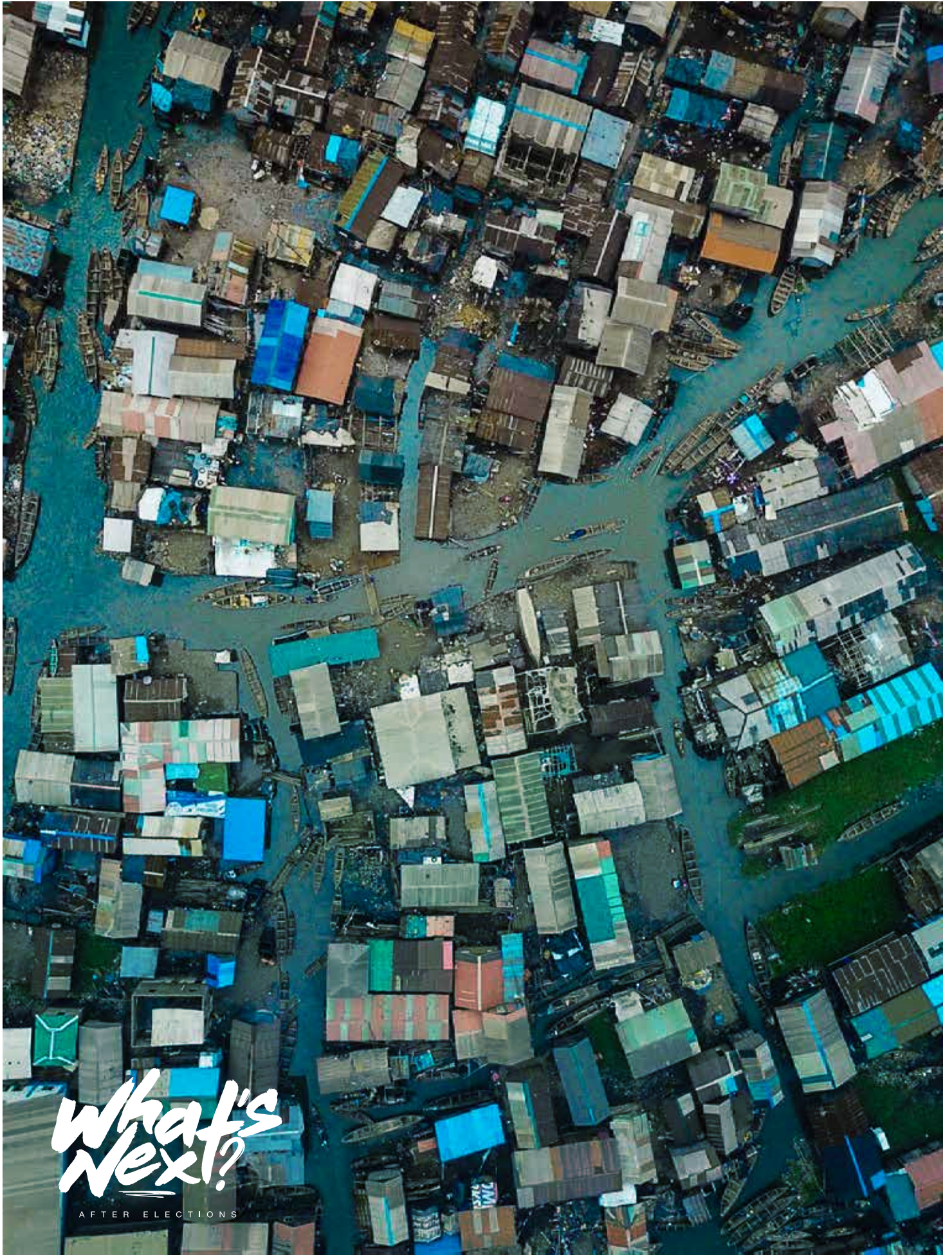


Beyond Nigeria's 2023 Elections: An Economic Prognosis





What's Next?

AFTER ELECTIONS



About BudgIT

BudgIT is a civic organisation that uses creative technology to simplify public information, stimulating a community of active citizens and enabling their right to demand accountability, institutional reforms, efficient service delivery and an equitable society.

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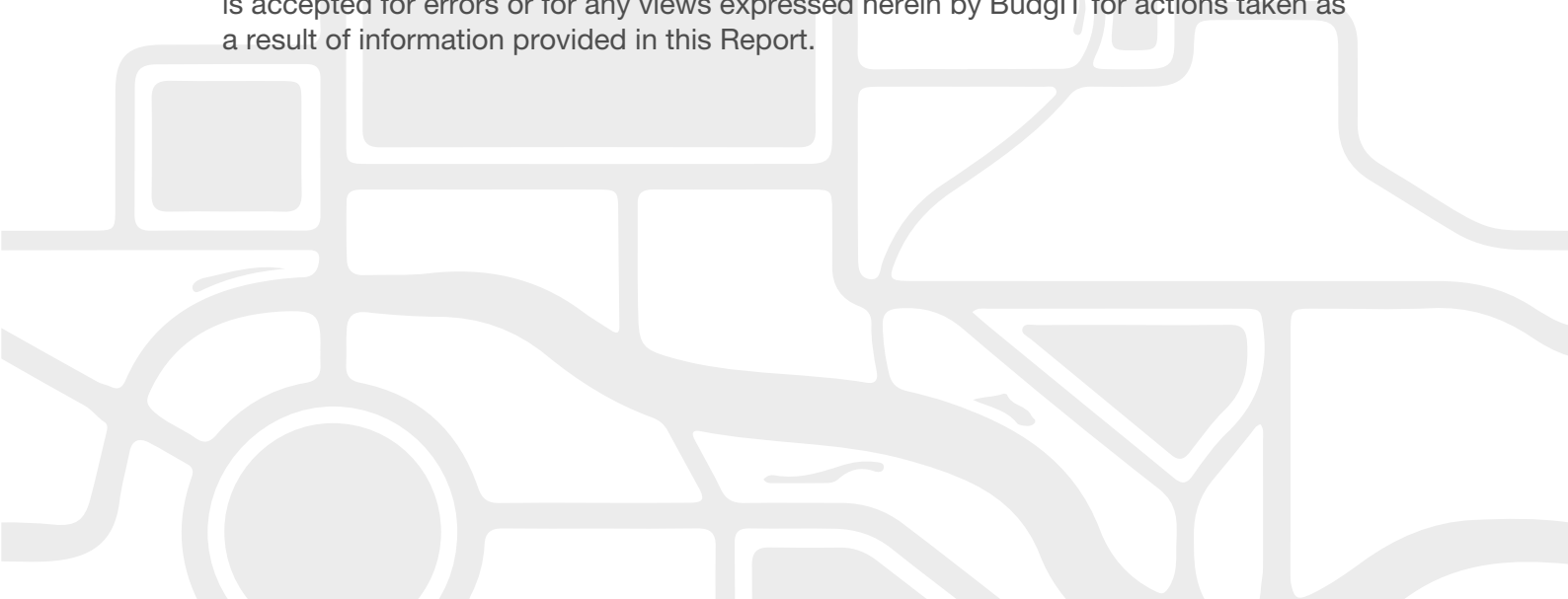
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Abbreviations

