidy. The reason given was that the government could no longer afford the payment due to a dip in the country's revenue, caused by the huge drop in crude oil prices at the international market. At the time, the subsidy withdrawal led to no increase in the pump or retail price of petrol at local stations, only because oil prices in the international market had fallen so low that the full economic cost of supplying a litre of petrol was lower than local retail price.

Subsequently, about four years after, oil prices at the international market were beginning to rise again, putting familiar upward pressures on unregulated local retail price of petrol. Precisely in April 2016, with the intention of soaking up the inflationary pressures and keeping pump price of petrol at its then level of N86.50 per litre, the government announced the return of the subsidy.

Apparently, the indecision surrounding the subsidy issue has been a recurring theme for a long time; this is just one of the reasons that the subsidy should be removed. According to the Nigerian Ministry of Petroleum, removing fuel subsidies will lead to more players and competition in the oil industry.

On foreign exchange crisis as it affects the industry, the Nigerian government determines how much foreign currencies private businesses receive to import fuel into Nigeria. There are a few oil refineries in the country, but most of them are unable to meet domestic demand. Hence the country relies on fuel importers to fill the gap.

But due to less availability of foreign currencies in the Nigerian market, fuel importers have had to turn to local (black markets) sources. This means fuel importers have to spend more local currency (Naira) on buying the dollar. Fuel importers hence have a major influence on the prices of fuel. So, low fuel prices at the international market, does not automatically translate into low fuel prices in the country.

In analysing the economic importance of the fuel subsidy, the subsidy affects the local pump price of petrol directly and – based on the law of demand – the quantities of petrol consumed by Nigerians indirectly.

The two variables are respectively important; although Nigeria is a crude oil-producing state, the nation does not – mainly due to mismanagement of her refineries – refine its crude oil into component fuels, one of which is the petrol. Instead, the country exports the crude oil produced, and imports the refined products for most of the domestic consumption. Thus, domestic pump prices of petrol, if unregulated by the government, will ordinarily fluctuate with crude oil prices at the international market.

To insulate Nigerians from the fluctuation, the government fixes a local pump price or retail price which is usually different from the full economic cost of supply. The government then either pays off the deficit or earns the excess, depending respectively on whether the fixed retail price is lower or higher than the full economic cost of supply at a particular point in time. Often, the amount the government pays in deficit is what is called the fuel subsidy.

Now, why is it necessary that the fuel subsidy be removed, from an economic perspective? First, it ties down a large amount of government spending and places a fiscal burden on the economy, particularly when there is a huge difference between oil prices at the international market and subsidised domestic retail price of petrol.

According to Bloomberg, the country spends on average whopping $7billion on fuel subsidy annually. Often, the fiscal burdens are financed by some combination of higher public debt, higher tax burdens, and crowding out of potentially productive public spending (for example, on health, education, and infrastructure), all of which could be a drag on economic growth.

Secondly, the subsidy or the support fund imposes large economic costs from certain negative influence. For instance, as a result of the fund, a unit of petrol in the country is cheaper than in some neighbouring countries. And this creates an arbitrage in which money-sniffing capitalists take advantage of the price differential and smuggle out the product to neighbouring countries for sale, solely to make more profit. Thus, the Nigerian government does not just subsidise its citizens, it also somewhat does the neighbouring countries.

Another aspect of the aforementioned negative influence from the fund is corruption. Due to inexplicable inaccuracies in the record of the volumes of refined oil imported into the country, funds used to pay the subsidy are sometimes mismanaged or unaccounted for.

Again, why it is necessary to remove the subsidy? Like other energy subsidies, the petrol subsidy is provided mainly to serve the social goal of reducing fuel cost and increasing access among the poor and currently unserved households. However, energy subsidies in general have proven to be an ineffective and inefficient way to achieve the desirable social goal. As has been previously argued, the fund particularly leaves Nigeria's economy porous to corruption and create loopholes for costly leakages.

In the event that crude oil prices have fallen sharply, as witnessed in June 2014, and are expected to stay low for a considerable period of time, and that the country's crude oil-dependent revenue dwindles, the need to address this issue is as evident as it is very pressing.

So, how should the fuel subsidy issue be tackled? The fundamental problem created by the subsidy is that the local retail price of petrol does not reflect its true costs, including the externalities its consumption creates such as air pollution damage to the health of others through climate change, heart disease, asthma, etc.

To heed the demand to allow market forces determine the pricing of petroleum products is arguably the best of options. Two years ago, the Petroleum Products Marketing Company (PPMC), a subsidiary of the Nigerian National Petroleum Corporation (NNPC), announced an increase in petrol price of N151.56 to N162 per litre and directed all operators in the petrol retail business to comply immediately. The development was hinged on the deregulation of the downstream petroleum sector, whereby market forces are to determine prices of petroleum products.

The new price with its cost-reflective nature is expected to help to improve product availability and attract investments to the sector as marketers now have increased margin.

Expectedly, due to the sensitive and controversial nature of petrol pricing in the nation's polity, the announcement received mixed reactions. While the government and those sympathetic to its decisions and policies as well as operators in the Nigerian downstream petroleum sector supported the hike in petrol price, some other Nigerians who feel that the increase would add to the hardship being experienced by the poor masses in the COVID-19 pandemic period, kicked against the new price and called for its review.

Then, at the heat of the dwindling crude oil price and its negative impact on other economic activities, which plunged many countries, especially the oil-dependent ones into revenue crisis, the federal government had approved the deregulation of the petroleum sector.

In rare radical step, it had announced an end to the wasteful petrol subsidy and also ended the sole importer status of the NNPC, paving the way for private marketers to resume importation of petroleum products.

Meanwhile, the marketers and other stakeholders in the nation's petroleum downstream sector, speaking on the issue of subsidy removal across the country are unanimous in their views that the decision to allow market forces to determine the price of petrol was not only healthy for the downstream sector but was good for the Nigerian economy which has been quite burdened with the subsidy system.

The Chairman of the Major Oil Marketers Association of Nigeria (MOMAN), Mr. Adetunji Oyebanji, said that the association has welcomed the government's action in allowing the market to determine prices, noting that this would prevent the return of subsidies while allowing operators the opportunity to recover their costs. He said this will, in the long run, encourage investment and create jobs.

He explained that though prices at the pump would need to be adjusted to reflect realities of the increase of ex-depot prices by the PPMC, the magnitude of the increase, timing and location would be determined by the individual company.

Mr. Oyebanji, who expressed the views of his members in a statement, said: "Consistent with global best practices, MOMAN does not dictate prices to its members as this would be anti-competition in a fully deregulated market."

The MOMAN chairman, however, called on the Ministry of Petroleum Resources to intensify its public awareness drive to educate the populace on the current realities.

"The Ministry of Petroleum Resources should also be telling Nigerians that we can no longer afford subsidy. If we keep it, the investment in infrastructure, health, education, etc., will not be possible. We are borrowing so much to finance our budget. We spent over a trillion naira on subsidy the other year. It is unsustainable", he said.

## NNPC Cost-Under-Recovery 2020-2022 Based On Reports Submitted To FAAC

All figures in Naira

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All figures are in ₦

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# FG Actualises Bottom-Up Cash Planning Policy For Efficient Cash Management System

**By Jennete Ugo Anya**

The federal government's initiative of Bottom-Up Cash Planning which has been in the making since 2009 for implementing an efficient cash management system has gone live.

In his opening remarks on the recent occasion of the sensitisation training on bottom-up cash management policy, Mr. Sylva Okolieaboh, Acting Accountant-General of the Federation, said that bottom-up cash planning, as the name suggests, is the collection and aggregation of government cash needs through the individual spending units.

According to him, "as part of the overall government cash management arrangement, it facilitates the optimal allocation and utilisation of government cash resources."

has been in the making since 2009 when the Federal Government initiated a feasibility study to determine the best strategies to address its cash management challenges as part of its Public Financial Management (PFM) reforms.

