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FG Must Pay Attention To Comprehensive Action For Enhanced Food Security

EDITORIAL

The federal government's initiative to return Nigeria to a sustainable food production system and achieve all-year-round farming presents a promising approach to addressing the persistently high food prices that have burdened many Nigerians.

This strategy is rooted in the ambition to enhance food security, stabilise prices, and reduce the nation's dependency on food imports.

However, the effectiveness of this approach in combating the excessive cost of food hinges on several key factors, one of which is reviving sustainable agriculture. The drive to establish a year-round farming system aims to mitigate the seasonality that currently plagues Nigerian agricultural practice.

Traditionally, Nigeria's agricultural sector has been hampered by seasonal fluctuations, which result in periods of low production and subsequent price spikes. By promoting continuous cultivation, the government hopes to smooth out these fluctuations, stabilise supply, and ultimately reduce food prices.

Another vital factor is to assess potential benefits and challenges. One of the primary advantages of this strategy is the potential to increase

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Nigeria's Windfall Tax On Forex Profits Raises Revenue, Risks

*In response to pressing fiscal challenges and the need for greater debt sustainability, the **President Bola Ahmed Tinubu**-led administration has introduced a significant windfall tax on realised profits from foreign exchange transactions by banks for the 2023 financial year. Below, **Enam Obiosio** looks at the broader implications of the proposed tax on Nigeria's economic landscape.*

The recent introduction of the Finance (Amendment) Bill 2024, mandating a 50 percent tax on realised profits from foreign exchange transactions in Nigerian banks, marks a significant shift from the federal government's earlier stance against new taxes.

This new policy, overseen by the Federal Inland Revenue Service (FIRS), allows banks to settle the tax in installments, subject to FIRS's approval. Non-compliance could lead to severe penalties, including hefty fines and potential imprisonment for principal officers of defaulting banks. While the bill aims to boost the government's revenue, it has sparked substantial concern about its broader economic implications.

Economic Repercussions and Investor Confidence

The proposed tax is expected

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President Bola Ahmed Tinubu

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Afrexim Bank Warns Against Proposed 5% Levy For Community Project

By Anita Denis

African Export-Import (Afrexim) Bank has expressed concerns that a proposed five percent tax on companies earning over N100 million annually for community development projects could drive multinational companies out of Nigeria.

In its latest report, 'Monthly Developments in the African Macroeconomic Environment,' the bank noted that this proposal faces significant opposition from the private sector.

Critics argue that businesses already face a corporate tax rate of 20-30 percent, and the new levy could further burden them, potentially leading to their departure from the market.

The report also highlights other key developments in Nigeria's economy during June, including a proposed N2 trillion economic injection and increased mining charges.

The Corporate Social Responsibility (CSR) Bill 2023, introduced by Hon. Olumide Osoba, aims to enhance corporate governance and ensure companies integrate economic, environmental, and social considerations into their business strategies. The bill proposes the establishment of a department within the Federal Ministry of Budget and National Planning, led by a commissioner appointed by the president. This department would oversee CSR activities and ensure compliance.

For non-extractive companies with a net worth of N500 million or net profits of N100 million in a financial year, the bill mandates the formation of a CSR committee. This committee, comprising at least three directors, including an independent director, would be responsible for the company's CSR policy.

The bill has faced backlash from the organised private sector, including the Manufacturers Association of Nigeria (MAN). The MAN representatives at a parliamentary public hearing described the proposal as poorly timed and unnecessary, arguing that CSR should be a voluntary decision for companies. They also highlighted the existing tax burden and high operational costs that businesses already contend with.

The five percent levy for community development proposed in the bill is similar to provisions in the Petroleum Industry Act (PIA), which requires oil companies to contribute three percent of their operational costs to a trust fund for host community development.

Additionally, the amended Electricity Act of 2023 mandates a five percent levy on the annual operational costs of electricity generation companies for host community development, aimed at addressing environmental concerns.

FG Urges FHF's Board To Provide Affordable Housing For Low-income Earners

• As NSIA Seeks Solutions To Bridge Infrastructure Financing Gap With NIFF

By Musa Ibrahim

The federal government has directed the newly inaugurated Board of Family Homes Funds (FHF) Limited to focus on delivering affordable housing to low-income earners in Nigeria.

Honourable Minister of Finance and Coordinating Minister of the Economy, Mr. Wale Edun, stated that this initiative is a crucial part of the current administration's efforts to address the housing deficit in the country.

During the recent Board's inauguration in Abuja, Mr. Edun outlined the fund's key objectives: Creating inclusive environments, generating employment, and alleviating poverty, all aligned with the 'Renewed Hope Agenda.'

He assured that the Board's composition was a result of a rigorous, merit-based selection process, expressing confidence in the members' capability to fulfil their responsibilities.

Also, Permanent Secretary of the Federal Ministry of Finance, Mrs. Lydia Shehu Jafiya, supported this sentiment, expressing confidence in the Board's ability to meet national expectations, given the members' diverse expertise.

She pledged full backing from the Ministry to ensure the successful implementation of relevant policies and programs.

Echoing these sentiments, Permanent Secretary for Special Duties, Mr. Okokon Ekanem Udo, emphasised the fundamental importance of housing, urging the Board to diligently pursue its mandate. He highlighted the government's prioritisation of housing as a vital aspect of human welfare.


Mr. Wale Edun, Honourable Minister of Finance and Coordinating Minister of Economy

In the same vein, newly appointed Chairman of the board, Mr. Ademola Adebise, expressed gratitude for the opportunity and reiterated the Board's commitment to providing affordable housing in line with the government's policy goals.

He equally assured that the board members would leverage their extensive experience to achieve the fund's objectives.

The board includes prominent professionals such as Mr. Abdul Mutallab Muktar as Managing Director (MD)/Chief Executive Officer (CEO); Mr. Henry Emeka Inegbu as Executive Director of Operations; and Mr. Abdullahi Musa as Executive Director of Finance, among others.

In another development, the Nigeria Sovereign Investment Authority (NSIA) is actively seeking solutions to bridge the infrastructure financing gap in Nigeria.

In a meeting held in Abuja recently, the NSIA's representatives and Mr Edun, discussed the potential establishment of a Nigeria Infrastructure Finance and Guarantee Facility (NIFF).

This proposed facility aims to provide stable credit and guarantees for local infrastructure projects, ensuring a more consistent funding stream.

The NSIA's MD/CEO, Mr. Aminu Umar-Sadiq, led the delegation which included key figures such as Executive Director\Chief Investment Officer, Mr. Kola Owodunni, and Financial Controller, Mr. Victor Sesere.

The meeting underlined the strategic partnership between the federal government and the NSIA, aimed at fostering economic growth through innovative financial mechanisms.

The initiatives highlight the government's commitment to addressing critical issues in housing and infrastructure, aiming to stimulate economic development and improve the quality of life for all Nigerians.

Nigeria's Windfall Tax On Forex Profits Raises Revenue, Risks

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to generate substantial revenue, bolstering the national budget and potentially funding essential public services and infrastructure projects. This revenue injection could provide a much-needed boost to the broader economy, enhancing public welfare and fostering economic growth.

However, the tax may also impose significant financial strain on banks, potentially affecting their profitability and capital adequacy. This strain could lead to tighter lending conditions, reducing credit availability for businesses and consumers. As banks grapple with increased financial outflows, their ability to lend might be curtailed, impacting sectors dependent on bank financing and slowing economic activity.

The introduction of this tax has also raised red flags among investors, who are concerned about the stability and predictability of Nigeria's tax environment. The sudden imposition of a one-off tax could deter both foreign and domestic investments, as investors may perceive an unpredictable tax regime as a risk. This hesitation could stymie economic growth, as investment is a critical driver of economic expansion.

Impact on Forex Market and Consumer Costs

The new tax might also influence banks' behaviour in the foreign exchange market. The banks could become more cautious in engaging in forex transactions, potentially reducing market liquidity and affecting exchange rate stability. Of course, a less liquid forex market could lead to greater volatility in exchange rates, posing additional challenges for businesses reliant on stable currency valuations.

Moreover, the banks may pass on the additional tax burden to consumers through higher fees or reduced interest rates on deposits. This shift could increase the financial burden on consumers and businesses, particularly those heavily reliant on banking services. Higher banking fees and reduced deposit returns could diminish consumer spending power and business investment, further dampening economic growth.

Inflationary Pressures and Sectoral Impacts

Should banks respond to the tax by raising fees or tightening lending, the resulting increase in borrowing costs and reduced access to capital could have inflationary effects. Businesses facing higher financing costs may raise prices to maintain profitability, contributing to inflationary pressures. This scenario could erode consumer purchasing power, leading to broader economic challenges.