AFC	African Finance Corporation
AKK	Ajaokuta-Kaduna-Kano
APC	All Progressives Congress
AU	African Union
BDC	Bureau de Change
BVN	Bank Verification Number
CAC	Corporate Affairs Commission
CAGR	Compound Annual Growth Rate
CBN	Central Bank of Nigeria
CIT	Companies Income Tax
DMO	Debt Management Office
ETP	Energy Transition Programme
FGN	Federal Government of Nigeria
FX	Foreign Exchange
GAVI	Global Alliance for Vaccines and Immunisation
GDP	Gross Domestic Product
GOE	Government-Owned Enterprises
HMFBNP	Honourable Minister for Finance, Budget and National Planning
InfrCorp	Infrastructure Corporation of Nigeria Limited
MBPD	Millions of Barrels per Day
MCO	Mining Cadastre Office
MCP	Multiple Currency Practices
MDA	Ministries, Departments and Agencies
MPR	Monetary Policy Rate
MSMDEF	Micro, Small and Medium Enterprises Development Fund
NALDA	National Agricultural Land Development Authority
NBS	National Bureau of Statistics
NEITI	Nigeria Extractive Industries Transparency Initiative
NGN	Nigerian Naira
NSIP	Nigerian Social Investment Programme
NSMDF	Nigerian Solid Minerals Development Fund
NHIS	National Health Insurance Scheme
NIIMP	National Integrated Infrastructure Master Plan
NIN	National Identity Number
NNPCL	Nigerian National Petroleum Corporation Ltd.,
NPHCDA	National Primary Health Care Development Agency
NSIA	Nigeria Sovereign Investment Authority
PEBEC	Presidential Enabling Business Environment Council
PIA	Petroleum Industry Act
POC	Point of Care
SDG	Sustainable Development Goals
SRGI	Strategic Revenue Growth Initiative
STEM	Science, Technology, Engineering and Mathematics
TETFUND	Tertiary Education Trust Fund
VAT	Value-Added Tax
Y-o-Y	Year on Year

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Introduction

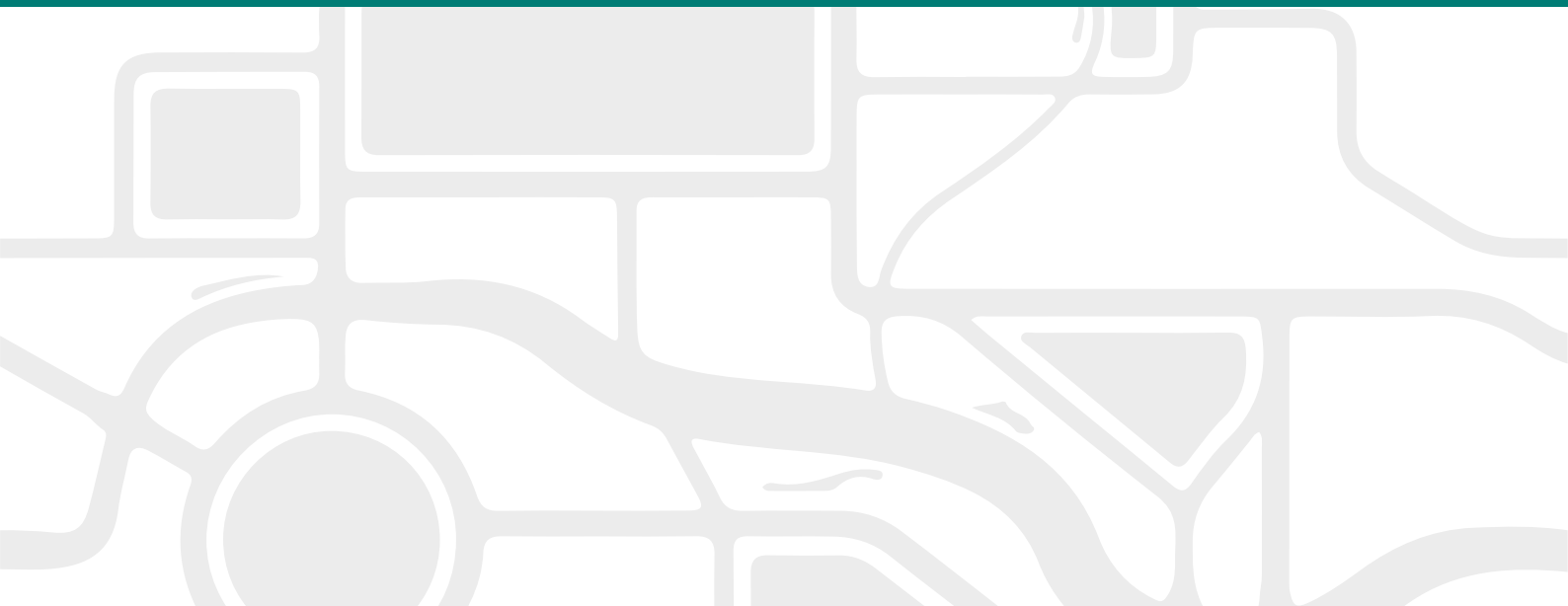
The new government certainly has its work cut out for it. Being the 5th President of the country (post-1999), Bola A. Tinubu and Kashim Shettima of the All Progressives Congress (APC) have taken the reins of a nation that is-to say the least-in dire straits. Being the President of a 3-armed government, Bola Tinubu must ensure the Executive manages the often precarious relationship between it and the Legislature. This is in addition to appointing competent and seasoned hands, who will head the various Ministries, Departments and Agencies. The leadership of the federal republic must aim to ensure that the States (and their own separate but common goals) are aligned with it, in this serious task of directing a multiethnic sub saharan African nation. This is alongside maintaining the conditions for the protection and upholding of the rights of citizens. Riding on a manifesto of “Renewed Hope”,¹ the duo above have outlined 16 priority areas they believe need to be addressed. This document aims to provide context for the new government (and the private sector), by outlining and commenting on the various macroeconomic, policy and governance issues. In addition to an assessment of the global context and economic subsectors, this outlook document appraises the state of doing business, investment potential, infrastructure stock, and key Public Financial Management issues in Nigeria, among other things. We believe such analyses are critical, as they highlight the much-needed urgency for diversification of the economy, alignment of monetary and fiscal policy and the movement of over 133 million Nigerians out of multidimensional poverty. In essence, this document aims to provide the needed context for Nigerians, of every kind.

1. See generally, the All Progressive Congress. (Oct. 2022). Renewed Hope 2023, Action Plan for a Better Nigeria. Published by All Progressive Congress. Available at https://newswirengr.com/wp-content/uploads/2022/10/RENEWED-HOPE-2023-BROCHURE_ALL-PAGES-1.pdf.



01

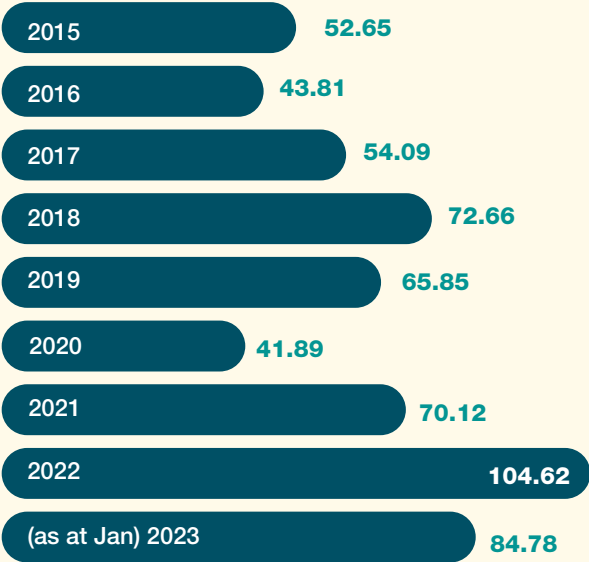
Macroeconomic Fundamentals



Oil Price

Figure 1: Average Crude Oil Price (2015- 2023)

Year / Average Crude Oil Price (Bonny Light) \$

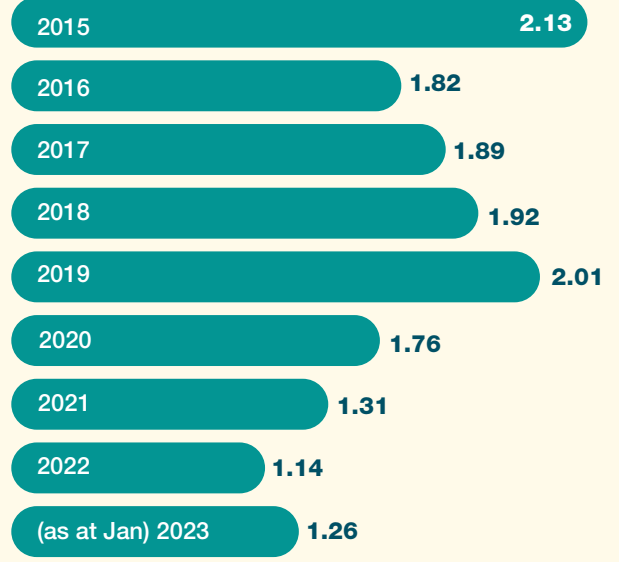


Note: These figures are an average rate over the last 8 years
Source: CBN

Oil production

Figure 2: Oil Production mbpd (2015- 2023 as at Jan)