Shortly after the pilot roll-out of the Government Integrated Financial Management Information System (GIFMIS) alongside the Treasury Single Account (TSA) in April 2012, the process of implementing an efficient cash management system commenced. Unfortunately, for over 10 years, the process had witnessed many unforeseen delays.

On the objectives of the initiative, Mr. Okolieaboh said that the overriding objective of cash management is to ensure that the government is able to fund its expenditures in a timely manner and meet its obligations as they fall due.

"Other objectives are minimising the costs of holding cash balances; reducing risk (operational, credit and market risk); adding flexibility to the ways in which the timing of government cash inflows and outflows can be matched; and supporting other financial policies", he said.

**Mr. Sylva Okolieaboh,** Acting Accountant-General of the Federation

Speaking further he also said: "Implementation of bottom-up cash planning will bring more certainty to budget execution; and engender fiscal discipline.

In his words: "The bottom-up cash management policy guideline was approved by the Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, on June 1, 2020. The formal approval of its implementation by Mr. President on the 24th of August, 2022 sets the stage for its roll out.

As a follow-up to the approval, a treasury circular was issued on 2nd February, 2023, notifying ministries, departments and agencies (MDAs) of the go-live date of 10th February, 2023.

The event was the first in a series of pre-go-live activities.

The sensitisation event was meant to rally all directors and heads of finance and accounts towards ensuring the success of the policy, because of their critical roles in the implementation of this important project.

"Today's event is a defining moment for all of us gathered here. We are on the verge of history: the journey of over two decades is coming to completion in a few days. Certainly, this would not have been possible without the supportive leadership of the Honourable Minister of Finance, Budget and National Planning.

"More importantly, the reform friendliness of Mr. President since the early years of this administration has not received the credit it deserves. It is on record that although TSA was in place before May 29, 2015, the Presidential directive of August 7, 2015 breathed life into it leading to its whole-of-government implementation.

Furthermore, the Presidential assent to the Bottom-up Cash Planning Policy on 24th August 2022 cleared a major hurdle on the path to actualising the policy.

"We can only succeed if everyone of us does his own part. Indeed, the success of the bottom-up cash planning policy will rely heavily on your ability and willingness to play your own part. Being bottom-up, the process starts effectively with you", he said.

"Under the direction of your respective accounting officers, your specific roles include constitution of in-house cash management committees; sending details of your focal persons to the Office of the Accountant-General of the Federation; submission of your role players to be profiled on the GIFMIS platform; and using the full GIFMIS functionality from procurement to payment.

Mr, Okolieaboh advised those involved to familiarise themselves with relevant financial rules and regulations. "Most importantly, let me call your attention to the guidelines and treasury circular on bottom-up cash planning. Together, these resources equip you to play your role in this process," he also said.

"For me, today's event is also significant at a personal level. As you know, I have spent the past 20 years of my career and life working on the federal government public finance management (PFM) reforms of which the cash management is an important component.

He also said: "In fact, the TSA, which we are all familiar with, is the very foundation of cash management. At the start of my tenure as the Head of the Treasury, I made it clear that deepening the PFM reforms is top priority. So, it is my fervent expectation that this event will produce positive outcomes that will contribute to the success of this project.

# FIRS And Its Historic N10.1 trn In A Year

**By Dapo Okunbajo**

When the music is good to our ears, we dance. And if we cannot dance, then we clap. Or we do both!

This piece is not to sing the praises of a government agency without rhyme or reason. It is a fact-based opinion piece on the historic feat of the Federal Inland Revenue Service (FIRS) in recording its highest ever tax collection of N10.1 trillion in a single year.

The first indication that FIRS could cross the N10 trillion mark came in September last year when it collected N7.5 trillion in tax in nine months to surpass its entire 2021 figure of N6.4 trillion.

It was at that point that it became obvious that the reforms introduced by Mr. Muhammed Nami within a year of assuming office as FIRS Executive Chairman in 2019, had began to yield dividends.

Indeed, the fruits of those reforms began to show in 2021, one year after the global lockdown caused by COVID-19 pandemic, with a tax collection figure of N6.4 trillion, which at the time was the highest ever revenue recorded by the federal tax agency.

Even at that, the 2022 target of N10.4 trillion looked like a tall dream. Not because of capacity or the lack of it, but because adding N4 trillion to the historic figure of the previous year simply looked unattainable at a time much of the world was still feeling the impact of a global economic crisis.

But surprisingly, the FIRS chairman, like a man with a gift of clairvoyancy, had told the House of Representatives Committee on Finance at a public hearing on the 2022-2024 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP), sometime in August 2021, that the agency was projecting to collect tax revenue of over N10 trillion for 2022.

And that was exactly what happened with the 2022 Performance update showing an unprecedented figure of N4.09 trillion from the oil sector and N5.96 trillion from non-oil to bring the total collection for the year to N10.1 trillion.

So, what were the factors responsible for the two back-to-back record collection feats?

A look at what Mr. Nami brought to the table after assuming office may provide some insight into what has been happening in the last three years.

He came into FIRS with a private sector background and, I dare say, mentality and immediately set out what he wanted to achieve in a four-point agenda: to rebuild the FIRS institutional framework; to improve collaboration with stakeholders; to make the FIRS a customer-centric institution and to make the agency a data-centric institution.

These were the pegs on which the historic feat could be hung, especially as the reforms played major roles in breaching the N10 trillion revenue collection mark.

"The reforms introduced at different times from 2020 are gradually yielding fruits. By the close of 2022, the Service had fully restructured the administration of the Service for maximum efficiency and achieved internal cohesion such that all functional units are working in unison towards the achievement of set goals.

"As a result of conducive environment created for staff, officers of the Service are pulling their weight on the global stage with international recognitions and awards.

"The Service had also automated most of the administrative and operational processes. A major leap was the full deployment of the TaxPro Max for end-to-end administration of taxes in June 2021. The module for the automated Tax Clearance Certificate (TCC) went live 1 January, 2023 while taxpayers had already downloaded over 1,000 TCCs this year without having to visit FIRS office," the report reads.

It is interesting to note that the report also states that the N10.1 trillion does not include tax waived on account of various tax incentives granted under different laws which, according to FIRS, amounted to N1,805,040,163,008.

This is certainly a huge figure that shows the possibility of the agency doing better not only in the 2023 financial year but also in coming ones.

In the midst of all these is the long-standing vow by President Muhammadu Buhari to break Nigeria's over reliance on oil and from all indications the FIRS management has keyed into it with its performance especially in the last two years.

This ongoing effort to wean the country from its over dependence on oil revenue is a major reason why Nigeria did not suffer the full effect of the drop in global oil prices.

Today, the revenue projection for 2023 showed that 78 percent of total revenue is coming from the non-oil sector, and of course, the FIRS is bound to be a major contributor.

And this is visible from how the agency has shown, for two years running, that it has the necessary capacity to be the lead contributor to the good performance of the non-oil sector.

But more importantly is that FIRS has shown that it will be instrumental in any effort to address the country's revenue challenge.

*Mr. Dapo Okunbajo is a public affairs commentator and veteran journalist.*

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# EDITORIAL

## The Fuel Subsidy Should Not Be Extended Beyond June 2023

CONTINUES FROM COVER

In view of better managing the process, the government presented two scenarios in its fiscal paper: Scenario 1 – the Business-as-Usual scenario: This assumes that the subsidy on premium motor spirit (PMS), estimated at N6.72 trillion for the 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 in early 2021, in which case only N3.36 trillion will be provided for. Additionally, there will be tighter enforcement of the performance management framework for government owned enterprises (GOEs) that will significantly increase operating surplus/dividend remittances in 2023.

With Nigeria's petrol subsidy bill skyrocketing in 2022, the estimate for the whole year was meant to exceed the total expenditure by all the states of the federation in 2021, which was $9.8 billion, a report by a member of President Muhammadu Buhari's Economic Advisory Council and Chief Executive Officer of Financial Derivatives Company Limited (FDC), Mr. Bismarck Rewane, indicated.