The health of Nigeria's banking sector is paramount to the overall economy. Any significant disruption or decline in banking performance could have wide-reaching repercussions, affecting sectors such as real estate and manufacturing that rely heavily on banking services. A weakened banking sector could undermine economic stability and growth, highlighting the need for careful consideration of the tax's long-term impacts.

Balancing Fiscal Gains and Long-Term Stability:

A weakened banking sector could undermine economic stability and growth...

Considerations for Implementing the Proposed Forex Tax

While the Finance (Amendment) Bill 2024's proposed 50 percent tax on realised profits from foreign exchange transactions aims to significantly boost government revenue, its implementation demands careful consideration to balance immediate fiscal gains with potential long-term economic and political ramifications. A strategic and phased approach to this tax could mitigate potential adverse effects on the banking sector and the broader economy.

Gradual Implementation and Phasing

A phased implementation method would allow for a smoother transition and adjustment period for banks. Rather than imposing the tax in one large installment, the government could start with a lower tax rate, gradually increasing it over time. This incremental approach would help mitigate financial shocks and provide banks with the necessary time to adapt, reducing the risk of sudden disruptions in the financial sector.

Transparent Communication and Stakeholder Engagement

Despite the government's clear communication regarding the tax's role in supporting critical national projects and stabilizing the economy, transparency about the tax's objectives remains crucial. By openly discussing the goals and benefits of the tax, the government can garner public and investor support. Engaging with key stakeholders—including banks, investors, and economic experts—can also provide valuable insights to refine the policy, ensuring its practicality and sustainability.

Targeted Exemptions and Reduced Rates

To further balance the tax's impact, the government could consider exemptions or reduced rates for banks that focus on sectors crucial to economic development, such as micro, small, and medium-sized enterprises (MSMEs), agriculture, or infrastructure financing. This targeted approach would incentivize banks to continue supporting vital economic sectors while easing the overall tax burden.

Comprehensive Impact Assessments and Ongoing Monitoring

Conducting thorough impact assessments is essential to understand the potential effects of the tax on the banking sector, the broader economy, and investor sentiment. These assessments can provide valuable insights for adjusting the policy as needed. Additionally, establishing mechanisms for continuous monitoring of the tax's impact and being prepared to make adjustments in response to changing economic conditions or unintended consequences will be crucial for long-term success.

Assurances and Complementary Policies

To maintain investor confidence and market stability, the government should assure stakeholders that this tax is a one-off measure and not indicative of a trend toward unpredictable tax policies. Complementing the tax policy with incentives or reforms to attract investment—such as improving ease of doing business, ensuring regulatory stability, or providing sector-specific incentives—can further bolster confidence and economic growth.

Transparent Allocation and Broader Fiscal Reforms

Transparency in the allocation of revenue generated from the tax is vital. Ensuring that funds are directed towards critical infrastructure projects or social programs with broad public support can help justify the tax and enhance public acceptance. Additionally, complementing the tax measure with broader fiscal discipline and economic reforms aimed at sustainable growth can reduce the need for such extraordinary measures in the future.

Robust Legal and Regulatory Framework

Implementing the tax within a robust legal and regulatory framework is essential to minimize potential legal challenges and ensure fairness. Developing clear and fair enforcement mechanisms, including options for dispute resolution, can effectively handle any conflicts or non-compliance issues, maintaining the integrity of the tax system.

Global Precedents and Implications of Nigeria's Proposed Forex Tax

While this policy is aimed at boosting government revenue, it is not a common practice globally. However, there are instances where similar measures have been implemented or proposed with mixed outcomes. Understanding these precedents can provide valuable insights into the potential impacts and challenges Nigeria might face.

Global Examples of Forex Transaction Taxes

Brazil's IOF Tax: Brazil implemented the 'IOF Tax' (Imposto sobre Operações Financeiras) on foreign exchange transactions to regulate capital flows and stabilize the currency. This tax helped stabilize the Brazilian Real during periods of excessive volatility caused by speculative capital flows. While it curbed short-term speculative inflows, it also raised concerns among foreign investors about the predictability of the investment environment, potentially discouraging long-term investments.

Argentina's Periodic Forex Taxes: Argentina has periodically imposed taxes on foreign exchange transactions and implemented capital controls to stabilize its currency and control capital flight. These measures provided short-term relief by curbing capital flight and stabilizing the currency. However, they often led to reduced investor confidence, increased black market activity, and sometimes exacerbated economic instability, reflecting underlying economic vulnerabilities and policy inconsistencies.

India's TCS on Remittances and Forex Transactions: India introduced a 'Tax Collected at Source' (TCS) on remittances and overseas foreign exchange transactions to track and control the outflow of funds and ensure tax compliance. While this measure increased government revenue and compliance in reporting foreign transactions, it also led to administrative challenges and concerns among individuals and businesses involved in legitimate foreign transactions, potentially impacting the ease of doing business.

European Union's Financial Transaction Tax (FTT): The European Union has discussed implementing a financial transaction tax, which would include taxing financial transactions such as forex trades. These discussions highlighted the challenges in balancing revenue generation with maintaining the competitiveness of financial markets. Although the FTT has not been fully implemented across the EU, the discussions underscore the complexities and potential unintended consequences of such taxes.

Balancing Fiscal Gains with Economic Stability

The experiences of Brazil, Argentina, India, and the EU illustrate that while forex transaction taxes can generate significant revenue and stabilize financial markets in the short term, they often come with trade-offs. These include reduced liquidity, increased market volatility, and potential capital flight. Such measures can also impact investor confidence, leading to decreased long-term investments essential for sustainable economic growth.

Contextualizing Nigeria's Proposed Tax

Nigeria's proposed windfall tax comes at a time when the country faces multiple economic challenges, including a fragile financial sector, cautious investor sentiment, and overall economic instability. While the tax aims to generate revenue, policymakers must carefully manage its potential negative impacts. The broader economic context suggests that the tax's implementation should be strategically planned to avoid undermining the stability and growth of the financial sector.

Pension Transitional Arrangement Directorate

No. 22 Katsina-Ala Crescent, Off Yedseram Street, Maitama, Abuja.

PTAD COMMENCES VERIFICATION EXERCISE FOR THE PENSIONERS OF FEDERAL MORTGAGE FINANCE LIMITED AND FEDERAL MORTGAGE BANK OF NIGERIA.

The Pension Transitional Arrangement Directorate (PTAD) will commence the verification of pensioners of Federal Mortgage Finance Limited and Federal Mortgage Bank of Nigeria under the Defined Benefit Scheme from 29th July 2024.

The verification exercise will be held in 4 phases beginning on Monday, July 29 and ending on Thursday, August 22, 2024, across the six geopolitical zones. Each phase will last for 3 days and will take place as follows:

PHASE 1

SN	ZONE	STATE	VENUE	DATE	TIME
1	Federal Capital Territory	FCT, Abuja	PTAD Headquarters, 22 Katsina Ala Crescent, Off Yedseram St. Maitama, Abuja.	29th – 31st July 2024	8.00am – 5.00pm Daily
2	North-Central	Kwara	Room 12b, Ground Floor, Federal Secretariat, Fate Road, Ilorin.	29th – 31st July 2024	8.00am – 5.00pm Daily

PHASE 2

1	North-West	Kano	Federal Secretariat Complex, Kano. No. 1 Murtala Mohammed Way, Kano, Kano State.	5th – 7th August, 2024	8.00am – 5.00pm Daily
2	North-East	Adamawa	Federal Secretariat Complex, Ground Floor, No. 065a & 065b Yola, Adamawa State	5th – 7th August, 2024	8.00am – 5.00pm Daily

PHASE 3

1	South West	Oyo	Western Hall, Oyo State House of Assembly, Oyo State Secretariat, Agodi, Ibadan.	12th – 14th August, 2024	8.00am – 5.00pm Daily
2	South West	Lagos	NUT pavilion Event Centre, Plot 5, Block B, NERDC Road, Agidingbi, Ikeja. (Close to Fela's Shrine)	12th – 14th August, 2024	8.00am – 5.00pm Daily

PHASE 4

1	South East	Enugu	Conference Room, 1st Floor, Federal Secretariat Complex, Independence Layout, Enugu	20th -22nd August, 2024	8.00am – 5.00pm Daily
2	South-South	Rivers	Conference Room, Federal Secretariat Complex, Port Harcourt	20th -22nd August, 2024	8.00am – 5.00pm Daily

Documents Required for Verification of Pensioners

Pensioners are required to bring along the original and photocopies of the following documents:

1. Letter of first appointment
2. Letter of deconsolidation where applicable
3. Letter of transfer from Federal Mortgage Bank to Federal Mortgage Finance Limited where applicable.
4. Letter of last promotion
5. Letter of termination/ Letter of acceptance of retirement
6. Evidence of severance paid where applicable
7. Original stamped and signed Bank Statement (showing at least last 3 months). Bank statement should show evidence of receipt of monthly pension from FMBN.
8. Bank Verification Number (BVN) Print out
9. National Identity Number Slip
10. One recent coloured passport photograph.
11. Birth Certificate/Age Declaration

Requirements for Next of Kin

1. Deceased pensioner's letter of first appointment
2. Deceased pensioner's letter of deconsolidation where applicable
3. Deceased pensioner's letter of transfer from Federal Mortgage Bank to Federal Mortgage Finance Limited where applicable
4. Deceased pensioner's letter of last promotion
5. Deceased pensioner's letter of termination/ letter of acceptance of retirement
6. Letter of Administration (High Court)
7. Marriage Certificate where applicable
8. Death Certificate from Government Hospital
9. Birth Certificate of Next of Kin
10. Joint Account for both Next of Kin
11. Bank Verification Number (BVN) Print out for each Next of Kin)
12. One Passport photograph of the deceased pensioner.
13. Colored Passport photograph of Next of Kin

Signed:

Dr. Chioma Ejikeme

Executive Secretary, PTAD

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EDITORIAL

FG Must Pay Attention To Comprehensive Action For Enhanced Food Security

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domestic food production. With a consistent supply of produce throughout the year, market prices are likely to stabilise as supply becomes more predictable and less vulnerable to seasonal shortages. This could, in turn, lead to lower prices for consumers and a reduction in the inflationary pressures associated with food costs.

Additionally, sustainable farming practices can improve soil health, water usage, and overall agricultural productivity. In investing in modern techniques and technologies, the government can boost yields, enhance the quality of produce, and promote environmental sustainability. This approach aligns with global best practices and can position Nigeria as a leader in agricultural innovation within the region.

However, achieving these benefits requires overcoming several significant challenges. Implementing a year-round farming system necessitates substantial investments in infrastructure, including irrigation systems, storage facilities, and transportation networks. Without these critical components, the efficiency gains from continuous farming may be undermined by logistical and supply chain issues.

Moreover, the transition to a sustainable food production system involves training farmers in new techniques and technologies. This requires a comprehensive effort to provide education and resources, ensuring that farmers are equipped to adopt and benefit from modern agricultural practices. Failure to adequately support this transition could result in uneven implementation and limit the overall impact on food prices.

Another crucial aspect of reducing food prices involves addressing the inefficiencies within Nigeria's agricultural supply chain. High post-harvest losses, inadequate storage facilities, and poor market access all contribute to elevated food costs. Via improving infrastructure and logistics, the government can minimise these losses and enhance the distribution of food products, further stabilising prices.

For the year-round farming initiative to effectively lower food prices, it must be integrated with broader economic policies aimed at supporting agricultural development. This includes ensuring access to credit for farmers, promoting agro-processing industries, and fostering public-private partnerships. Such integration will help create a more robust agricultural sector capable of driving sustainable growth and reducing food costs in the long term.

Besides the above strategy, to tackle Nigeria's food security challenges and high food prices, the government can adopt several other effective strategies, some of which include investing in agricultural infrastructure, such as irrigation systems and modern storage facilities. This will support year-round farming and reduce post-harvest losses. Supporting sustainable farming practices, together with soil health management and water conservation, will enhance productivity and resilience to climate change.

Capacity building is crucial; providing farmers with training, financial support, and extension services will empower them with the tools and knowledge needed for modern agriculture. Promoting agricultural research and innovation through partnerships and funding will drive advancements in crop varieties and farming techniques.

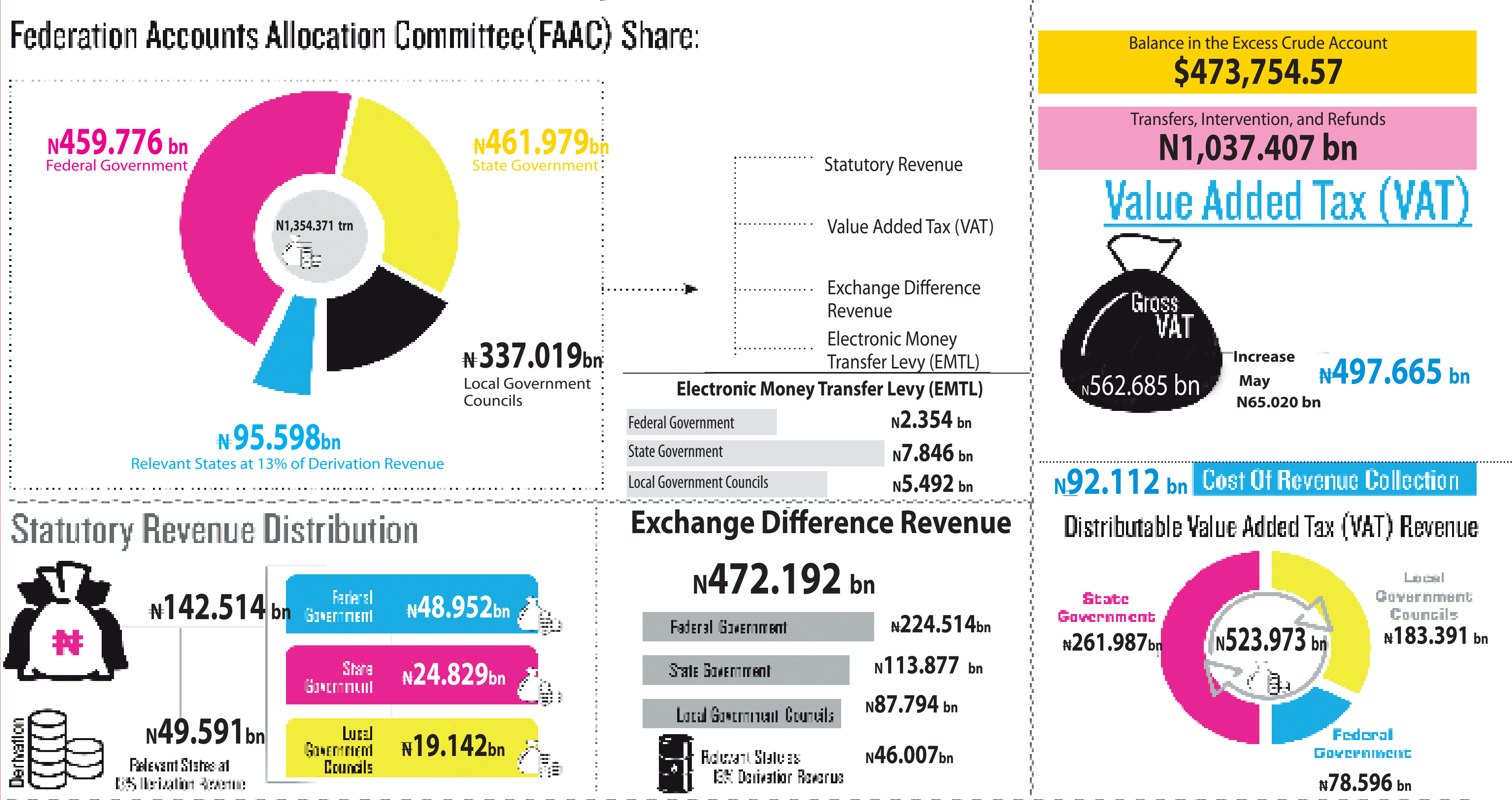
Improving market access and value chains is essential. Developing market information systems, promoting agro-processing, and supporting farmers' cooperatives will help farmers to access markets and add value to their products. Expanding food security and nutrition programs, like school feeding initiatives, will not only improve child nutrition but also support local agriculture.

The government should also focus on policy and regulatory reforms by offering incentives for modern farming practices, streamlining regulations, and implementing trade policies that balance local protection with export opportunities. Addressing environmental and security challenges, such as land degradation and regional violence, will create a stable environment for food production.

Lastly, promoting local food consumption and exploring price control mechanisms will help manage food affordability and support domestic agriculture.

In adopting these strategies, the government should build a more resilient and self-sufficient agricultural sector, improve food security, and address the high cost of food. Each strategy should be tailored to the specific needs and conditions of Nigeria's diverse agricultural landscape to maximise effectiveness.