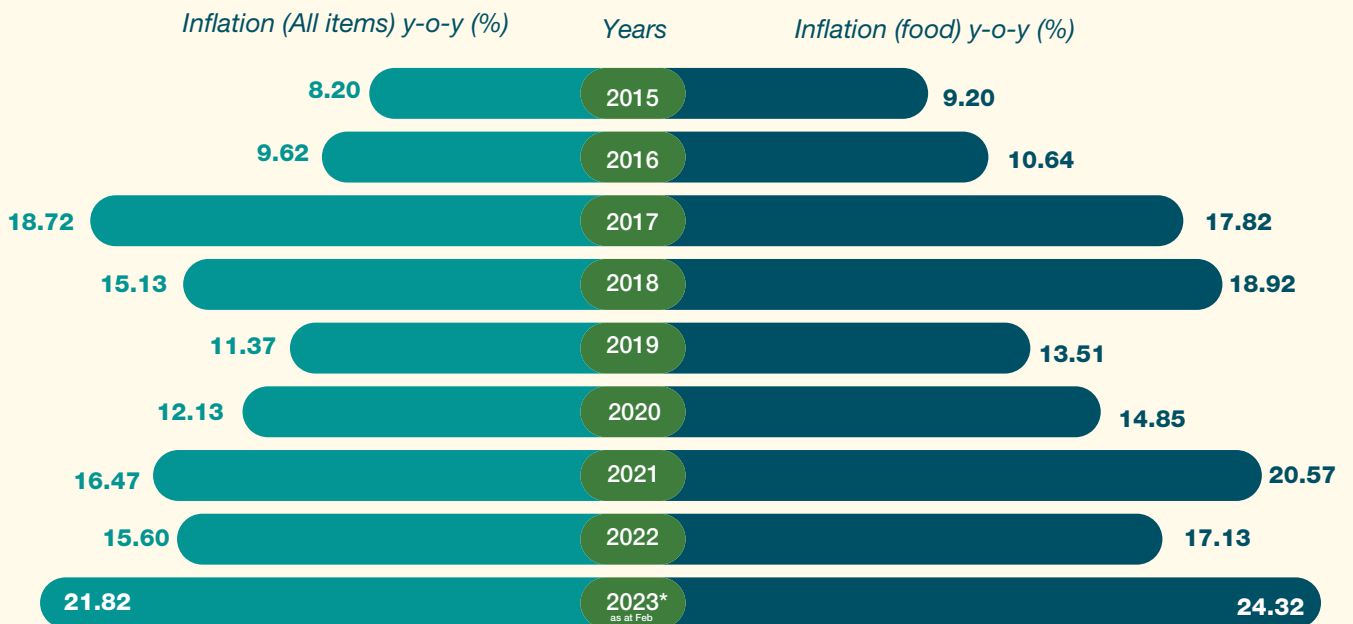
Year / Oil Production mbpd



Note: These figures are an average rate over the last 8 years
Source: CBN

Inflation

Figure 3: 2015 - 2023 February Year-on-Year Inflation (All Items and Food)

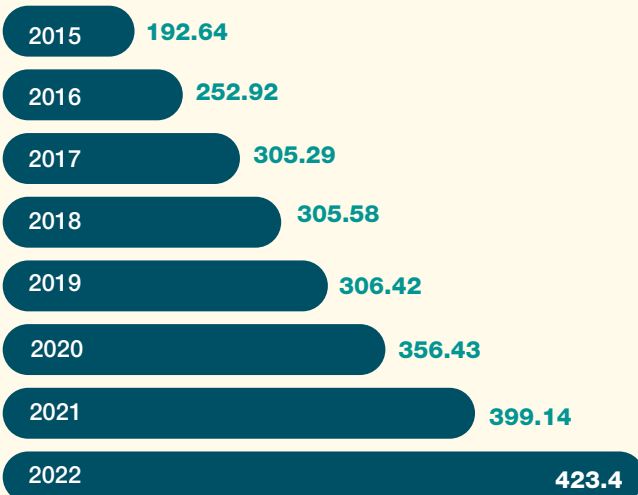


Note: These figures are an average rate over the last 8 years
Source: NBS

Exchange Rate

Figure 4: Nigeria's Dollar Exchange Rate (2015-2022)

Year / Exchange rate (NGN)



Note: These figures are an average of the Central Bank average rate for the last 8 years
Source: CBN

Interest rate

Table 1: Overview of Interest rate 2015 -2023

Year	Monetary Policy Rate (%)	Savings Deposit Rate (%)	Prime Lending Rate (%)
2015	12.7	3.6	16.8
2016	12.8	3.7	16.9
2017	14	4.1	17.6
2018	14	4.1	16.9
2019	13.6	3.8	15.7
2020	12.5	3.2	13.3
2021	11.5	1.7	11.5
2022	13.9	2.4	12.3
2023* as at April	17.8	4.4	13.8

Note: These figures (%) are an average rate over the last 8 years
Source: CBN

Table 2: Central Bank of Nigeria Monetary Policy Rate: 2015 to 2023

Months	Monetary Policy Rate (%)								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
January	13	11	14	14	11.5	13.5	11.5	11.5	17.5
June	13	12	14	14	14	12.5	11.5	13	N/A
December	11	14	14	14	-	11.5	11.5	16.5	N/A

Table 3. Savings Deposit Figures: 2015 to 2023

Months	Savings Deposit Rate (%)								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
January	3.48	3.29	4.22	4.07	2.04	3.89	1.86	1.25	4.29
June	3.6	3.61	4.08	4.07	4.07	3.78	1.81	1.38	N/A
December	3.33	4.18	4.08	4.07	-	2.04	1.25	4.13	N/A

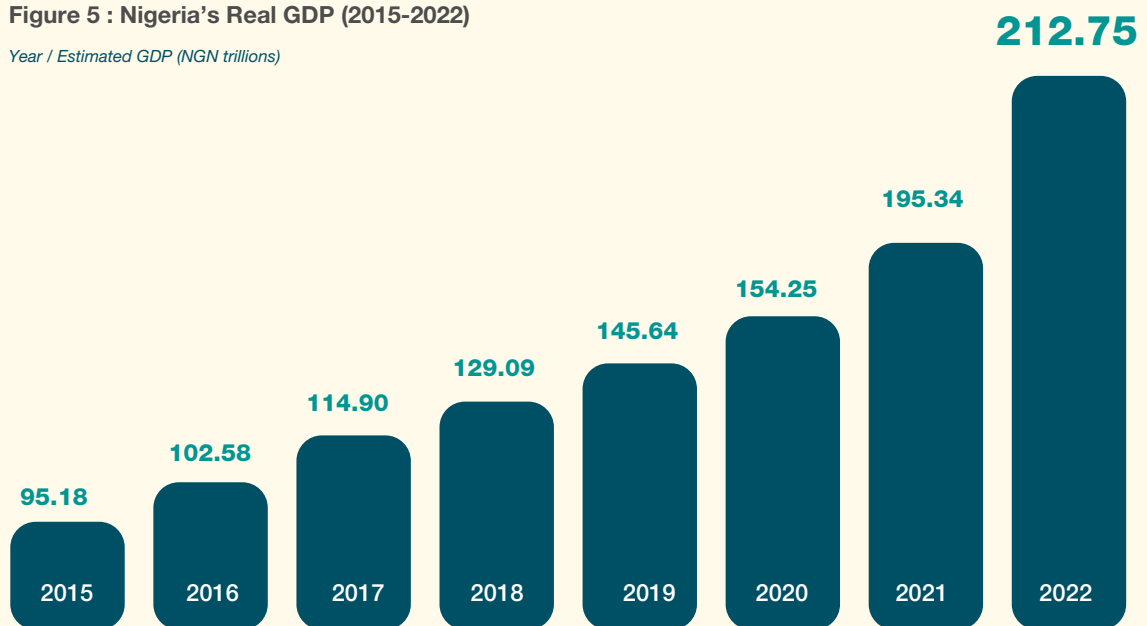
Table 4. Central Bank of Nigeria Prime Lending Rate: 2015 to 2023