He stated that the petrol subsidy policy remained economically costly. The economist, in an edition of his monthly Breakfast Meeting report held at the Lagos Business School (LBS), noted that while between 2015 and 2020, $5.5 billion was spent on subsidy, in 2021 it went up to $3.8 billion, and $6.2 billion in just the first quarter of 2022.

The report has it that the huge subsidy payments will account for more than half of the N11 trillion budget deficit, which the federal government projected for 2023.

In 2021, according to FDC, all the 36 states spent the equivalent of $9.8 billion, nearly half of what the country would spend this year to cover the petrol subsidy payments, largely seen as opaque.

Then with a mere hike of the price of petrol to N215 per litre by December, the federal government could save as much as N1.25 trillion. The federal government could rake in at least N600 billion by adjusting the exchange rate to N470 per dollar. This administration has been on removing the subsidy to allow for expenditure in other vital sectors of the economy but, just as some economists admitted, removing subsidy had been viewed as being politically undesirable.

The gradual removal is now considered, with abandoning national uniform pricing, because subsidy administration has been largely abused.

With oil theft and illegal bunkering taking as much as 400,000 barrels per day of the country's oil production, as much as $1.2 billion was lost to the menace every month, which was the combined budget of some states in the country.

Obviously, the ballooning costs of keeping petrol prices low in the nation are straining the national budget and draining the national revenue.

Again, we noted that the fuel subsidy, in addition to budget deficit, is putting enormous pressure on the fiscals. Mrs. Ahmed once said: "It is not money that we have, it is money that we have to borrow to maintain the fuel subsidy.

We have realised that in other climes, some countries introduced subsidy during the COVID-19 pandemic, and because of the Russia-Ukraine conflict, but they are using their money to fund such subsidy. In our case, according to the Honourable Minister, we are borrowing to pay the subsidy; that is double jeopardy. It is something that has to stop.

We are glad that majority of Nigerians in decision-making positions, including the political parties, have agreed that subsidy is not sustainable.

The plan is, by June this year, we must have completely exited subsidy, and it is a gradual process, as the government has decided. The government's decision is based on the fact that retaining petrol subsidy this year will cost the nation nearly N6.7 trillion.

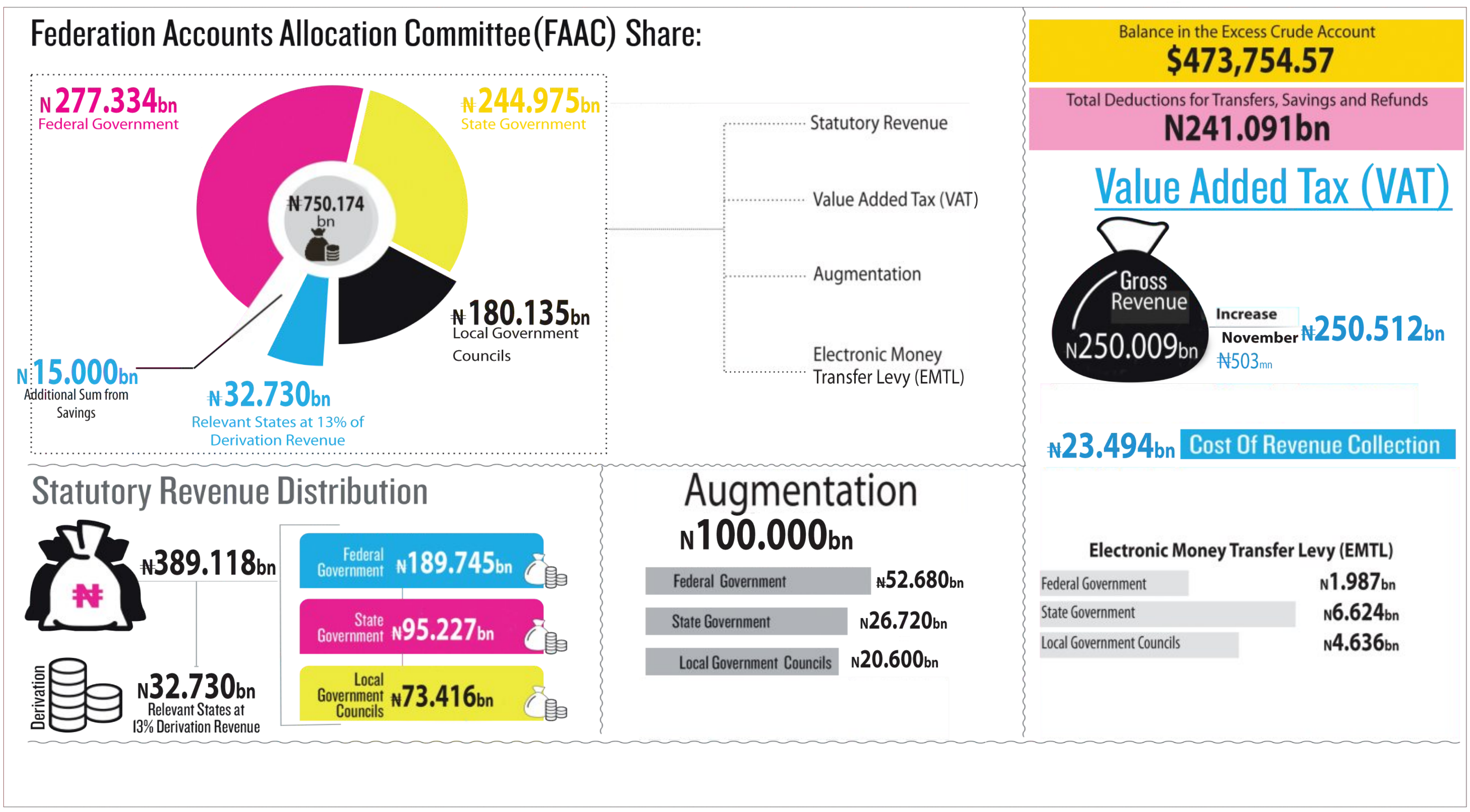
The government has presented two scenarios. Hence, it has considered the option of assuming partial payment until subsidy is phased out this year.

In its draft fiscal strategy paper for 2023 through 2025 presented by Mrs. Ahmed, the government did say that the subsidy will cost about N6.7trillion.

Also recall, petrol subsidy was billed to consume N4 trillion in 2022, a major cost for a country running a total annual budget of over N17 trillion, and projected revenue of N10 trillion. The cost of subsidy shot up recently as oil prices surge globally over the Russian war in Ukraine.

Looking at all the very negative impact of keeping the subsidy regime in Nigeria, we call on the government not to extend the subsidy removal beyond June this year.

# FAAC Shares 750.174 bn January 2023 Revenue To FG, States, LGCs



# NEWS IN PICTURES

L-R: Honourable Minister of State, Budget and National Planning, **Prince Clem Agba,** Statistician-General of the Federation/Chief Executive Officer, National Bureau of Statistics, **Prince Adeyemi Adeniran,** Commandant-General of Nigeria Security and Civil Defence Corps (NSCDC), **Dr. Ahmed Abubakar Audi,** and Minister of Women Affairs, **Dame Paulin Tallen,** during the official flagoff of the National Schools Security Emergency Response Centre, at the NSCDC Headquarters, Abuja recently.

# Capital Market Developing Products For Youths – SEC

**By Kingsley Benson**

Securities and Exchange Commission (SEC) has said that the capital market is working to develop products that would make the market attractive to the younger generation in a bid to further deepen the market.

Director-General (DG) of SEC, Mr. Lamido Yuguda, stated this in an interview recently.

Mr. Yuguda who was represented by the head, Office of the Chief Economist of SEC, Dr. Okey Umeano, stated that, this is one of the provisions made in the Revised Capital market plan in a bid to make further products available to the populace.