FAAC Shares N1.35trn June 2024 Revenue To FG, States And LGCs



The communiqué highlighted significant increases in companies' income tax oil (CIT) and VAT for June 2024. However, import and excise duties and EMTL saw marginal increases, while royalty crude, petroleum profit tax (PPT), rentals, and CET Levies experienced considerable decreases.

CBN Highlights Surge In Foreign Investments

● Raises MPR To 26.75%, Tightens Asymmetric Corridor To Tackle Inflation

By Musa Ibrahim

The Central Bank of Nigeria (CBN) has unveiled a wave of foreign investment flowing into the banking sector, thanks to the ongoing recapitalisation exercise.

This was highlighted by CBN Governor, Mr. Olayemi Cardoso at the Afrinvest 2024 Banking Sector Report Launch held recently in Abuja.

This revelation reinforces the resilience of Nigerian banks and supports the country's economic goals.

Mr. Cardoso, who was represented by the Acting Director of Financial Policy and Regulations, Mr. John Onoja, shared optimistic projections regarding the impact of the recapitalisation on Nigeria's financial landscape.

He underscored that the exercise is a cornerstone in the government's strategy to achieve a $1 trillion economy by 2030.

"The recapitalisation of the Nigerian banking sector is more than just a regulatory measure; it is a crucial step toward bolstering the resilience of our banks and enhancing the overall soundness of our financial systems," Mr. Cardoso said.

He also stressed that the initiative would significantly bolster liquidity within the banks, thereby enhancing their lending capacity and stimulating economic activity across various sectors.

Mr. Cardoso also revealed that the influx of foreign direct investments is already evident, with investors contributing to the sector through certificates of capital importation. This, he noted, is augmenting foreign exchange liquidity and positively affecting the forex market.

In a move to ensure the integrity of the recapitalisation process, Mr. Cardoso assured that the CBN would rigorously enforce its Fit and Proper Persons criteria.

Mr. Olayemi Cardoso, CBN Governor

This will involve thorough scrutiny of new shareholders, board members, and senior management to prevent the inflow of illicit funds and to safeguard the sector from potential misuse.

"The CBN is committed to maintaining the highest standards of governance and transparency. We will ensure that only credible and clean funds enter the banking system, and that no individuals with dubious backgrounds gain control of our financial institutions," he affirmed.

The recapitalisation exercise is also expected to positively impact the gross domestic product (GDP), contributing to growth and supporting the current administration's economic objectives.

Improved credit ratings and better risk management practices are anticipated benefits, alongside increased opportunities for retail investors. Share dilution resulting from the recapitalisation will provide smaller investors with a chance to acquire stakes in well-performing financial institutions, thereby invigorating the equity market.

Addressing concerns from foreign investors, Mr. Cardoso provided reassurance that their investments are secure. He explained that a policy is being developed to ensure that if foreign capital cannot be fully absorbed, investors will not suffer devaluation losses. Instead, they will have the opportunity to repatriate their funds at the value they were initially brought into the country.

"This is a pivotal moment for Nigeria's banking sector, and we are confident that these measures will not only strengthen our financial institutions but also attract continued foreign investment and support our broader economic goals," he stated.

The recapitalisation effort marks a significant step forward in Nigeria's economic strategy, promising enhanced stability and growth in the financial sector while fostering greater investor confidence.

In another development, the CBN raised its Monetary Policy Rate (MPR) by 50 basis points to 26.75 percent, marking its fourth consecutive rate hike since February.

The Monetary Policy Committee (MPC) made this decision during its last two-day meeting in Abuja, underscoring its commitment to price stability amidst ongoing economic challenges.

The MPC also adjusted the asymmetric corridor around the MPR to +500/-100 basis points from +100/-300 basis points, aiming to tighten monetary policy further.

However, the Cash Reserve Ratio (CRR) for Deposit Money Banks (DMBs) remains unchanged at 45 percent, as does the CRR for Merchant Banks at 14 percent and the Liquidity Ratio (LR) at 30 percent.

Mr. Cardoso, addressing the media following the meeting, acknowledged the impact of rising prices on households and businesses.

He reaffirmed the committee's dedication to controlling inflation, despite acknowledging the recent uptick in headline inflation as of June 2024. The Governor expressed cautious optimism that prices may stabilise in the near future due to the bank's measures and broader fiscal interventions.

Commenting on the rate hike, Nigeria Employers Consultative Association (NECA) representative, Mr. Adewale-Smatt Oyerinde, expressed skepticism, suggesting that the increase might not significantly alleviate inflation due to the ongoing depreciation of the naira in the foreign exchange market. Similarly, Dr. Muda Yusuf, Chief Executive of the Centre for the Promotion of Private Enterprise (CPPE), viewed the marginal increase as a potential softening of the MPC's previous aggressive tightening stance.

The MPC reiterated its commitment to maintaining its tightening cycle to address inflationary pressures effectively. It emphasised that monetary policy adjustments, alongside recent fiscal measures aimed at mitigating food inflation, are expected to gain traction and contribute to price stabilisation.

DBN Secures Green Climate Fund Accreditation For Key Sectors

By Chiamaka Okpala G.

The Development Bank of Nigeria (DBN) has received accreditation from the Green Climate Fund (GCF), granting it access to green financing for sectors such as manufacturing in Nigeria.

This significant milestone was recently announced by the DBN's Managing Director (MD), Mr. Tony Okpanachi, who underscored its importance in addressing climate change challenges in the country.

Mr. Okpanachi noted that this accreditation would enhance Nigeria's ability to tackle various climate-related issues, including desertification, global warming, erratic rainfall, storms, and floods.

The accreditation will support sustainable development and the adoption of environmentally friendly technologies across agriculture, manufacturing, healthcare, education, transport, and logistics sectors.

"Climate change poses a serious threat to Nigeria," Mr. Okpanachi said, highlighting impacts such as the depletion of grazing lands, rising sea levels leading to floods, altered rainfall patterns affecting agriculture, poor water and air quality, and biodiversity loss.

With GCF accreditation, DBN is now equipped to design and submit funding proposals

for climate-focused projects, oversee and implement these projects, and utilise financial instruments like concessional loans and co-financing. This capability also enables DBN to attract private sector investment into climate initiatives.

The accreditation includes coverage for various aspects, such as basic fiduciary standards, specialised fiduciary standards, project management, on-lending, blending for loans, and adherence to Environmental and Social Safeguards Risk: Category B, as well as medium-sized projects.

Beyond its climate initiatives, DBN continues to support tech entrepreneurs, recently offering funding opportunities at the 2024 DBN Techpreneur Summit 3.0 in Lagos.

This new accreditation positions DBN as a key player in promoting sustainable development and environmental resilience in Nigeria, aligning with global efforts to mitigate climate change impacts.

FG Mulls Reduced Monthly Petrol Import Costs By $610m With Crude Sales To Dangote Refinery, Others In Naira

Issues New Guidelines On Tax Treatment For FCY Transactions

By Jennete Ugo Anya

The federal government has announced plans to reduce its monthly spending on petrol imports by $610 million by supplying crude oil to local refineries, including Dangote Refinery, in naira.

The announcement was made by Chairman of the Federal Inland Revenue Service (FIRS), Mr. Zach Adedeji, following the last Federal Executive Council's (FEC) approval to denominate trade among local refineries in the national currency with immediate effect.

Mr. Adedeji highlighted the staggering costs associated with petrol imports, noting that Nigeria spends approximately $660 million monthly, which totals around $7.92 billion annually.

The new policy aims to slash this expenditure by a minimum of 90 percent, reducing the monthly cost to just $50 million and the annual cost to $600 million. This shift is expected to save the government $7.32 billion annually.

"With this approval today through FEC led by Mr. President, this has been reduced by a minimum of 90 percent. Because of what we have today, the transaction will now be done in our local currency not only with Dangote Refinery but with all local refineries for all our local consumption, and this will stabilize the pump price," he stated.

Mr. Adedeji further highlighted that this measure will bring economic stability by mitigating the impact of foreign exchange fluctuations on fuel prices.

"Just to be specific, in terms of benefits, one which is major is the reduction in foreign exchange pressure. We utilise $660 million per month, totalling $7.92 billion annually. With the new approval that we have, this will reduce to a maximum of $50 million per month which is annualised to be only $600 million. This is a total reduction of 94 percent and saving us $7.32 billion," he added.

Mr. Zacch Adedeji, Executive Chairman of FIRS

The decision underscores the government's commitment to enhancing economic stability and reducing reliance on foreign currency for critical imports, thereby preserving Nigeria's foreign exchange reserves and promoting the use of the naira in significant economic transactions.

Meanwhile, FIRS released new guidelines to clarify the tax implications of foreign currency (FCY) transactions for taxpayers, tax practitioners, and tax officials.