Months	Prime Lending Rate (%)								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
January	16.86	16.54	16.91	17.5	16.01	14.97	11.25	11.68	13.67
June	17.24	16.78	17.59	16.78	15.8	15.65	11.67	12.29	N/A
December	16.96	17.09	17.71	16.17	N/A	11.35	11.68	13.85	N/A

GDP

Figure 5 : Nigeria’s Real GDP (2015-2022)

Year / Estimated GDP (NGN trillions)

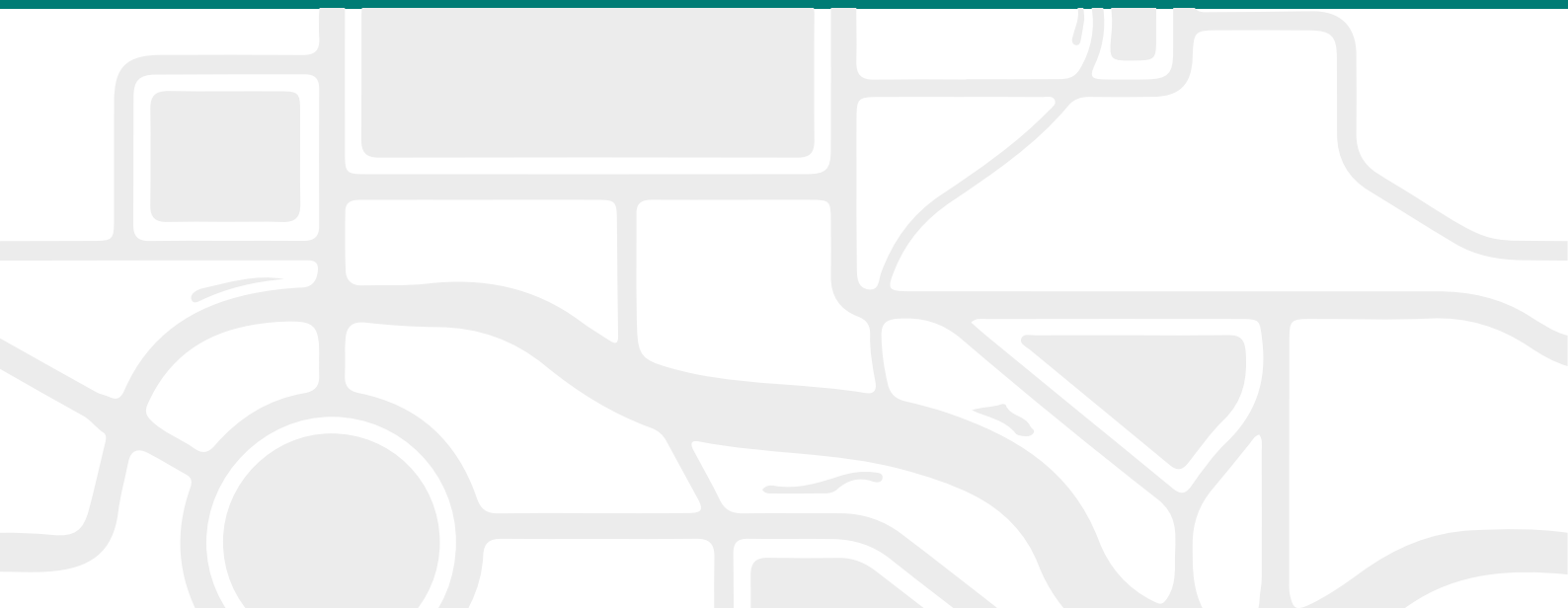


Source: World Bank



02

Global Political and Economic Trends





With excess demand over supply, prices began to rise. Inflation followed. The energy industry also struggled to keep up with demand. Supplemented by a few natural disasters and industrial accidents, the recipe for an energy crisis in Asia and Europe was created.

The 2023 fiscal year is looking to be shaped by a series of factors that trace their roots to global events which occurred in the previous three years. The COVID-19 pandemic of 2020 disrupted post-2016 economic recovery, especially for emerging and developing economies. Countries (especially oil producers affected by the oil industry-based recession of 2016) were still on a path to recovery when the pandemic hit hard. The oil and gas, hospitality, travel and tourism industries were severely affected. Global economic growth took a major hit with several multinational agencies limiting growth to less than 1%.² As a result, various interventions were introduced by governments so as to keep consumer spending afloat as job losses rose to record high levels and production slowed to a crawl.³ However, after lockdowns and restrictions (implemented to stem the spread of the virus) started lifting from Q3 & Q4 2020 and more prominently in 2021, economies began to recover.

With the recovery came new challenges. Demand, fueled partly by the interventions deployed as a result of the pandemic, outpaced supply which was still trying to overcome supply chain disruptions caused by the same pandemic. With excess demand

over supply, prices began to rise. Inflation followed. The energy industry also struggled to keep up with demand. Supplemented by a few natural disasters and industrial accidents, the recipe for an energy crisis in Asia and Europe was created. Added to these, Russia invaded Ukraine in April 2022, starting a war that currently has no feasible end in sight. The fallout was the exacerbation of global economic conditions that were already volatile. The resultant mix of supply chain challenges and inflation presented a suite of problems that culminated in a global economic crisis.⁴

Domestically, these global trends impacted the economy as Nigeria also recorded rising inflation. More so, increasing energy costs, particularly gasoline prices translated to rising petrol subsidies, putting more pressure on the country's fiscal health. This added to local challenges such as rising oil theft, reducing oil production, deteriorating insecurity, rising debt stock and debt servicing, and challenges with maintaining national revenue. The road to recovery, especially for Nigeria, must include plans to address these structural issues.

2. See the International Monetary Fund. (June, 2020). World Economic Outlook Update: A Crisis Like No Other, An Uncertain Recovery, at p. 1. Published by the International Monetary Fund. Available at: <https://www.imf.org/-/media/Files/Publications/WEO/2020/Update/June/English/WEOENG202006.ashx>.

3. See the International Monetary Fund. Policy Responses To COVID-19. Policy Tracker. Available at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

4. See the Directorate of Sustainability, Technology and Outlooks (STO). (2022). World Energy Outlook, at p. 19. International Energy Agency. Available at: <https://iea.blob.core.windows.net/assets/830fe099-5530-48f2-a7c1-11f35d510983/WorldEnergyOutlook2022.pdf>.



03

Broad Macroeconomic Analysis of the Nigerian Context





The new administration must confront rising inflation, an undiversified revenue base and a market-blind exchange rate, among other things. On inflation, Nigeria has experienced some of its highest levels (about 22.2%), since 2004, with food inflation being the most badly hit.

Nigeria's macroeconomic performance is subject to multiple factors, many of which are not within the full control of the government. Yet, there are approaches and interventions that can be implemented to rein in the volatility brought about by any number of macroeconomic variables. Standard mechanisms operate through a Ministry of Finance and a Central Bank, both of which administer the fiscal and monetary policy, respectively. These stabilisation mechanisms are not perfect and have several intervening unknowns but have been shown to have some level of impact.⁵ The new administration must confront rising inflation, an undiversified revenue base and a now seemingly unified exchange rate, among other things. On inflation, Nigeria has experienced some of its highest levels (about 22.2%), since 2004,⁶ with food inflation being the most badly hit. This macroeconomic indicator has far-reaching effects on incomes of individual citizens, profits of

corporations and the revenue of the government itself. The government has battled with inflation that is compounded by the fact that just 5.67% of Nigeria's GDP comes from the oil sector but more than 90% of its exports (and 50% of its government revenue) comes from it.⁷ In addition, the challenge of moving away from growth in recurrent budget size and a corresponding move towards an optimal capital budget size. These considerations must also be seen in the context of overall budget deficits that the outgoing administration has created in numerous fiscal years.⁸

The data below shows the trend of movement and the all-around performance of the Nigerian economy.