"I must tell you that the demographic in our market is graying and it is a source of worry. That is one of the things we are covering in the Revised Capital market master plan.

"We are encouraging Capital Market operators to develop technology. The youths do not want to come in and start filling five page forms because they want to access the market, they want to pick their phones and make their investments," he said.

He also said that the youths must understand that the capital market is a viable platform for wealth creation and assuring them that SEC and the market are working on how best to serve them.

According to him, "we are striving to improve the way we deliver our products, to improve market efficiency and to make the market attractive to them. Most importantly, we are doing all we can to ensure that investors are adequately protected in the market and that they are able to get the benefits of their investments."

He stated that SEC is working to ensure that the commodities market gets all the support required to grow and support the economy.

**Mr. Lamido Yuguda,** Director-General (DG) of SEC

Mr. Umeano stated that "because there is good price discovery, people can now ascertain what they can get if they farm a particular produce within a particular period. That is what the value chain that commodities segment of the market is opening up.

"You will soon start seeing it. It is happening but you know it is a new area, it is growing and it is an area we are proud of. It is growing in leaps and bounds; you can see the percentage growth that we have.

"But I must tell you, it is still a small market compared to the size of the Nigerian economy but then they said that the journey of a thousand miles starts with a step and I can tell we have made many steps in that direction."

He disclosed that SEC has increased the number of products in the market as the market now has derivatives and also started to support the non-interest capital market.

**SEC urges LFZ to enlighten investors ahead of NGX listing**

Similarly, ahead of the proposed listing of the Lagos Free Zone (LFZ) on the Nigerian Exchange Limited (NGX), the DG of SEC, Lamido Yuguda, has urged the management of the firm to step up its enlightenment campaign to deepen investors' knowledge on the operations of the zone.

Mr. Yuguda, who stated this during a meeting between SEC, the Nigeria Export Processing Zones Authority (NEPZA) and the LFZ.

He said that this would further enlighten potential investors on the operations of the Zone.

He stated that there is a lot of ignorance among investors on the operations of the zone, adding that when companies are planning to access the market there is need for aggressive investor education to enable investors to make informed decisions.

According to him: "When you come to the market to list, you need to massively educate people. The reason why companies list is to be able to have access to a wide range of investors.

"The most important thing is cash flow. If you have a positive cash flow over a long period of time, it makes your company attractive to investors. If you add this to the fact that you are operating in a NEPZA regulated free zone, which is an added advantage.

"Investors would need to have as much information as possible about the operations of your company, especially since it operates within a Free Zone. They want to know how the NEPZA Act affects your cash flows, and what is available to investors."

Mr. Yuguda also stated that given the quantum of development and investment domiciled within the Free Zone, it holds the key to Nigeria's future and commended the management for already contributing immensely to the economy by attracting international brands like Kellogg's, Dano, BASF and Colgate to the Zone.

He pledged SEC's backing to ensure that the Free Zone remains attractive to investors and all other stakeholders by providing prompt regulatory backing where necessary.

In his remarks, Chief Executive Officer Lagos Free Zone, Dinesh Rathi, said that his organisation has assisted in creating employment for more than 7,000 people and investment has also gone up considerably since they commenced operations.

Mr. Rathi expressed appreciation to SEC for their support and progress on the draft regulation, which would enable the zone to access the capital market.

He said, "We hope the entire regulatory framework on Free Zone listing is completed by April. We solicit your support, as this will pave the way for other operators who are having their own free zones to follow suit.

"Listing is not only a financial step, but will also help deepen the market and attract more investors. Listing creates a lot of positivity.

"Once the Free Zone is listed, part of the port gets listed too. In the future, there is a possibility of the port also coming to the market. It is very crucial in a lot of ways and the faster it is done the better for all. We want to get past the finishing line quickly".

Managing Director of the NEPZA, Prof. Adesoji Adesugba stated that the aim of the Free Zone scheme was to bring companies that are far to operate within Nigeria where they can build their factories, employ Nigerians and also export their products using the relevant laws beneficial to them.

Mr. Adesugba said that he prefers that Nigerians also benefit from the profits of companies operating within the country hence his support for the listing desire of the LFZ.

"I would not want people to come here, develop a port and take away 100 percent profit without Nigerians benefiting from it. We need to design the regulations in such a way that the funds that are coming from the capital market suits our purposes," he said.

# NAICOM Seeks Risk-Based Capital For Insurance Sector's Growth

## • Considers Tenure Expiration For Insurance Companies CEOs

**By Musa Ibrahim**

National Insurance Commission (NAICOM) has expressed its readiness to drive Nigeria's insurance sector growth through Risk-Based Capital (RBC) requirement.

This is in line with NAICOM's vision to maintain a safe and sound insurance industry, competing globally and contributing optimally to the economic growth and development of Nigeria.

RBC requirements are developed to determine the minimum amount of capital required of an insurer to support its operations and write coverage.

"The current Risk-Based Supervision environment will be taken to a new level which is RBC," said Thomas Olorundare Sunday, Commissioner for Insurance/CEO NAICOM.

He added that there would be no push-back against the RBC regime.

"One-size-fits-all will no longer be operational. By end of 2023, we will ensure RBC is operational," he added.

In a RBC regime, the insurer's risk profile (that is the amount and classes of business it writes) is used to determine its risk-based capital requirement. Majorly, four categories of risk are analysed in arriving at an insurer's minimum capital requirement: asset, credit, underwriting, and off-balance-sheet.

As Nigeria's economy grows, NAICOM's goal is to ensure safety and soundness of insurance institutions, stability of insurance sector, protection of policyholders and third parties covered by insurance contracts, optimal development of the Nigerian insurance market, public trust and confidence in the insurance system, and effectiveness in use of resources and compliance with relevant laws.

Mr. Sunday also remain hopeful on the commission's commitment to good corporate governance by insurance sector operates as the drive for financial inclusion and products penetration continues.

The total assets of the country's insurance industry increased to N2.5 trillion in 2022 as against N1.3 trillion in 2018. The Commission has set eyes on a N1trillion gross premium income (GPI) for the insurance industry after it increased to circa N730 billion in 2022.

The Commissioner noted that NAICOM is leveraging the instrumentally of Nigeria's states on compulsory insurance such as motor insurance, etc.

NAICOM was established in 1997 by the National Insurance Commission Act 1997 with responsibility for ensuring the effective administration, supervision, regulation and control of insurance business in Nigeria and protection of insurance policyholders, beneficiaries and third parties to insurance contracts.

**Nigerian Insurers Association engages NAICOM on CEOs tenure limit**

The Nigerian Insurers Association (NIA) is engaging NAICOM on areas of concern, over the circular on tenure limit for Chief Executive Officers (CEOs) of insurance companies, according to Mr Olusegun Omosehin, NIA chairman.

Speaking at a media conference in Lagos, Mr. Omosehin said that while the insurers had aligned with the directive of the commission, the association was appealing for consideration on some grey areas.

"Our position is to align with the directive of the commission, but we have few concerns on the definition of the Executive Directors (EDs) which we have put forward to the commission.

"As an association, we know that there are certain things we can appeal to our regulator, if we see the significant impact it might have on the industry.

"It is the prerogative of the commission to accede or reject our position.

"In the NAICOM circular, there was a cumulative period for EDs; where an EDs is appointed the CEO/managing director (MD), he or she cannot spend more than the cumulative period of 15 years.

"You and I know the reality of things in these institutions and MDs are better chosen from within, except in some circumstances where you cannot find a replacement within, we go outside.

"We still want a situation where that part can be encouraged for people to be chosen from within and given a mandate to run full term, if accepted by the commission," Mr. Omosehin said.

Reports has it that NAICOM had in a circular dated Nov. 22, 2022 introduced tenure limits for EDs of insurance and reinsurance companies in Nigeria with effect from Jan.1, 2023.