This move addresses the discrepancies between International Financial Reporting Standards (IFRS) and Nigeria's tax laws, regarding FCY transactions.

In a recent circular by the service, it stresses that while IFRS provides accounting principles for FCY transactions, the tax treatment under Nigeria's laws can differ.

The revenue agency highlighted that only expenses directly related to income generation are deductible for tax purposes, as specified by the Companies Income Tax Act (CITA), Personal Income Tax Act (PITA), and Petroleum Profits Tax Act (PPTA).

Key points from the guidelines include fluctuations in currency rates resulting in exchange differences are generally considered taxable income or deductible expenses. However, unrealised exchange differences are not recognised for tax purposes, while realised exchange differences will impact taxable profits.

Exchange differences on monetary items are taxable or deductible, whereas those on non-monetary items are generally not.

Exchange differences on tax-exempt items are neither taxable nor deductible.

Taxpayers must maintain detailed records of FCY transactions, including dates, amounts, counterparties, and exchange rates. Additionally, they must provide a reconciliation of exchange differences in their tax returns.

The FIRS warned against artificial realisation or deferral of exchange gains or losses, particularly in related-party transactions. Such practices will be subject to adjustments.

The service also issued guidelines on the tax treatment of commissions, fees, and other charges associated with FCY transactions, emphasising the need to comply with the 'wholly, reasonably, exclusively, and necessarily' (WREN) test for tax deductibility.

The FIRS' clarification aims to provide much-needed guidance for taxpayers and tax administrators, ensuring compliance and consistency in the treatment of foreign currency transactions under Nigeria's tax laws.

Fitch Projects Nigeria's Inflation To Moderate Below 25% By End Of 2024

By Jennete Ugo Anya

Fitch Solutions has forecasted that Nigeria's inflation, which soared to 34.19 percent in June, will decline to below 25 percent by the end of 2024.

This projection follows the peak in inflation and reflects an expected easing in the economic pressures driving up prices.

In its latest Country Risk report, Fitch noted that while inflation is expected to moderate, high food prices will persist due to ongoing issues with domestic agricultural production. The report attributes these challenges to insecurity in farming regions and adverse weather conditions, which will continue to strain household finances and exacerbate poverty.

Despite a slight improvement in market sentiment, Fitch anticipates a modest growth of 3.0 percent in Nigeria's economy for 2024, up from 2.9 percent in 2023.

The global firm projects a further increase to 3.5 percent in 2025, driven by a moderation in inflation. However, it cautioned that structural constraints will keep growth below its potential.

The impact of recent reforms, including the removal of the petrol subsidy and the liberalisation of the exchange rate, has contributed to the current inflation surge.

These changes, implemented under President Bola Tinubu's administration, have led to the highest inflation rate Nigeria has experienced in three decades.

Fitch's report also highlighted that weak consumer spending will weigh on economic growth.

It forecasts a decline in private consumption by 2.5 percent in 2024, following a 10.3 percent drop in 2023.

This reduction is expected to detract 1.5 percentage points from the headline economic growth.

In contrast, fixed investment is projected to grow by 7.0 percent, but it will only add 1.0 percentage point to overall economic growth.

The report suggests that while reforms are positively influencing market sentiment, long-term concerns about Nigeria's business environment remain.

The firm notes that while capital inflows surged by 219.7 percent year-on-year in Q1 2024, foreign direct investments (FDIs) remain subdued, with persistent reluctance from foreign companies to invest in tangible assets beyond the hydrocarbons sector.

The Central Bank of Nigeria's recent increase in the cash reserve ratio has tightened liquidity in the banking system, which could hamper business financing in the coming quarters.

Additionally, Fitch high spot that fiscal pressures, driven by high debt servicing costs and weak tax collection, will restrict the government's ability to enhance capital expenditure to levels seen in other Sub-Saharan African nations.

Fixed investment is expected to grow by 7.0 percent in 2024, contributing only 1.0 percentage point to headline economic growth.

However, the operational start of the Dangote refinery presents a bright spot, with potential to boost net exports. Fitch forecasts a reduction in Nigeria's trade deficit of refined liquids from 493,000 barrels per day (bpd) in 2023 to 228,000 bpd in 2024, reducing the country's reliance on imported petrol.

The Dangote refinery's anticipated output will partially support domestic fuel needs, as the Independent Petroleum Marketers Association of Nigeria (IPMAN) has committed to purchasing and distributing gasoline produced by the refinery. Fitch predicts that net exports will contribute 3.1 percent to headline economic growth in 2024 and will be a key driver of economic expansion.

Looking ahead, Fitch expects Nigeria's real GDP growth to accelerate to 3.5 percent in 2025 as consumer activity recovers

Inflation is projected to average 18 percent next year due to base effects and greater stability in the foreign exchange market.

The Central Bank's monetary policies are anticipated to lead to stronger capital inflows, easing pressure on the naira and supporting household purchasing power.

Despite these positive developments, Fitch cautions that structural challenges will continue to impede fixed investment and FDI inflows.

The Dangote refinery's full capacity target of 650,000 bpd might be overly ambitious, and any shortfall in production or a higher proportion of petrol exports could negatively affect Nigeria's growth outlook.

Overall, while there are signs of improvement, Fitch's economic outlook for Nigeria remains cautious, with risks tilted to the downside if key projects and reforms do not meet expectations.

NBS, UNICEF Launch 7th Nationwide Survey On Nigerian Children's Well-Being

By Jennete Ugo Anya

The National Bureau of Statistics (NBS), in collaboration with the United Nations Children's Fund (UNICEF), has announced the commencement of the seventh nationwide survey to assess the well-being of children, women, and households across Nigeria.

This survey, encompassing the seventh round of the Multiple Indicator Cluster Survey (MICS7) and the National Immunisation Coverage Survey (NICS), is scheduled to be conducted from 2024 to 2026.

At the recent opening of the Survey Design Workshop in Lagos, Mr. Adeyemi Adeniran, Statistician -General of the Federation and Chief Executive Officer of NBS, detailed the objectives of the survey.

He emphasised that the survey aims to provide essential data on child and maternal health, education, nutrition, and immunisation, which will assist the government in shaping its policies and programs.

Mr. Adeniran highlighted the survey's significant impact, noting that previous MICS surveys in Nigeria have been highly regarded for their size and quality of analysis, both regionally and globally.

He stressed that the upcoming survey will play a crucial role in monitoring progress toward the Sustainable Development Goals (SDGs) and the Renewed Hope Agenda of the current administration.

"The goal is to design a survey that not only meets the government's and people's aspirations but also provides data that accurately measures progress

Mr. Adeyemi Adeniran, Statistician-General of the Federation and Chief Executive Officer of NBS

in key areas, including SDGs and national priorities," Mr. Adeniran stated.

The workshop marks the initial phase of planning for the survey, involving consultations with various stakeholders including government ministries, state officials, civil society organisations, and academic institutions. The discussions focus on designing effective survey tools, determining an appropriate sample size, and ensuring comprehensive coverage across Nigeria's diverse regions.

Mr. Adeniran outlined the workshop's objectives, which include developing and finalizing the questionnaire, establishing the number of households to be surveyed, and defining the geographical areas to be covered. This process is critical to ensuring the survey's data accurately represents the entire country.

"The quality of the survey is of utmost importance," Mr. Adeniran stressed, urging participants to strive for excellence in designing the survey tools and processes.

UNICEF's Chief Planning and Monitoring Officer, Mr. Wayne Bacale, emphasised that UNICEF is a crucial partner for the National Bureau of Statistics (NBS).

He noted that their role is to support NBS by introducing best practices and connecting them with global experts.

"Our aim is to provide NBS with the necessary resources, cutting-edge ideas, and global expertise. Over the next two years, we will bring in international professionals to train participants in Nigeria, ensuring we have the requisite financial and technical knowledge," Mr. Bacale said.

Monitoring Specialist for UNICEF West and Central Africa, Stephanie Kauv, explained that the collaboration between NBS and UNICEF is focused on ensuring the survey's success.

"We are committed to making this survey as reliable and accepted as possible. To ensure that the data we collect is representative, we have established a national steering group and technical committee with members from the government, UNICEF, and academia," Kauv said.

She also mentioned that they are using innovative data collection methods and, for the first time, will be gathering data at the Local Government level across the entire country.

The results of the MICS7/NICS survey are anticipated to be released in 2026, providing invaluable insights into the state of child and maternal welfare in Nigeria and guiding future policy decisions and program implementations.

FG Suspends Import Duties On Essential Food Items To Alleviate Hunger

By Anita Dennis

The federal government has announced the suspension of import duties on essential food items including rice, flour, and wheat.