5. See Bodurin, O. (2016). The Impact of Fiscal and Monetary Policy on Nigerian Economic Growth, at p. 7. Munich Personal RePec Archive. Available at: https://mpra.ub.uni-muenchen.de/92811/1/MPRA_paper_92811.pdf.

6. See "Presidency blames Nigeria's inflation record on COVID-19", by Williams Ukpe, on May 17th, 2023, in Nairametrics (Online) News. Available at: <https://nairametrics.com/2023/05/17/inflation-presidency-blames-nigerias-record-inflation-on-covid-19/>.

7. See Usman, Z. (2022). Economic Diversification in Nigeria: The Politics of Building a Post-Oil Economy, at p. 3. Zed Books. Bloomsbury Publishing Plc. 50 Bedford Square, London, WC1B 3DP, UK.

8. See Usen, I., Kwaga, V., Opaluwa, E., et al. (2023). Nigeria 2023 FG Budget Review: Pulse for A New Administration, at p. 13. The BudgIT Foundation, Lagos, Nigeria. Available at: <https://budgit.org/wp-content/uploads/2023/05/2023-FG-Budget-Analysis-pdf.pdf>.

Composition of GDP

Table 5. Composition of Nigeria's Gross Domestic Product: 2018-2022

CONTRIBUTION TO GDP (%)	2018	2019	2020	2021	2022
Agriculture	25.13	25.16	26.21	25.88	25.58
Industries	22.24	22.25	21.36	20.56	19.02
Services	52.63	52.6	52.44	53.56	55.4

Table 6: Oil and Non-oil contribution to Nigeria's Gross Domestic Product (2018- 2022)

CONTRIBUTION TO GDP (%)	2018	2019	2020	2021	2022
Non Oil	91.41	91.22	91.84	92.76	94.33
Oil	8.59	8.78	8.16	7.24	5.67

Table 7: Annual Growth rate of the Composition of Nigeria's GDP (2018 -2022)

GROWTH RATE	2018	2019	2020	2021	2022
Agriculture	2.12	2.36	2.17	2.13	1.88
Industries	1.87	2.31	-5.85	-0.47	-4.62
Services	1.83	2.22	-2.22	5.61	6.66
Real Growth Rate At Basic Price	1.91	2.27	-1.92	3.40	3.10
Real Growth Rate At Market Price	1.92	2.21	-1.79	3.65	3.25
Non Oil Growth Rate	2.00	2.06	-1.25	4.44	4.84
Oil Growth Rate	0.97	4.59	-8.89	-8.30	-19.22

Source: NBS

Exchange Rate Regime

Table 8. Average Dollar Exchange Rate (2015-2022)

Year	CBN	BDC	Variance
2015	195.52	222.78	27.26
2016	253.49	372.86	119.37
2017	305.79	395.42	89.63
2018	306.08	361.81	55.73
2019	306.92	359.53	52.61
2020	358.81	433.70	74.89
2021	400.65	519.48	118.83
2022	423.4	710.00	286.6

Note: These figures are the average exchange rate over the last 8 years

Inflation

Table 9. Average Inflation Rate Year-on-Year: 2015-2023

Year	Inflation-All items (%)
2015	8.20
2016	9.62
2017	18.72
2018	15.13
2019	11.37
2020	12.13
2021	16.47
2022	15.6
2023* as of Feb	21.82

Source: NBS

2023 Federal Government Budget

Table 10. 2022 Federal Government Expenditure Performance and 2023 Federal Government Expenditure Breakdown (In Naira)

	Expenditure	2022 Amended Budget + Supplementary Budget	2022 Actual (Jan-Nov)	2022 Performance	2023 Approved Budget	Year-on-Year (2022 Amended Budget vs 2023) Approved Budget
A	Statutory Transfers	817.7 bn	745.2 bn	91.14%	967.5 bn	18.32%
B	Recurrent Expenditure	11.09 tn	10.25 tn	92.44%	14.89 tn	34.28%
1	Non-Debt Recurrent Expenditure	7.11 tn	5.01 tn	70.44%	8.33 tn	17.17%
i	Personnel Cost	4.34 tn	3.58 tn	82.66%	5.02 tn	15.70%
ii	Pensions & Gratuities including Service wide pension	577.9 bn	356.3 bn	61.66%	854.8 bn	47.93%
iii	Overheads	827.4 bn	551.4 bn	66.65%	1.11 tn	34.72%
iv	Presidential Amnesty	65.0 bn	59.6 bn	91.68%	65.0 bn	0.00%
v	TETFUND - Recurrent	15.3 bn	16.1 bn	105.03%	12.4 bn	-18.87%
vi	Special Intervention Programme	350.0 bn	.0 bn	0.00%	200.0 bn	-42.86%
2	Debt Service	3.98 tn	5.24 tn	131.76%	6.56 tn	64.84%
C	Appreciate Capital Expenditure	6.23 tn	1.88 tn	30.12%	5.97 tn	-4.20%
	Total FGN Expenditure	18.14 tn	12.87 tn	70.96%	21.83 tn	20.33%

Source: 2023 Appropriation Act; HMFBNP Public Presentation of the 2023 Budget.

2023 Federal Government Budget

Table 11. 2022 Federal Government Revenue Performance and 2023 Federal Government Revenue Breakdown (Amounts in Naira)

	Revenue	2022 Amended Budget	2022 Actual (Jan-Nov)	2022 Performance	2023 Approved Budget	Year-on-Year (2022 Amended Budget vs 2023) Approved Budget
1	Share of Oil Revenue	2.19 tn	586.71 bn	26.79%	2.23 tn	1.79%
2	Share of Minerals & Mining	2.92 bn	3.99 bn	136.64%	3.64 bn	24.80%
3	Share of Non-Oil Taxes	2.26 tn	2.09 tn	92.47%	2.43 tn	7.74%
i	Share of CIT	909.30 bn	1081.76 bn	118.97%	933.28 bn	2.64%
ii	Share of VAT	316.69 bn	295.21 bn	93.22%	383.09 bn	20.97%
iii	Share of Customs	834.12 bn	639.65 bn	76.69%	949.59 bn	13.84%
iv	Share of Federation Acct. Levies	71.97 bn	55.34bn	76.89%	167.19 bn	132.30%
4	Revenue from GOEs	1.73tn	0.00	0.00%	2.42 tn	39.96%
5	Independent Revenue	2.62tn	1.32 tn	50.39%	3.17 tn	21.13%
6	Other Revenues ⁹	1.17 tn	2.50 tn	213.21%	790.49 bn	-32.60%
	Total FGN Revenue	9.97 tn	6.50 tn	65.18%	11.05 tn	10.79%

Source: 2023 Appropriation Act; HMFBNP Public Presentation of the 2023 Budget.

9. Other revenues includes: Electronic money transfer, court levies, fines and grants. (Non-revenue generating agencies of the government are most times in charge of this source of revenue).