The circular titled: Tenure Limit for Executive Directors of Insurance and Reinsurance Companies states that CEOs and other EDs of insurance and reinsurance companies shall serve a maximum tenure of 10 years comprising two terms of five years each, subject to a single approval of the commission.

The commission said that an ED who becomes a CEO in the same company shall serve a cumulative tenure not exceeding 15 years.

The regulator directed that where an ED changes portfolio by moving to another position of ED equivalent within the same company, the period spent in the previous company as ED will count for the purpose of determining the maximum tenure of the said ED.

"In respect of insurance companies that are a product of a merger, acquisition, takeover or any other combination, the 10 years period shall include the pre and post-combination service years as a CEO or as ED.

"There shall be a transitional period of 12 months from the effective date of the circular in respect of existing appointments and all CEOs and EDs who have served for 10 years shall cease to continue in such capacity, after the transition period of 12 months," the circular states.

NAICOM charged all the insurance and reinsurance companies to give consideration to the provisions of the circular in their future engagement of CEOs and EDs. Presently, in the industry, not less than seven MD/CEO of insurance companies in the country would be affected by the directive and may vacate their position before the end of the year, except a contrary directive that supersedes the former is issued.

# NEXIM Bank To Attract Development Funds Into Nigerian Non-oil Export Sector

## • Brokers $200 mn Line Of Financing For Nigeria


**Mr. Abba Bello,** Managing Director and Chief Executive Officer (MD/CEO) of NEXIM Bank, and **H.E. Saad Alkhalib,** CEO of Saudi EXIM during the signing of Memorandum of Partnership (MoP) in Saudi Arabia

The Nigerian Export-Import (NEXIM) Bank recently engaged with various multilateral and development finance institutions in Saudi Arabia in bilateral meetings and other activities towards attracting development funds into the Nigerian non-oil export sector.

The bank disclosed that the Managing Director and Chief Executive Officer (MD/CEO) of NEXIM, Mr. Abba Bello, in company of the Executive Director, Dr. Bala Bello, and other management staff, was there to also promote capacity building and information exchange, as well as engage in necessary partnerships towards developing new products, particularly non-interest banking products to fill the yearning gap in the Nigerian financial system.

On the highlights of activities during the working visit, NEXIM Bank signed a Memorandum of Partnership (MoP) with the Saudi Export-Import Bank (Saudi EXIM) to cooperate in providing financing, investment and other services to promote trade between the two countries.

The institutions also sought to explore the possibility of knowledge sharing, staff training and capacity building initiatives.

The MoP was executed by the CEO of Saudi EXIM, H.E. Saad Alkhalib and Mr Abba Bello, who signed on behalf of their respective institutions.

Specifically, the parties agreed to collaborate in the areas of co-financing, club deals and syndication projects. The Saudi EXIM also agreed to provide buyer's credit facilities to Nigerian institutions for the purchases of Saudi goods and services and or financing for project development tied to Saudi exports.

According to NEXIM Bank, both parties would seek opportunities to secure financial guarantees or letters of intent for creditworthy beneficiaries, either Saudi or Nigerian exporters or international buyers, for purchases or project financing/execution.

NEXIM Bank also paid a working visit to Dr Mansur Muhtar, Vice President of Islamic Development Bank (IsDB), represented by Anasse Alsami, the Acting Vice President and Director General, Vice President's Office.

Discussions during the meeting focused on the promotion of African Arab trade, mutual sharing of information, capacity building and the IsDB reverse linkage policy. The parties also discussed how Nigeria could benefit from IsDB's programs such as the 'She Trade' and 'Women Tech Stars' programs.

The officials of NEXIM Bank also met with the Islamic Solidarity Fund (IsFD) on how the Bank and Nigeria could benefit from IsDB guarantee facility fund and capacity building programmes. The Senior Advisor to the Director-General (DG) of IsFD, Khamais EL Gazzah, and his team represented the institution.

NEXIM Bank also met with the Chief Operating Officer (COO) of the International Trade Finance Corporation (ITFC), who doubles as the Acting MD of International Cooperation for The Development of The Private Sector (ICD) Nazeem Nordali, accompanied by officials of both ITFC and ICD.

The institutions also sought to explore the possibility of knowledge sharing, staff training and capacity building initiatives

During the meeting, NEXIM Bank discussed the on-going transaction towards mobilising $200 million line of financing for Nigeria. The meeting also discussed opportunities for collaboration towards securing funding for port infrastructure in furtherance of Sealink project being promoted by NEXIM.

NEXIM also held a meeting with officials of Global Partnership & Practices (GPP), during which the Bank called for partnership in promoting small and medium enterprises (SMEs) in Nigeria. The GPP agreed to support Nigerian entrepreneurs through some of its initiatives such as 'business resilience assistance for value-adding enterprises for women (BRAVE)', 'She Trade Programme', which supports women in trade, 'Women Tech Stars', that supports women in technology.

Overall, the working visit to Saudi Arabia promises to provide a lot of benefits for the Nigerian economy, and the non-oil export sector in particular. Besides the $200million line of credit, which is already being processed, the Bank hopes to secure additional credit lines and leverage the guarantee fund of the IsDB.

One of the highpoints was the opportunity for capacity building, particularly in the area of developing Islamic banking products, which will provide financial inclusion for some of Nigerian exporters, who hitherto have not benefited from NEXIM's regular banking products.

# NEWS IN PICTURES

**Mr. Abba Bello,** Managing Director and Chief Executive Officer (MD/CEO) of NEXIM Bank, **Dr. Bala Bello,** Executive Director, Corporate Services, NEXIM Bank (3rd from left), and **H.E. Saad Alkhalib,** CEO of Saudi EXIM, with others during the signing of Memorandum of Partnership (MoP) in Saudi Arabia.




# FG Committed To Financing Safe Schools Scheme

Minister of State for Budget and National Planning, Prince Clem Ikanade Agba, has said that the federal government was committed to financing safe schools through the National Plan on Financing Safe Schools.

The minister disclosed this recently at the Nigerian Security and Civil Defence Corp (NSCDC), Headquarters, Abuja during the official flag-off of the National Schools Security Emergency Response Centre.

He recalled that a high-level forum entitled 'Financing Safe Schools: Creating Safe Learning Communities,' was held in April 2021, which highlighted government's commitment to providing adequate funding for implementation of the scheme.

He stated that the flag off was the culmination of some of the steps by the present administration to improve school safety for children.

He also recalled that the Honourable Minister of Finance, Budget and National Planning, Mrs. Zainab Shamsuna Ahmed, at the financing safe schools stakeholders' engagement forum held recently at the Nigerian Air Force (NAF) Conference Centre in Abuja, reiterated that the federal government was committed to creating adequate budgetary allocation for financing the safe schools programme.

He said: "I align myself with that commitment and the further commitment to ensuring that we will also play our part in ensuring prompt release of budgeted funds for its implementation."

He stated that viewed against the backdrop of the fact that security in recent times was becoming a major concern to the average man on the street because of the high rate of crimes in various parts of the world, there was the need for everyone to support every effort geared towards making schools safe for children.

Mr. Agba also said that education being a powerful agent of change, which improves health and livelihoods, and also contributes to social stability and economic growth, it was imperative it should be an investment.

"Education is also essential to the success of every one of the 17 sustainable development goals (SDGs). We must therefore ensure that every child is able to learn in a safe environment where they can get the quality education they need to unlock their full potential and contribute to building a better Nigeria," he said.

He noted that the importance of knowledge and learning could not be over emphasised.

Quoting Plato, who said: "If a man neglects education, he walks lame to the end of his life," Mr. Agba also said and he bought in the idea of the Nobel winning economist, T. W. Schultz, who put up the argument of education as being an investment, "and I totally agree with him."

L-R: Honourable Minister of State, Budget and National Planning, **Prince Clem Agba,** Statistician-General of the Federation/Chief Executive Officer, National Bureau of Statistics, **Prince Adeyemi Adeniran,** and Commandant-General of Nigeria Security and Civil Defence Corps (NSCDC), **Dr. Ahmed Abubakar Audi,** during the official flagoff of the National Schools Security Emergency Response Centre, at the NSCDC Headquarters, Abuja recently.