This decision, made through the Nigeria Customs Service (NCS), aims to make these crucial commodities more affordable for Nigerians grappling with the impact of high living costs.

Comptroller-General of the NCS, Mr. Adewale Adeniyi, disclosed the measure during a recent press briefing, highlighting the government's commitment to addressing the escalating costs of food and reducing hunger across the nation.

He underlined that global inflation is affecting many countries, including Nigeria, prompting this step to ease the financial burden on households.

"We are committed to implementing this measure seamlessly to tackle the problem of hunger in our nation," Mr. Adeniyi stated.

He noted that the suspension of import duties and taxes on

Mr. Adewale Adeniyi, Comptroller-General of the NCS

essential food items is part of a broader strategy to make these goods more accessible and affordable.

The NCS also streamlined export processes to ensure Nigerian goods reach international markets efficiently. New tools such as the advanced ruling system, authorised economic operator, and time release study have been introduced to enhance trade, stimulate the economy, and create opportunities for local farmers, artisans, and entrepreneurs.

Mr. Adeniyi stressed that these measures will benefit Nigerian producers by providing faster access to global markets and supporting their families and communities.

He further underlined the government's ongoing efforts to prevent the proliferation of arms and other dangerous goods through the country's borders, which impact supply chains and foreign investments.

"The disruptions to the supply chain affect foreign investments, distort trade, promote instability, increase scarcity, and hinder revenue collection," Mr. Adeniyi explained.

He called for collective effort and cooperation from all Nigerians to overcome current challenges and build a more prosperous future.

Mr. Adeniyi expressed gratitude to those who have engaged in peace and dialogue, underscoring the importance of constructive engagement in overcoming the nation's challenges.

The suspension of import duties on key food items is expected to provide significant relief to households and contribute to a reduction in food prices amidst Nigeria's ongoing economic difficulties.

NEITI Calls For Complete Gas Flaring Elimination By 2025

By Edmond Martins

The Nigeria Extractive Industries Transparency Initiative (NEITI) has called on the federal government to completely eliminate gas flaring by 2025.

This call was made by NEITI's Executive Secretary, Dr. Ogbonnaya Orji, at the recent 3rd National Extractive Dialogue in Abuja, organised by Spaces for Change (S4C), in collaboration with NEITI and the National Oil Spill Detection and Response Agency (NOSDRA), with support from the Ford Foundation.

Dr. Orji noted that while gas flaring in Nigeria has been reduced by 50 percent in recent years, further efforts are needed to meet the country's target of 100 percent elimination by 2025.

He stressed that with Nigeria's population projected to rise significantly, energy demand will increase, necessitating sustainable development and carbon footprint reduction strategies.

The dialogue highlighted Nigeria's large natural gas reserves—over 200 trillion cubic feet—the largest in Africa and the ninth-largest globally.

NEITI also stressed the importance of leveraging technology and innovation to transition to a net-zero emission economy by 2060.

Mrs. Victoria Ibezim-Ohaeri, Executive Director of Spaces for Change, underscored the socio-economic and environmental impacts of gas flaring, particularly on host communities.

She strained the need for collective efforts from various stakeholders to reduce gas flaring, which would help lower carbon emissions, unlock economic potential, and support sustainable development in Nigeria.

His Royal Majesty Bubawaye Dakolo Agada IV, Chairman of the Bayelsa State Traditional Rulers Council, also highlighted ongoing challenges, stating that many communities have yet to see a significant reduction in gas flaring.

The Honourable Minister of State, Dr. Adekunle Salako, also called on international oil companies operating in Nigeria to take a leading role in ending gas flaring, which continues to pose environmental and health risks.

The event called for stringent measures and clear timelines to ensure Nigeria meets its gas flare elimination goals, aligning with global commitments to reduce carbon emissions and promote sustainable energy practices.

Dr. Ogbonnaya Orji, Executive Secretary of NEITI

Power Distribution Companies Earn N291.6bn In Q1 2024 - NERC Reports

As NERC Bars NBET From New Contracts

By Majeed Saleem

The Nigerian Electricity Regulatory Commission (NERC) has announced that Power Distribution Companies (Discos) in Nigeria generated a total revenue of N291.62 billion in the first quarter of 2024.

This revenue was collected out of a billed amount of N368.65 billion, reflecting a collection efficiency of 79.11 percent, up from 73.79 percent in the previous quarter.

The latest report from NERC shows a significant improvement in collection efficiency, attributed to a better overall performance of the Discos.

The aggregate technical, commercial, and collection (ATC&C) loss for Q1 2024 was recorded at 36.36 percent, a notable decrease from the previous quarter's 42.11 percent. The reduction in ATC&C loss, which includes technical, commercial, and collection losses, indicates progress in minimising revenue and energy losses.

Ikeja Electric emerged as the best performer with an ATC&C loss of 15.81 percent, surpassing its target of 18.73 percent. However, despite improvements, the inability of Discos to meet their ATC&C targets means they struggle to recover full revenues necessary for providing investor returns.

In terms of financial obligations, Discos had a cumulative upstream invoice of N114.12 billion for Q1 2024, which included N65.96 billion for generation costs from the Nigerian Bulk Electricity Trading Plc (NBET) and N48.16 billion for transmission and administrative services by the market operator (MO).

Discos remitted N110.62 billion, comprising N65.52 billion to NBET and N45.10 billion to MO, leaving an outstanding balance of N3.50 billion. This resulted in a remittance performance of 96.93 percent, a significant increase from 69.88 percent in the previous quarter.

The average energy offtake by Discos decreased to 3,283.87 MWh/h, down by 11.56 percent from the previous quarter. Total energy received by Discos in Q1 2024 was 7,171.93 GWh, with energy billed to end-users amounting to 5,769.52 GWh, yielding an overall billing efficiency of 80.45 percent, an improvement from 78.45 percent in Q4 2023.

In the meantime, NERC has barred NBET from entering into new contracts.

This decision aims to shift the electricity market towards bilateral contracts between generation and/or trading licensees and distribution licensees, reducing the federal government's fiscal exposure to market risks and promoting a more stable market environment.

Hassan Offers Insights On NDIC's Crucial Strategies For Nigerian Financial Sector Resilience

*In a recent interview with Financial Nigeria publications, **Mr. Bello Hassan,** Managing Director/CEO of the Nigeria Deposit Insurance Corporation (NDIC), provided comprehensive insights into the stability of the Nigerian financial market, changes to the NDIC Act, and the outlook for the banking sector.*

***Jennete Ugo Anya** has delved into a few key points discussed, highlighting the role of the NDIC in maintaining financial stability, challenges faced by smaller financial institutions, and the impact of recent legislative changes.*

In the complex and often volatile financial sector, systemic bank failures can have far-reaching implications, prompting the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) to intervene. This collaborative effort, deeply rooted in the legislative frameworks of both institutions and the Financial Services Regulation Coordinating Committee (FSRCC) framework, aims to maintain public confidence and financial stability.

Mr. Bello Hassan, the Managing Director/Chief Executive Officer of the NDIC, has here elaborated on the corporation's role and initiatives.

In his words: "The NDIC, in its capacity as a risk minimizer, proactively ensures the safety and soundness of banks." This is achieved through a multifaceted approach that includes risk assessment and early intervention in troubled institutions. The corporation's mandates—deposit guarantee, bank supervision, failure resolution, and bank liquidation—play a crucial role in bolstering public confidence in the banking sector.

Mr. Hassan highlights, "NDIC guarantees deposits in all insured financial institutions, covering 35 Deposit Money Banks (DMBs), 880 Microfinance Banks (MFBs), 35 Primary Mortgage Banks (PMBs), five Payment Service Banks (PSBs), and 30 Mobile Money Operators (MMOs) as of the end of 2023." This guarantee reassures depositors that their funds are protected up to a certain limit, thus maintaining confidence in the banking system.

On the bank supervision: "Through rigorous supervision, NDIC collaborates with the CBN to ensure banks operate prudently and comply with regulatory requirements," Mr. Hassan says. In 2023, the joint Risk-Based Supervision (RBS) of 32 DMBs, 98 MFBs, and six PMBs was conducted. Additionally, consolidated risk-based examinations of six financial holding companies and the Risk-Asset Examination of 32 DMBs were completed. NDIC's off-site surveillance covered 35 DMBs, 34 PMBs, 880 MFBs, 30 MMOs, and five PSBs, aiding in early detection and mitigation of systemic risks.

He states that in the event of distress or failure, the NDIC employs effective resolution strategies to minimise systemic risks and disruptions," Mr. Hassan explained.