2015 -2022 Budget Performance

Table 12. Federal Government of Nigeria Budget Expenditure Trend

Year	Budget (N' trillion)	Actual (N' trillion)	Performance
2015	5.07	4.77	94.08%
2016	6.06	4.4	72.54%
2017	7.44	6.46	86.86%
2018	9.12	7.51	82.36%
2019	8.92	8.3	93.07%
2020	10.81	10.02	92.66%
2021	12.51	11.08	88.55%
2022	18.14	12.87*	70.95%

** The actual for 2022 is for January to November.

Source: Budget Office of the Federation (Budget Implementation Report)

Table 13. Federal Government of Nigeria Revenue Trend

Year	Budget (N' trillion)	Actual (N' trillion)	Performance
2015	3.45	2.39	69.15%
2016	3.86	1.75	45.50%
2017	5.08	2.38	46.75%
2018	7.166	3.8657	53.95%
2019	6.998	4.12	58.87%
2020	5.835	3.418	58.58%
2021	6.64	4.64	69.88%
2022*	9.97	6.5	65.20%

**The Actual for 2022 is for January to November

Source: Budget Office of the Federation (Budget Implementation Report)

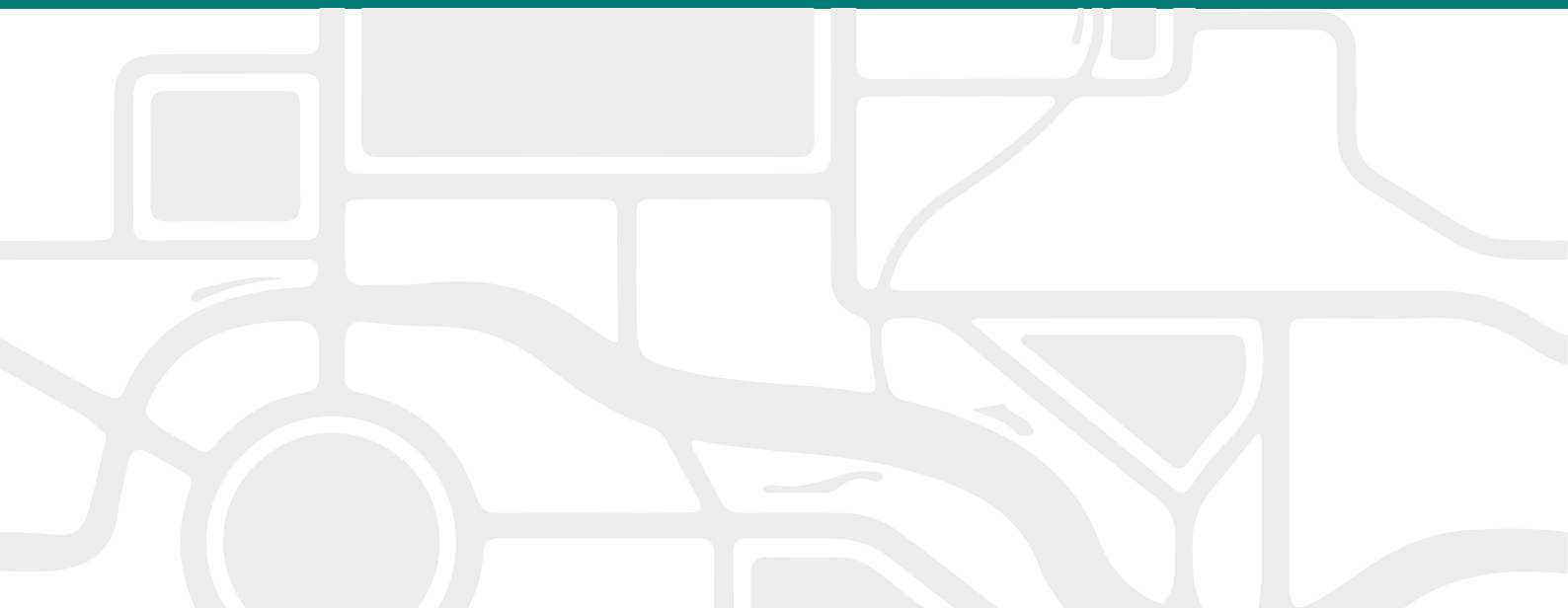
Table 14. Sectoral Summary of the 2023 Federal Government Budget (in Naira)

SN	Sector	Personnel	Overhead	Capital	Total	% of the 2023 Budget Size
1	Security	1970.11 bn	363.87 bn	455.75 bn	2.79 tn	12.78%
	Defence	1001.76 bn	97.11 bn	285.05 bn	1.38 tn	6.34%
	Police	726.57 bn	50.84 bn	60.65 bn	838.06 bn	3.84%
	Others (Immigration,Civil Def.)	241.78 bn	36.91 bn	45.62 bn	324.32 bn	1.49%
	Service Wide Vote		179.00 bn	64.43 bn	243.43 bn	1.12%
2	Education	714.47 bn	52.79 bn	321.86 bn	1.09 tn	4.99%
	Ministry of Education	714.47 bn	52.79 bn	308.96 bn	1.08 tn	4.93%
	Service Wide Vote (TETFUND Refund)			12.90 bn	12.90 bn	0.06%
3	Health	618.66 bn	86.02 bn	452.58 bn	1.16 tn	5.30%
	Ministry of Health	614.18 bn	16.45 bn		1.08 tn	4.93%
	GAVI/Immunization (Service Wide Vote)		69.57 bn		69.57 bn	0.32%
	Service Wide Vote (NHIS-Military Retirees, Health Workers Hazard Allowance)	4.48 bn			4.48 bn	0.02%
	Service Wide Vote (Counterpart Funding Including Global Fund/ Health/Refund To GAVI)			7.42 bn	7.42 bn	0.03%
4	Agriculture	81.82 bn	4.91 bn	344.69 bn	431.41 bn	1.98%
	Federal Ministry of Agriculture and Rural Development	80.94 bn	4.48 bn	341.57 bn	426.99 bn	1.96%
	National Agricultural Land Development Authority (NALDA)	0.88 bn	0.43 bn	3.11 bn	4.42 bn	0.02%
5	Infrastructure	56.83 bn	23.80 bn	1162.23 bn	1.24 tn	5.69%
	Works & Housing	16.48 bn	18.51 bn	499.47 bn	534.46 bn	2.45%
	Power	5.32 bn	1.57 bn	251.61 bn	258.49 bn	1.18%
	Transportation	17.16 bn	.86 bn	112.33 bn	130.35 bn	0.60%
	Aviation	8.03 bn	1.41 bn	67.90 bn	77.33 bn	0.35%
	Water Resources	9.84 bn	1.47 bn	230.91 bn	242.22 bn	1.11%
6	Social Development and Poverty Reduction Programmes	64.72 bn	2.68 bn	414.96 bn	482.36 bn	2.21%
	Humanitarian Affairs, Disaster Management & Development	64.72 bn	2.68 bn	314.96 bn	382.36 bn	1.75%
	Others (Service Wide Votes)			100.00 bn	100.00 bn	0.46%
7	Mines and Steel	10.41 bn	2.27 bn	27.25 bn	39.94 bn	0.18%
8	Science, Technology & Innovation	48.25 bn	4.09 bn	132.57 bn	184.91 bn	0.85%
9	Industry, Trade and Investment	14.47 bn	2.36 bn	32.04 bn	48.86 bn	0.22%



04

Socio-economic Assessment: National Development Plan, Poverty and Unemployment





With the administration of Muhammadu Buhari out (the 2022 fiscal year is nearly over), it is not certain that Tinubu would abide by the pre-set targets.

In 2021, the Federal government produced a medium-term national development plan, spanning from 2021 to 2025. This plan, among other things, provides a set of socio-economic baseline figures from which the government hopes to improve. Significant among the targets are those relating to poverty and unemployment. With the administration of Muhammadu Buhari out (the supplementary budget of the 2022 fiscal year has been proposed to end in December 2023)¹⁰, it is not certain that Tinubu would abide by the pre-set targets. One thing is sure, however; the baseline figures

remain an acute reality for Nigerians. Below is a cross-section of data on poverty and unemployment, showing the baseline and the targets set in the NDP; 2021-2025.¹¹ The new administration will have to decide whether to prioritise these goals or (as is common with every single administration post-1999), set new ones. These targets are not mere numbers and engagement with them, will determine actual change in the lives and livelihoods of millions of Nigerian citizens, depending on well-thought government decisions.

10. "UPDATED: Senate at emergency session amends CBN Act to raise lending limit to government, by Abdulqudus Ogundapo, on May 27th, 2023, in Premium Times (Online) Newspapers. Available at: <https://www.premiumtimesng.com/news/headlines/600819-senate-convenes-emergency-plenary-two-days-to-buharis-exit.html>.