He asserted that proactive strategies were the keys to safe schools by focusing on a balanced approach to prevention, intervention, security and emergency preparedness, combined with improving school safety communications, school climate, psychological support services, and meaningful relationships with public organisations with interest in safety.

Earlier, the Commandant-General of the NSCDC, Dr. Ahmed Audi, reiterated the uncompromised determination of the Corps to ensure at all times the safety of lives of Nigerian school children and protection of school facilities as mandated by the federal government.

He disclosed that a special committee of the Corps had been working assiduously towards the production of a Standard Operating Procedure (SOP) for this national project with a view to ensuring that its objective forms part of the cardinal responsibilities of the Corps.

He said: "In view of the importance of education and human capital development towards overall national development, it has become expedient for the federal government to deploy extraordinary measures to tackle the spate of attacks on school facilities in Nigeria. Such effort is the commitment and endorsement by the federal government of Nigeria to ensure that all Nigerian schools become safe and secured for uninterrupted teaching and learning activities.

"Accordingly, in the consideration for a multi-sectorial working group, the NSCDC has been made the lead agency with the mandate to host the National Safe Schools Response and Coordination Centre."

Mr. Agba pointed out that no nation could achieve sustainable development in the face of widespread insecurity of life and property, with immense cases of insecurity that stem from high profile crimes, perpetrated through transnational syndication and racketeering which have continuously posed threats to the survival of nations.

He recalled that: "Nigeria's political history has been replete with various forms of violent insecurity challenges ranging from the civil war, election related mayhem, riots and protests, militancy, insurgency and herdsmen and farmers clashes.

"However, the rise of Boko-haram sect has created a new dimension to Nigeria's insecurity problems. The main ideological objective of this violent extremist group is strangely, to target the elimination of western education in Nigeria."

He said: "The negative operations of this group against education became glaring following the abduction of 276 students of Government Girls College, Chibok.

"Following afterwards were several other cases of attacks of several other secondary schools with cases of kidnapping of teachers and students.

"There were also cases of killing of students and their teachers. Bombs were brazenly detonated in school assemblies, destroying the lives of many students and teachers such as the case of the Yobe school attack while school buildings were burnt, hindering teaching and learning.

"Intelligence also revealed cases of dormitory raping, though several other attacks remained unreported.

"Statistics however shows that about 2,295 teachers have been killed and 19,000 others displaced in Borno, Yobe and Adamawa States between 2009 and 2018 alone while an estimate of 1, 500 schools had been destroyed since 2014, with over 1,280 casualties among teachers and students."

He lamented: "These violent attacks have negative effect on teaching and learning thereby reversing our sustainable national development efforts."

# Agba Canvasses Revenue Growth For Increasing Population

**By Majeed Salaam**

Prince Clem Agba, Minister of State for Budget and National Planning, has stressed the need to grow the nation's revenue base to accommodate the ever-increasing population.

Agba, who stated this in Lagos recently at the signing of the Memorandum of Understanding (MoU) between the Federal Inland Revenue Service (FIRS) and the Lagos State Internal Revenue Service (LIRS), said with the current low revenue to Gross Domestic Product (GDP) of six percent generation, there was already a strain on available resources and infrastructure needed to accommodate the young and booming nation's population.

"There is therefore an increasing need to grow the revenue of Nigeria for government at all levels to meet its obligation to the citizenry. Every economy, including that of Nigeria, needs an efficient tax system to thrive.

"Nigeria runs a federal system of government, so Nigeria needs its tax system to be efficient at all levels, as one level alone cannot reform the entire tax system in the country," the minister noted.

He emphasised that the collaboration between the revenue authorities was highly commendable and a welcome development for tax administration in Nigeria.

He urged more states to follow in the steps of Lagos State and increase its collaboration with FIRS, adding it was a laudable initiative.

"Lagos state is Nigeria's business hub and presently boasts the largest tax revenue collection among the States. However, I believe that this collaboration will bring more benefits to the State in the area of revenue generation, as it seeks to prevent revenue loss through tax evasion and avoidance and improve voluntary compliance.

May I take this opportunity to assure you of the Federal Ministry of Finance's unequivocal support of this collaboration? We will gladly offer our assistance where needed.

"We indeed look forward to a brighter future for the Nigerian tax system and the continued growth of our economy," he said.

# FG Ratifies Nigeria's Agenda 2050, Targets 165 million Jobs

## • As Finance Minister Rejects Proposal For New Agencies

**By Anita Dennis**

The National Economic Council (NEC) at its emergency session and maiden meeting in 2023 recently endorsed the 'Nigeria Agenda 2050' designed to take the country through to upper middle-income country and subsequently to the status of high-income nation.

At a recent meeting presided over by the Vice President, Professor Yemi Osinbajo, at the State House, Abuja, the Agenda 2050 was presented by the Ministry of Finance, Budget and National Planning to state governors and other members of NEC, including Ministers.

Speaking after the presentation and discussion by Council members, Professor Osinbajo observed that the plan captures a lot of the expectations for Nigeria in the future and hopefully implementation which is key if effectively done.

In her earlier speech, Mrs. Zainab Ahmed, Honourable Minister of Finance, Budget and National Planning, said that implementing the National Development Plan (2021-2025) would require N350trillion.

She also said that the federal government would contribute only nine percent of that amount and the rest would come from sub-national governments and the private sector.

"The plan would require an investment size of about N350trillion to achieve the plan objectives within the period from 2021 to 2025.

"It is estimated that the government capital expenditure during this period will be about N50trillion, which represent 14 percent of the required amount, while the balance N300tn will be provided by the organised private sector.

"Of the 14 percent government contribution, the federal government capital contribution will be N30trillion, that's nine percent. While the sub national governments capture a capital expenditure will be about N20trillion, which is six per cent."

She argued that the successful implementation of the plan would be heavily dependent on a strong partnership between the private and public sectors playing their respective roles effective.

Also commenting on the Agenda, the Minister of State for Budget and National Planning, Prince Clem Agba, said that the federal government took unprecedented steps in ensuring the operationalisation of the plan, especially with the inauguration of the Steering Committee of the National Development Plan by the Vice President.

Highlights of the Nigeria Agenda 2050 as presented to NEC included "Nigeria Agenda 2050 is formulated against the backdrop of several subsisting development challenges in the country. These challenges include low, fragile, and non-inclusive economic growth; high population growth rate, pervasive insecurity, limited diversification, macroeconomic and social instability, low productivity and high import dependence.

His Excellency, Vice President **Prof. Yemi Osinbajo** (r), Honourable Minister of State, Budget and National Planning, **Prince Clem Agba** (l), and a member of the National Steering Committee, during the Implementation of the National Development Plan (NDP) 2021-2025 in Abuja recently.

"Nigeria Agenda 2050 is a perspective plan designed to transform the country into an "Upper-Middle Income Country", with a significant improvement in per capita income.

"The plan aims to fully engage all resources, reduce poverty, achieve social and economic stability. It also targets developing a mechanism for achieving a sustainable environment consistent with global concerns about climate change.

"The plan therefore presents the road map for accelerated, sustained and broad-based growth and provides broad frameworks for reducing unemployment, poverty, inequality, and human deprivation."

Accordingly, Agenda 2050 was to help Nigeria attain her desire to successfully join the group of upper middle-income countries and subsequently to high-income group.

"This requires significant improvement in the country's per capita gross domestic product (GDP) which will be powered by rapid and sustained economic growth.

"Nigeria's long-term ambition is to improve its per capita GDP from about $2,084.05 in 2020 to $6,223.23 in 2030 and $33,328.02 in 2050, with rapid and sustained economic growth, job creation and poverty reduction.