Mr. Bello Hassan, Managing Director and Chief Executive of the NDIC

> Through rigorous supervision, NDIC collaborates with the CBN to ensure banks operate prudently and comply with regulatory requirements

Recently, licenses of 179 MFBs and four PMBs were revoked. NDIC managed these institutions through relevant resolution options, aligning with its mandate.

Mr. Hassan emphasizes that the NDIC is also tasked with the liquidation of insolvent institutions. This involves asset realisation to reimburse depositors and creditors, ensuring an orderly exit of failed banks. "Currently, NDIC manages the liquidation process of 650 insured financial institutions and has paid out significant sums to depositors of MFBs, PMBs, and DMBs," he notes.

While institutional size plays a role in banking sector stability, it is not the sole determinant. According to him, smaller banks like MFBs and PMBs operate with limited resources, smaller capital bases, and narrower profit margins, which heighten their vulnerability. However, compliance with regulatory standards, corporate governance quality, and the nature of a bank's operations also critically impact stability.

"Exogenous factors such as economic downturns, regulatory changes, and socio-political instability can also trigger vulnerabilities," Mr. Hassan notes. The performance of small and medium-sized enterprises (SMEs), often clients of MFBs, can significantly influence these banks' asset quality and profitability. Economic adversities affecting SMEs can thus directly impact MFBs.

Mr. Hassan has highlighted the collaborative efforts between the CBN and the NDIC in maintaining the stability of the Nigerian banking sector.

Since the global financial crisis, these institutions have played critical roles in intervention and stabilisation, ensuring that public confidence is maintained. The NDIC's proactive measures, such as risk assessments and early interventions, contribute significantly to the safety and soundness of banks. This dual approach not only guarantees depositor protection but also aids in identifying and mitigating potential systemic risks.

Despite the general stability, Mr. Hassan acknowledges the vulnerabilities within the MFBs and PMBs. Size and resource constraints, according to him, make these smaller institutions more susceptible to risks. Factors such as weak corporate governance, economic downturns, and regulatory changes can further exacerbate their instability. The NDIC's role in providing deposit insurance and conducting thorough supervision is crucial in addressing these vulnerabilities and enhancing the resilience of these institutions.

Mr. Hassan also highlights several macroeconomic and industry risk factors that raise regulatory concerns. For him, high inflation, slow economic growth, currency depreciation, and stock market volatility are significant challenges that impact the banking sector. These factors can affect loan repayment capacities, asset valuations, and overall financial stability. The NDIC's vigilant monitoring and regulatory interventions have been essential in mitigating these risks and maintaining depositor confidence.

Under Mr. Hassan's leadership, the NDIC has significantly achieved notable successes in fulfilling its mandates. The prompt reimbursement of depositors' funds in distressed banks, enhanced debt recovery efforts, and significant improvements in the corporation's legal and regulatory frameworks are quite commendable. The NDIC Act 2023, which repealed the NDIC Act 2006, has introduced several key improvements, including operational autonomy, improved capitalisation, and specialised funds for different categories of deposits. These enhancements align with international best practices and strengthen the NDIC's ability to execute its mandates effectively.

Looking ahead, Mr. Hassan expresses optimism about the global economic recovery and its positive impact on the Nigeria's banking sector. Despite current economic challenges, the Nigerian banking sector is, according to him, expected to remain resilient due to the collaborative efforts of NDIC, CBN, and other financial safety participants. The recent macroeconomic reforms by the current administration are anticipated to support economic growth and financial stability. The passage of the NDIC Act 2023 has further empowered the corporation to protect depositors, improve public confidence, and promote financial stability.

Mr. Hassan's insights have underscored the very crucial role of the NDIC in ensuring the stability of the Nigerian financial market. Through proactive measures, enhanced regulatory frameworks, and collaborative efforts with the CBN, the NDIC has continued to safeguard depositors' interests and maintain public confidence. As the Nigerian economy navigates through various challenges, the strengthened capabilities of the NDIC, bolstered by the new Act, will be instrumental in fostering a resilient and inclusive financial sector in the country.

African Caucus Meetings:

President Tinubu Urges United Africa, Envisions Less Poverty, Economic Hurdles

Highlights Global Tax Cooperation As Key To Tackling Illicit Financial Flows In Africa

By Jennete Ugo Anya

In a significant address to the 2024 African Caucus meeting of Ministers of Finance and Governors of Central Banks, President Bola Ahmed Tinubu urged African nations to unite in tackling the continent's persistent issues of poverty and unemployment.

The meeting, held recently in Abuja, centered on the theme "Facilitating Intra-African Trade: Catalyst for Sustainable Economic Growth in Africa," reflecting a strategic focus on harnessing the continent's collective potential for economic development.

President Tinubu's call comes at a critical juncture for Africa, a continent characterized by resilience and potential, yet burdened by deep-rooted challenges.

The continent faces a dichotomy: On one hand, notable achievements in economic growth and political stability in some regions; on the other, persistent issues such as rising poverty, inequality, and conflict. This disparity threatens to derail progress towards the United Nations' 2030 Agenda for Sustainable Development Goals (SDGs).

The President's remarks, delivered by Vice President Kashim Shettima, emphasized the need for a unified African voice in international forums. This unity is essential for negotiating better terms with multilateral development banks and securing the necessary support to address systemic issues. The focus areas outlined—strengthening pan-African payment ecosystems, enhancing connectivity, ensuring energy access, and advancing trade facilitation—are critical for creating a just and equitable economic framework.

Strategic Economic Policies and Regional Cooperation

Highlighting the Nigerian administration's efforts, Vice President Shettima mentioned ongoing bold economic policies aimed at revitalizing the country's economy amidst global economic downturns. This reflects a broader trend among African nations to implement structural reforms and policies to stabilize their economies and foster growth.

The Minister of Finance and Coordinating Minister of the Economy, Mr. Wale Edu, underscored the meeting's significance as a platform for Africa to articulate a collective economic agenda. This aligns with the broader strategic vision of the African Continental Free Trade Area (AfCFTA), which Governor Olayemi Cardoso of the Central Bank of Nigeria (CBN) described as a transformative initiative. The AfCFTA represents a monumental step toward economic integration, potentially creating the world's largest free trade area by number of participating countries.

The Global Financial Framework and Africa's Position

Dr. James Alic Garang, Governor of the Bank of South Sudan and chairman of the East Africa Community, highlighted a crucial aspect of the discourse: The need for reforming the global financial framework. Africa's call for a more equitable global economic system reflects frustrations with existing structures that often disadvantage developing nations. The role of institutions such as the World Bank and the African Development Bank (AfDB) is crucial in this context, as they are key to providing the funding necessary for the continent's development projects.

African Caucus meeting serves as a crucial platform for African leaders to strategize on overcoming the continent's challenges. President Tinubu's emphasis on unity and strategic economic policies underscores a growing recognition among African leaders of the importance of collective action. By speaking with one voice and pursuing integrated policies, African countries can better leverage their resources and position themselves more favorably in the global economic landscape. The successful implementation of these strategies could pave the way for a more prosperous and sustainable future for the continent.

Kristalina Georgieva: Keeping Almost 200 Countries Happy Is No Mean Feat

Cont. From Last Edition

In this interview by Szu Ping Chan, which first appeared in The Telegraph Magazine on June 22, 2024, the managing director of the ***International Monetary Fund (IMF), o****ne of the world's most powerful financial institutions, which counts more than 190 countries as members,* ***Kristalina Georgieva,*** *would tell quite inspiring stories worth featuring countless times.*

From the previous edition, we here have offered the concluded part of the interview, for its inspiring value to all and sundry:

From the bailout of 1976 to then chief economist Olivier Blanchard's infamous warning that the UK was playing with fire on austerity, and Christine Lagarde's declaration that the consequences of Brexit could only be bad or 'very, very bad', the Fund has not burnished a reputation for impartiality.

In fact, it has consistently underestimated Britain's growth prospects since Brexit. Should the IMF also be prepared to admit mistakes? 'Look, of course, the IMF is a membership organisation. It is impossible to have your members occasionally making errors and the organisation never erring itself,' she says. 'It's not possible. [But] the IMF is a responsible organisation and we actually try to learn from our mistakes. We are very self-critical.'

Her time in London left a lasting impression on Georgieva, in more than intellectual ways. 'You know why I'm so obsessed with colours?' she asks. 'The very first day when I walked around in London my sense was one of freedom, including freedom to wear whatever I like. And I realised I really like to wear colours. My picture of that transition from communist Bulgaria to London is like the film The Wizard of Oz. You have the black and- white version that moves into colours.' Georgieva's social media accounts are awash with jackets in vibrant hues (she has six in her favourite red). She remarks on my own forest green blazer before pointing to an emerald green double-breasted jacket swinging on a rack by the door. Before I know it, she's whipped off her red one and changed into the green. 'We're like twins!' she says, sticking her arm out to compare with mine. 'We have to take a photo.'