11. See generally, the Ministry of Finance, Budget and National Planning. (2021). National Development Plan (NDP) 2021-2025, Vol. 1. Federal Republic of Nigeria. Available at: https://nationalplanning.gov.ng/wp-content/uploads/2021/12/NDP-2021-2025_AA_FINAL_PRINTING.pdf.

Table 15. Poverty Alleviation and Social Protection Objectives and 2025 Targets

Objectives	Key performance indicators	Baseline	Target
Significantly reduce poverty in Nigeria	Reduction in Poverty Headcount rate	40%	34%
Access to social services by the most vulnerable in the communities	Increase in number of POC provided with relief materials (food, non-food, medical)	37,647	1,000,000
Design a social protection data ecosystem to reach the most vulnerable Nigerians	Share of vulnerable Nigerians with Digital Identifies (NIN and BVN) (%)	Approximately 10%	95%
	Completeness of Social Protection Data ecosystem (%)	Approximately 10%	90%

Source: National Development Plan 2021-2025

Table 16. Objectives and Targets of Integrated Rural Development

Objectives	Key performance indicators	Baseline 2020	Target
Minimize disparity in economic development between rural and urban areas worldwide	Unemployment rate (%)	Rural 34.5%	20.2%
		Urban 31.3%	18.3%
	Poverty headcount rate (%)	Rural 52.1%	44.5%
		Urban 18.0%	15.3%
	Underemployment rate (%)	Rural 26.9%	23.3%
Inequality	Urban 16.2%	14%	
	Rural 32.77%	29.5%	
Minimise disparities in access to public services between rural and urban areas worldwide	Share of population with access to clean water (%)	Rural 42%	Rural 75%
		Urban 75%	Urban 100%
	Share of population with access to electricity (%)	Rural 41%	Rural 75%
		Urban 86%	Urban 100%
Increase rural transportation infrastructure	Rural roads constructed (km)	20% increase in km of rural roads constructed	

Source: National Development Plan 2021-2025

Table 17. Objectives and Targets of Employment and Job Creation

Objectives	Key performance indicators	Baseline	Target
Create sustainable jobs	Number of jobs created	469,000 (2020)	21 million
	Unemployment rate	33.3% (as of 2020)	19.60%
	Productivity per capita	2,100	3,706
Create new businesses and enterprises	<ul style="list-style-type: none"> • Number of businesses registered in Nigeria • Number of new jobs created by businesses 	3.1 million (2019)	4 million (2025)
	Percentage of new businesses still in operation after 5 years	45%	50%
Promote inclusion	Female labour force participation (%)	48.52%	70%
	Youth labour force participation, (Ages 15-24) (%)	29%	50%

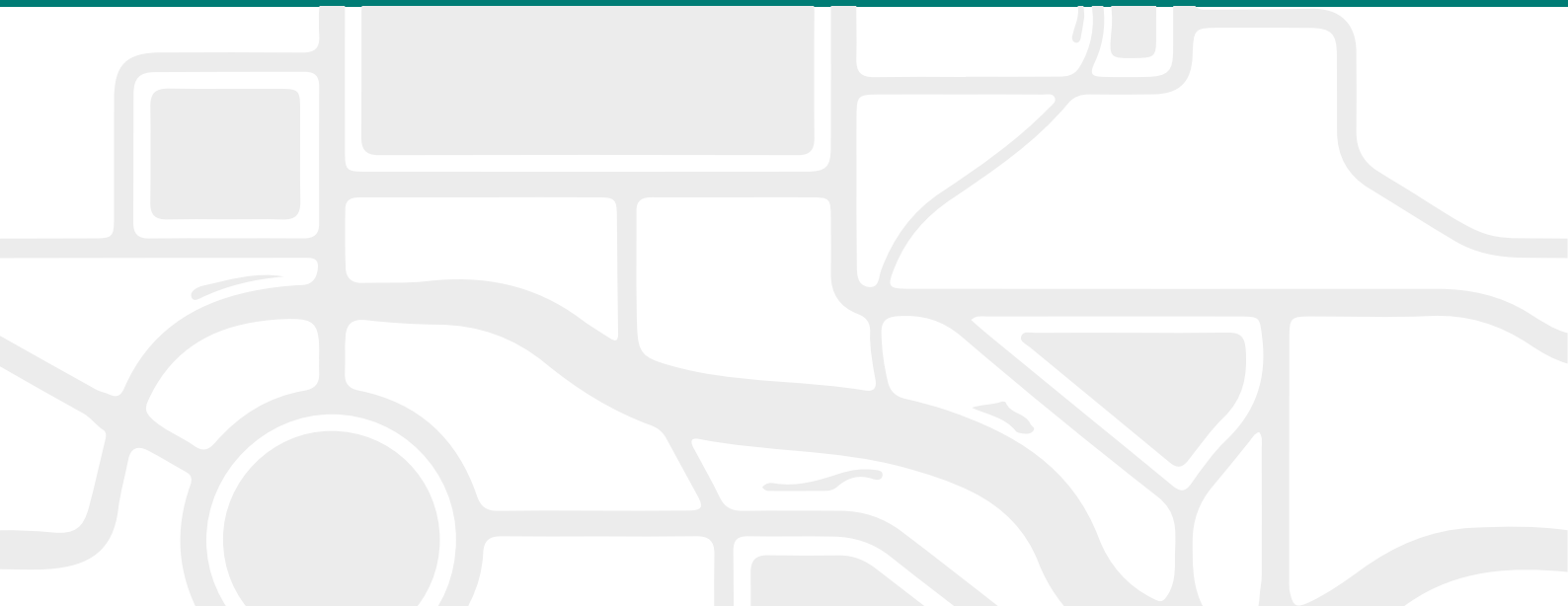
Source: National Development Plan 2021-2025





05

Debt Management





Nigeria had a domestic debt of N27.54tn (\$61.42 billion dollars) as of December 31, 2022, of which the federal government owed N22.01tn (\$49.52 billion dollars). Nigeria's overall government debt is 59.56% of its domestic debt.

Nigeria's domestic debt is undeniably high and the federal government has seen rising levels of domestic indebtedness. Nigeria had a domestic debt of N27.54tn (\$61.42 billion dollars) as of December 31, 2022, of which the federal government owed N22.01tn (\$49.52 billion dollars). Nigeria's overall government debt is 59.56% of its domestic debt. Domestic debt in the nation has skyrocketed over the last five years, increasing from N15.94tn in 2017 to N27.54tn in 2022; a 72.77%

increase. Nigeria's external debt is not only substantial but has increased in size significantly over the previous five years, going from \$18.91 billion dollars in 2017 to \$41.69 billion dollars as of December 2022, of which \$37.24 billion dollars (89.32%) is due by federal government.

Table 18. Federal Government of Nigeria Total Debt Figures: 2017-2022 (N' Trillion)

Debt	2017	2018	2019	2020	2021	2022
Total External Debt	5.787	7.759	9.022	12.705	15.855	18.702
Total Domestic Debt	12.589	16.627	18.378	20.209	23.70	27.548
Total Public Debt	21.725	24.387	27.401	32.915	39.556	46.250

Source: DMO

CBN Ways and Means

Table 19: Federal Government of Nigeria Total Ways and Means Advances Balances¹²

Year	Ways and Means (N' tn)
2015	0.856
2016	2.23
2017	3.31
2018	5.41
2019	8.72
2020	13.11
2021	17.4
2022	24.6

The figures presented are the total CBN overdraft to the federal government as at December 31 of each year.

Table 20. Federal Government Ways & Means Borrowing vs. Federal Government Revenue-2015 to 2022

Year	Ways and Means (N' tn)	FG Revenue (N' tn)	Ways & Means as a % of Previous Year's FG Revenue
2015	XX	2.39	XX
2016	1.374	1.75	57.49%
2017	1.08	2.38	61.71%
2018	2.1	3.8657	88.24%
2019	3.31	4.12	85.62%
2020	4.39	3.418	106.55%
2021	4.29	4.64	125.51%
2022	7.2	6.5	155.17%

Note: Threshold allowable by the current unamended CBN Act is 5% of the previous year's revenue

12. See "Explainer: What You Need To Know About FG's N15trn CBN Overdraft", by Daily Trust, on August 29 2021, in the Daily Trust (Online) Newspaper. Available at: <https://dailytrust.com/explainer-what-you-need-to-know-about-fgs-n15trn-cbn-overdraft/>.