"The Nigeria Agenda 2050 projects annual average real GDP growth of seven per cent. The real growth rate of the GDP of the first medium-term NDP 2021-2025 on average will be 4.65 percent and this will increase to 8.01 percent in the second NDP; subsequently, it is expected to increase to 8.43 percent in the third.

"Consequently, the number of full-time jobs created will be roughly 165 million during the Agenda period to spur poverty reduction."

The plan aims to fully engage all resources, reduce poverty, achieve social and economic stability

Meanwhile, The National Institute of Peace and Strategic Studies (NIPSS) proposal for the creation of new agencies to monitor and evaluate federal government projects has been arguably rejected by the federal government.

The federal government expressed concern over duplication of roles, stating there were too many agencies doing the same thing.

Mrs. Ahmed recently argued this at the opening session of the Dialogue on the National Monitoring and Evaluation Policy and Women's Economic Empowerment at the State House, Abuja.

She was responding to earlier remarks by Prof. Dung Pam Sha, who represented the Director-General of the NIPSS, Kuru, Plateau State, Prof Don Pasha.

Mrs. Ahmed, who was represented by the Minister of State, Budget and National Planning, Clem Agba, recalled: "A little while ago, when the representative of the DG NIPSS, Professor Don Pasha, was speaking, he made a recommendation for the setup of an agency to handle monitoring and evaluation.

"I do not support that. I do not think that we need more agencies. What we need now is to begin to reduce all our agencies.

"We have too many and they are playing competing roles. But what I do agree with him is what he talked about the use of technology. And as part of the current M&E framework, we have developed that."

Ahmed said that the federal government had upgraded its monitoring and evaluation framework by involving citizens in its projects.

Accordingly, the proposal does not conflict with the Oronsaye report, which recommends, among other things, the scraping and merging of at least 90 government agencies.

He said, "Well, it's not a clash of interests or goals because we think any new agency would have a function. But we are not insisting that agencies must be created.

"The departments currently running the programme and the projects and performing the role of M&E should be given some level of independence to perform their responsibilities.

"Subsuming them into a structure makes it very difficult for them to operate. That is the issue that we're raising.

"So, we need some kind of autonomy to be given to that department, if it is not even going to be upgraded to an agency."

Submitted in 2012, the Oronsaye report on public sector reforms revealed that there were 541— statutory and non-statutory — federal government parastatals, commissions, and agencies.

The 800-page report recommended that 263 statutory agencies be slashed to 161, 38 agencies be scrapped, 52 be merged and 14 be reverted to departments in various ministries.

The report also recommended that the law establishing the National Salaries and Wages Commission should be repealed and its functions transferred to the Revenue Mobilisation and Fiscal Responsibility Commission.

It advised the federal government to merge the nation's top three anti-corruption agencies— the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and Other Related Offences Commission (ICPC), and the Code of Conduct Bureau.

# 86% Of N348.1trn Projected Investment In NDP To Come From Private Sector - Agba

## • Says 'Eyemark' Web App Will Enable Citizens Track, Report Progress Of Capital Projects

Honourable Minister of State, Budget and National Planning, **Prince Clem Agba** (L), during Launch of the Eyemark Web App

**By Chiamaka G. Okpala**

Minister of State for Budget and National Planning, Prince Clem Ikanade Agba, has said that the National Development Plan (NDP 2021-2025) would require an investment of about N348.1 trillion for it to achieve its objectives within the plan period.

In his recent keynote address at the National Dialogue on the Implementation of the plan and the role of monitoring and evaluation in the Banquet Hall of the State House in Abuja, Mr. Agba noted the estimate that government capital expenditure during the period would be N49.7 trillion (14 percent).

He stated that the balance of N298.3 trillion (86 percent) would be provided by the private sector, adding "of the 14 percent government contribution, the federal government of Nigeria capital expenditure will be N29.6 trillion (nine percent) while the subnational governments' capital expenditure will be about N20.1 trillion (six percent)."

According to him: "The successful implementation of this Plan will be heavily dependent on a strong partnership between the private and public sectors and both sectors playing their expected roles effectively."

He also said that government on its part would finance the Plan directly from budgetary provisions as approved by the National Assembly, stressing: "To ensure fiscal sustainability, efforts will be geared towards the enhancement of domestic resource mobilisation, especially in enhancing non-oil revenues within the Plan period to avoid fiscal shocks in financing the Plan."

He explained that the target was to increase national government's revenue up to 15 percent of gross domestic product (GDP) at the end of 2025 to reduce the deficit-GDP ratio.

Mr. Agba stated that effective implementation of the NDP would help to unlock higher investments in all the nation's sectors and stimulate economic growth, enough to move the country towards sustainable development goals.

He stressed that the implementation of the NDP 2021-2025 and Nigeria Agenda 2050 portended a positive and brighter outlook for the Nigerian economy in the medium to long terms.

According to him: "It envisages that the private sector drives the economy; hence its focus on removing the various binding constraints including 18 identified laws and 10 policies) in the Volume 3 of the Plan to wit: the Legislative Imperatives, including Plan Continuity Bill and the setting up of the Committee to make the changes.'

He continued: "Nigeria remains the largest economy and most populous country in Africa with an estimated population of more than 200 million people, which is expected to grow to 411 million by 2050 and become the third most populous country in the world after China and India.

"The country's middle class of about 50 million people is expected to help grow the country into one of the top-twenty global economies by 2050. These statistics show that Nigeria has enormous potential and opportunities ahead of it."

He noted that the role of monitoring and evaluation (M&E) in the implementation of the plan could not be over-emphasised as it was key to ensuring effective delivery of the achievements of the objectives of the plan.

"Conventionally, some of the roles of M&E in any project, programmes and policies implementation, according to him, include, provision of consolidated source of information showcasing project progress; generating reports that contribute to transparency and accountability, revelation of mistakes and offer of paths for learning and improvements; providing a way to assessing the crucial link between implementers and beneficiaries on the ground and decision-makers; and adding to the retention and development of institutional memory," he said.

Mr. Agba stated that as parts of the M&E framework were citizens' engagement and use of technology, which according to him led to the development and launch of the "Eyemark" web application by President Muhammadu Buhari to enable citizens track and report on the progress of government projects across the country.

He said that the national dialogue had provided a viable platform to sustain the momentum following the approval of the National Monitoring and Evaluation policy, sensitise key stakeholders on its content, and establish partnerships to operationalise the policy in Nigeria.

"As you may all be aware, the National M&E policy was recently approved by National Economic Council and the Federal Executive Council to provide a guide in the tracking of government Projects and Programmes.

"In order to ensure the effective utilisation of the policy, it is important that all the relevant stakeholders are properly sensitised and the required advocacy is carried out to gain their buy-in. It is based on this that the M&E department on the initiative of National Institute for Policy and Strategic Studies (NIPSS), collaborated and worked out the modalities for organising this National Dialogue on the National M&E Policy."

> To ensure fiscal sustainability, efforts will be geared towards the enhancement of domestic resource mobilisation

He also said that the planning arm of the Ministry of Finance, Budget and National Planning was saddled with the responsibility for the development of National Plans for the country. Therefore, in realisation of the need to grow the economy on an inclusive growth and sustainable economic development trajectory, the Ministry initiated the process for the preparation of a National Development Plan 2021 – 2025 to guide government policies, programmes and projects as well as private sector operations from now to 2025 while this would be inspired by Nigeria Agenda 2050 which encapsulated our long-term vision for Nigeria.

He stated that: "Nigeria's NDP, 2021-2015 is a medium-term blueprint designed to unlock the country's potentials in all sectors of the economy for a sustainable, holistic and inclusive national development, developed by the different facet of the Private Sector, sub-national government, civil society organisations (CSO) and facilitated by the federal government of Nigeria. This was deliberately done for inclusiveness, participation and citizen engagement to ensure no one is left behind."