Judging by her Instagram, she appears to own hundreds of these jackets. So where does she store them all? Georgieva pauses, then says: 'So, here is a story that I'm not particularly proud of, but it's a true story.

Kristalina Georgieva, Managing Director of International Monetary Fund

I moved house two years ago because I completely ran out of closet space. And now I have plenty. I have a room that has all my jackets.'

She adds, sheepishly: 'In fairness, I had a small house before and I had a very small closet.'

Georgieva is fascinated by the handcrafted globe that's been brought in for the photo shoot. Her first instinct is to hug it – momentarily reaching her arms around it in an embrace - before being urged by her team to step back. 'Who made it?' she asks, commenting on the intricate detail. Its creator Peter Bellerby steps forward to answer questions about the process. Yet her team is wary of any shot that makes her look as though she's towering over it, lest she be depicted as a global financial mastermind.

If anything, Georgieva is concerned that world leaders aren't paying enough attention. She and her colleagues have been pleading in vain with leaders in Washington, Brussels and Beijing to back away from trade wars. But more and more barriers keep being thrown up.

> Georgieva is worried about our ability to cope with the next global crisis when countries are in it for themselves

'Fragmentation is throwing cold water on growth that is weak to begin with,' she says. 'And when people are deprived of opportunities to see their lives getting better, and their children's lives getting better, they will be on the streets [protesting] and that weakens our capacity to cope with problems. I am concerned that it will damage the world's ability to handle shocks. We are moving into a more shock-prone world.'

Eighty years after the IMF's creation, it is clear that the world order is in danger of fracturing. The breakdown of geopolitics remains a risk, Georgieva says: 'I am very concerned that we will cause more economic pain as a result of fragmentation than our people are prepared to bear.' Tensions build slowly, but there comes a 'tipping point' beyond which it is too late.

In her view, a focus on trade is misleading. 'Why? Because trade is like a river. When you put an obstacle in front, it tends to go around it. In fact, what we see is that countries are trading more within more aligned groups and they're trading less across these groups.'

Georgieva is worried about our ability to cope with the next global crisis when countries are in it only for themselves. China and the US are drifting apart. Russia's invasion of Ukraine has divided the world. Protectionism is the new normal. The conversation turns back to debt, and her advice during the pandemic: spend by all means but keep the receipts. Was anyone listening? She thinks not.

Central banks around the world are now thinking about cutting interest rates instead of raising them, and Georgieva's fear is that this will usher in more complacency, especially during the world's biggest election year.

'If now the attitude is: "Oh well, interest rates are going down, so the cost of debt service is going to go down, we can bear more," this is going to put a marker [down] that what today is not a debt crisis - it is a very serious problem for a relatively small number of countries that can turn into a serious problem for all of us. Actually if you look at the bulk of borrowing it is in advanced economies.'

The latest IMF data shows debt in the G7 club of rich economies is on course to climb from 86.4 percent of GDP in 2019 to 101.7 percent by the end of the decade. In emerging markets the figures are 37.7 and 46.7 percent respectively. Georgieva is urging all countries to get their houses in order while they can. She ends with a warning. 'If you don't do it, mark my words, it may not happen in the next five years. There will be another shock of the magnitude of those that we have experienced. Once, twice, stepping up borrowing. Can we do a third one and markets still give us a pass? I doubt it.'

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FG Must Adopt All-Inclusive Approach For Nigeria's Raw Material Policy To Work

POLICY BRIEF
with
ENAM **OBIOSIO**

The federal government's recent announcement of the National Strategy for Competitiveness in Raw Material and Product Development promises a significant economic transformation.

By pledging to create 4.4 million jobs, this strategy is poised to offer substantial benefits beyond mere employment, potentially reshaping Nigeria's economic landscape.

At the heart of this initiative is a commitment to enhancing local content in manufacturing.

In focusing on developing and utilising Nigerian raw materials, the strategy aims to reduce the country's dependency on imports, which has long been a drain on foreign exchange reserves and a contributor to trade deficits.

Strengthening the local supply chain not only conserves valuable foreign currency but also stimulates domestic industries, fostering a more resilient and self-sufficient economy.

In the light of all this, the emphasis on improving the global acceptance of Nigerian products and services is particularly noteworthy.

Historically, Nigerian products have faced challenges in international markets due to perceptions of quality and reliability. Through investing in the competitiveness of raw materials and products, the government aims to elevate Nigerian goods to meet international standards. This shift could open new markets, increase export revenues, and enhance Nigeria's reputation as a key player in the global supply chain.

The projected creation of 4.4 million jobs is a game-changer for the Nigerian labour market. Employment generation is not merely about providing jobs but also about fostering economic stability and growth. As millions of Nigerians would gain employment through this initiative, there will be a positive ripple effect on various sectors, including retail, services, and agriculture. The multiplier effect of the job creation extends to increased consumer spending, higher demand for goods and services, and improved standards of living.

Moreover, this policy underscores the importance of innovation and technological advancement. For local industries to compete globally, they must embrace new technologies and practices. The focus on competitiveness will likely drive investment in research and development, leading to innovations that can further boost productivity and efficiency across sectors.

In addition, this policy obviously aligns with broader economic goals such as diversification and sustainable development. Through reducing reliance on oil and gas revenues and investing in other sectors, Nigeria is taking a crucial step toward a more balanced and sustainable economy. The development of raw materials and manufacturing capabilities can create a more robust economic foundation, paving the way for long-term growth and stability.

Nevertheless, the success of this initiative will depend on effective implementation while proactively addressing potential challenges. A key component of successful implementation is the development of robust infrastructure and logistics. Efficient supply chains, transportation networks, and energy sources are critical for the smooth operation of manufacturing processes. The government should prioritise investments in infrastructure that supports the raw materials sector, including roads, ports, and energy facilities. Public-private partnerships could play a significant role in this area, leveraging private sector expertise and capital to accelerate infrastructure development.

To support the anticipated surge in manufacturing jobs, there is the need for a corresponding investment in human capital. The government should implement comprehensive training and skill development programs tailored to the needs of the raw material production and manufacturing sectors. There has to be robust collaboration.

Collaborating with educational institutions, vocational training centres, and industry experts can ensure that the workforce is equipped with the necessary skills and knowledge. Additionally, ongoing professional development opportunities can help workers adapt to technological advancements and industry changes.

For Nigeria to compete globally, the local industries must adopt cutting-edge technologies and innovative practices. The government should promote research and development through grants, subsidies, and incentives for companies investing in technological improvements. It should create innovation hubs. Creating innovation hubs and fostering collaboration between the academia and the different industries, without the unnecessary bureaucracies, can stimulate technological advancements and help local products meet international standards. This is because bureaucratic inefficiencies can hinder the growth of the local industries.

> For local industries to compete globally, they must embrace new technologies and practices

The government must work to streamline regulatory processes and reduce red tape that can stifle entrepreneurship and slow down implementation. Simplifying business registration, licensing procedures, and compliance requirements can create a more conducive environment for local businesses to thrive. Additionally, establishing clear guidelines and support mechanisms for navigating regulatory requirements will aid in smoother implementation.

More so, the government should implement stringent quality control measures and certifications to ensure that raw materials and finished products meet global standards. Through well-established institutions, there should be regular inspections, compliance checks, and certifications will help build trust in Nigerian products and enhance their acceptance in international markets.

Additionally, securing adequate funding is a significant challenge for many businesses in the country, as it is in most emerging markets. The government should explore various financing options, including grants, low-interest loans, and venture capital, to support businesses in the raw materials sector. There must be glaring government support system.

The government creating favourable investment conditions through tax incentives and investment-friendly policies, security inclusive, can attract both domestic and foreign investors.

Apparently, insecurity in agricultural regions and adverse environmental conditions disrupt raw material production. The government must address the issues through enhanced security measures and sustainable environmental practices. This must be because investing in community safety, supporting farmers with security and resources, and promoting environmentally friendly practices will help stabilise raw material supply chains and mitigate potential disruptions.

All this must be in place because the National Strategy for Competitiveness in Raw Material and Product Development represents a forward-thinking approach to economic growth. Focusing on the local content, enhancing product quality, and creating millions of jobs, Nigeria is positioning itself for a more resilient and diversified economy. If successfully implemented, this policy would not only bolster Nigeria's economic standing but also serve as a model for other nations seeking to harness their natural resources for sustainable development.

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