"Consequently, the Plan has a comprehensive M&E framework embedded in it. The National M&E system in the plan will facilitate the tracking of plan implementation, effectiveness, and identification of bottlenecks for early resolution. The M&E framework is critical for an evidence-based assessment of the Plan's performance and to ensure that Nigeria can meet its goals. The focus of the M&E for this Plan is to institutionalise results-based planning and performance monitoring, reporting and use of evidence for responsive decision-making," the Minister emphasised.

Mr. Agba disclosed that the Federal Ministry of Finance, Budget, and National Planning (FMFBNP) would oversee the monitoring and evaluation of the Plan, stressing: "The national M&E office will lead a nationwide monitoring and evaluation, coordinating with all states, ministries, departments, and agencies to collect periodic data for routine monitoring and the department will commission studies and other efforts for the overall evaluation of progress."

He said that the Ministries, Departments and Agencies (MDAs) were to coordinate M&E functions across departments and related agencies, prepare a performance improvement plan based on the findings and recommendations of the monitoring report, prepare quarterly and biannual reports on the performance of the respective MDAs and submit such reports to the National M&E Department.

According to him: "The ministry will also undertake cost-effective and cost-benefit analysis to ensure interventions are providing value for money."

Mr. Agba also explained that the National M&E department had some roles stipulated clearly in the NDP document to drive the process of M&E in the course of plan implementation.

According to him: "Some of the roles include promotion of strategic partnership at all levels of governance and all sectors; promotion of joint working and learning on M&E among MDAs and all stakeholders with key roles in strengthening M&E and the national M&E system; providing technical support to MDAs in building their M&E capacity; standardising the M&E functions of the federal government; and developing a costed evaluation work plan.

He stated that the plan empowered the national M&E department with critical resources and institutional authority to drive centralised coordination of the Performance management system in Nigeria, adding that "It emphasises that there will be adequate and timely resources for the M&E unit to enable it to perform its functions effectively."

He disclosed that the federal government would ensure value for money; as quarterly capital releases to MDAs would be tied to the outcome of the reports of the periodic monitoring and evaluation exercise carried out by the National Monitoring and Evaluation Department of the Federal Ministry of Finance, Budget and National Planning.

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# Fuel Subsidy Removal Should Be Now Or…

POLICY BRIEF
*with*
ENAM **OBIOSIO**

Historically, petrol subsidy payments grew by 349.42 percent from N350 billion in 2019 to N1.573 trillion in 2021, propelled by the rising price of crude oil in the international market and the falling value of the Naira.

The cost of subsidising the product in 2020 was N450 billion. In 2022 alone, the total cost of subsidy in January and February was N396.72 billion, the data from the Nigerian National Petroleum Corporation (NNPC) had shown.

Federal legislators approved the sum of N4 trillion to be spent on petrol subsidies in 2022. The federal government had previously disclosed that it spent N10.413 trillion on fuel subsidies between 2006 and 2019.

With Nigeria importing all its petrol from foreign refineries, the low value of the Naira has had a significant impact on the pricing of the product in-country.

The three government-owned refineries have not been adequately operational, despite huge investments in their Turn Around Maintenance (TAM) by the government.

A plan by the government to deregulate the sector, following enactment of the Petroleum Industry Act (2021) that prescribes a free market for the downstream sector of the petroleum industry was on hold, with the government seeking and obtaining budgetary approval to spend N4 trillion on petrol subsidy.

According to data by the defunct Petroleum Products Pricing Regulatory Agency (PPPRA) the federal government paid a total of N2,105.92 trillion in 2011, an increase of N1,437.84 trillion from the 2010 payment. In 2012, N1.35 trillion was paid as a subsidy, the highest within the period under review. Then, a total of N 1, 316 trillion in 2013, N1,217 trillion in 2014 and N653.51 billion in 2015 was paid as subsidy claims.

Looking at all this, the fuel subsidy has to be removed now or the nation will achieve very minimal development.

I want to note that the government's decision to continue subsidy payment was more political than economic, given the revenue challenges facing governments at all levels. By retaining the petrol subsidy, the government has found it difficult to meet other commitments.

Economically, most of us in Nigeria know that subsidies have been very costly and these have been having serious implications on government revenue. The states at the subnational level are even the ones that do feel it more because they depend heavily on revenue from the Federation Account and secondly, they do not have the leverage to borrow like the federal government.

Some economists have said that if the subsidies should continue, the states are going to be hard-hit financially and it is going to be extremely difficult for them to meet all their commitments in terms of payment of salaries and keeping their obligations to pensioners. Some have even come out to say that they would not be surprised later on, if the states and local governments are unable to meet their commitments.

The fuel subsidy has widened the government's deficit gap so much that the government had to consider tapping the two billion Euros it raised in the Eurobond sale to support its fiscal position.

At a point, rising oil prices had put Nigeria in a very precarious position... because we import refined products ... and it meant that our subsidy cost was really increasing.

I want to also note that the premium motor spirit (PMS) evacuation data obtained from the Nigerian National Petroleum Company Limited showed that the year-to-date daily consumption of petrol in the country was 66.8 million litres.

Going by the above figure from the NNPC, it, therefore, implies that the federal government spends about N40.1billion daily when subsidising every litre of petrol consumed in Nigeria by at least N600.

It is notable that the cost of petrol (if not subsidised as done in Nigeria) was often higher than the cost of automotive gas oil (AGO), popularly known as diesel. The diesel price was currently between N800 and N850/litre, while the presently, the official pump price of petrol in Nigeria is N185. However, going by current market data, the commodity presently goes for prices ranging from N185 to N270. The over-the-country average price of petrol is presently N250 per litre. Diesel is not subsidised.

Again, based on this, it implies that the federal government through NNPC currently spends nothing less than N600 as subsidy on every litre of petrol consumed across the country.

The cost of petrol in Nigeria is about the cheapest in the world. And this is because of subsidy. The subsidy is not small, it is so great. Diesel is going for about N850/litre currently because there is no subsidy on it. And this means petrol price could be almost the same price, if not for subsidy.

This humungous subsidy spending by the government through NNPC is unsustainable, even as the crisis in the downstream oil sector has now been affecting retail outlets seriously.

Among others, also speaking on the burden of fuel subsidy on the economy, the President, Petroleum Products Retail Outlets Owners Association of Nigeria, Billy Gillis-Harry, had noted that the subsidy regime was no longer sustainable.

"We have said it times without number that this subsidy regime is no longer sustainable, as the global crisis in the oil sector, coupled with the crash of the naira against the dollar, has made it tough for Nigeria," he said.

The National President, Natural Oil and Gas Suppliers Association, Bennett Korie, did say that the current cost of petrol could make one to run away, if told.

In June last year, the NNPC helmsman, Mr. Mele Kyari, had explained that the cost of petrol should be more than the N280/litre price of diesel as at that time.

He had stated that organised smuggling was the reason for the huge petrol consumption volume in Nigeria, stressing that the low petrol price in the country was also an incentive for this.

In view of this, I want to point out that the implication of keeping the subsidy process in the country goes beyond just revenue; it also affects the oil industry. It is also at the heart of the deregulation of the downstream sector. It will have implications for the implementation of the Petroleum Industry Act (PIA) 2021 significantly because the decision on pricing is about market forces being at play to allow investment decisions to be made.

Keeping the subsidy is to hinder quality investments, which means that until the issue is resolved there is not going to be much private investment flow to the downstream sector.

The blame for the havoc that subsidies have caused the country should rather go to the elites, who are the main beneficiaries of the petrol subsidy regime for mounting pressure on the government to retain the subsidy policy.

Just as some experts would say, the argument has been about the protection of the privileges of the selfish elites. After all, when kerosene was deregulated, nothing happened, diesel was deregulated, nothing also happened, but the moment the government touches an area that affects the elites, it becomes difficult to implement, because they have access to the media.

Though some have also blamed the resistance to the policy on citizens' loss of confidence in the government, pointing out that over time Nigerians no longer trusted the government.

Looking at all this, the fuel subsidy has to be removed now or the nation will achieve very minimal development

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