Table 21. Federal Government Interest Payments on Ways and Means Advances

Year	Interest on Ways and Means (N' bn)	Total Debt Service (N' bn)	Interest on Ways and Means as a % of Total Debt Service (%)
2017	9.51	1,824	0.52%
2018	63.16	2,161	2.92%
2019	339.45	2,454	13.83%
2020	912.57	3,342	27.30%
2021	1,220	4,222	28.91%
2022 (Jan-Nov)	1643.40	5,242	31.35%

Source: Budget Office of the Federation (Budget Implementation Report)

Nigeria's Credit Rating

Table 22. Nigeria's Credit Rating According to top Ratings Agencies

Agency	Rating	Outlook	Date
S&P	B-	negative	Feb 03 2023
Moody's	Caa1	stable	Jan 27 2023
Fitch	B-	stable	Nov 11 2022

Source: Trading Economics¹³

Debt Servicing

Table 23: Federal Government of Nigeria Debt Servicing: 2017-2022

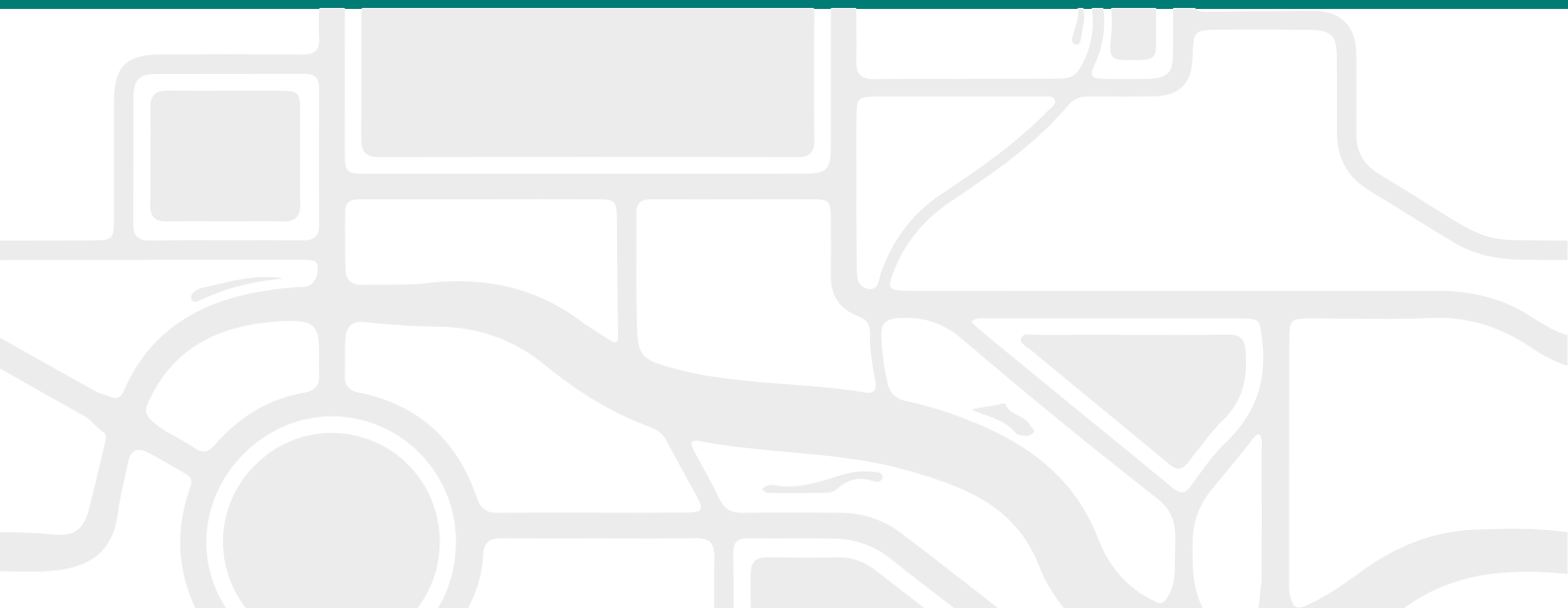
Debt Servicing Year	Budgeted (N' bn)	Actuals (N' bn)	Variance in %
2017	1,841	1,823.89	99.05%
2018	2,204	2,161	98.07%
2019	2,254	2,454	108.86%
2020	2,952	3,342	113.23%
2021	3,324	4,222	126.99%
2022 (Jan-Nov) HMFBNP	3,647	5,242	143.74%

Source: Budget Office of the Federation (Budget Implementation Report)

13. See Trading Economics. Nigeria Credit Rating. Available at: <https://tradingeconomics.com/nigeria/rating>.



06 CBN Interventions





However, in recent times, the CBN has gone beyond its traditional remit of being a bank to banks and the bank to the federal government, to providing development finance.

The Central Bank of Nigeria (CBN) has statutory responsibilities which cover monetary management, price stability and acting as a banker to the Federal Government. In particular, the CBN aims to ensure monetary and price stability, issue legal tender currency in Nigeria and maintain external reserves to safeguard the international value of the legal tender currency, among others.¹⁴ However, in recent times, the CBN has gone beyond its traditional remit of being a bank to banks and the bank to the federal government, to providing development finance. The CBN claims development finance involves: “[T]he formulation and implementation of various policies, innovation of appropriate products and creation of enabling environments for financial institutions to deliver services in an effective, efficient and sustainable

manner. The initiatives are mainly targeted at the agricultural sector, rural development and micro, small and medium enterprises”.¹⁵ While the CBN is allowed (from a liberal reading of s.31 of the CBN Act, 2007) to provide financial assistance to the real sector the impact of its facilities may have mixed results.¹⁶ In one, rather stinging observation, the intervention of the Bank via its ‘Anchor Borrowers Programme’, has been noted to have lost N500bn in unpaid loans¹⁷ (some multilateral agencies have put that figure at a much higher value)¹⁸. To put this in perspective, the data below provides an overview of the quantum of credit the CBN has provided to businesses over the years.

14. See the Central Bank of Nigeria (Website). ‘About CBN’. Federal Government of Nigeria. Available at: <https://www.cbn.gov.ng/aboutcbn/Coremandate.asp>.

15. See the Central Bank of Nigeria (Website). ‘Development Financing’. Federal Government of Nigeria. Available at: <https://www.cbn.gov.ng/devfin/default.asp>.

16. See “Economic miseries behind surge in loan defaults – Experts to CBN”, by Ogaga Aremu, on December 15th, 2022, in the Daily Post (Online) Newspaper. Available at: <https://dailypost.ng/2022/12/15/economic-miseries-behind-surge-in-loan-defaults-experts-to-cbn/>. See also “Only 24% of CBN Anchor Borrowers’ loans repaid – IMF”, by Sami Tunji, on March 1st, 2023, in the Punch (Online) Newspapers. Available at: <https://punchng.com/only-24-of-cbn-anchor-borrowers-loans-repaid-imf/>.

17. See “About N500 billion lost to Anchor Borrowers’ Programme”, by Collins Olayinka, Anthony Otaru & Joseph Chibueze, on June 13th 2023, in the Guardian (Online) Newspaper. Available at: <https://guardian.ng/news/about-n500-billion-lost-to-anchor-borrowers-programme/>.

18. See “IMF: 76% of loans under CBN anchor borrowers’ programme unpaid”, by Wasilat Azeez, on March 1st 2023, in the Cable (Online) Newspaper. Available at: <https://www.thecable.ng/imf-76-of-loans-under-cbn-anchor-borrowers-programme-unpaid>.

Table 24: List of CBN Interventions to MSMEs- 2015 to 2020

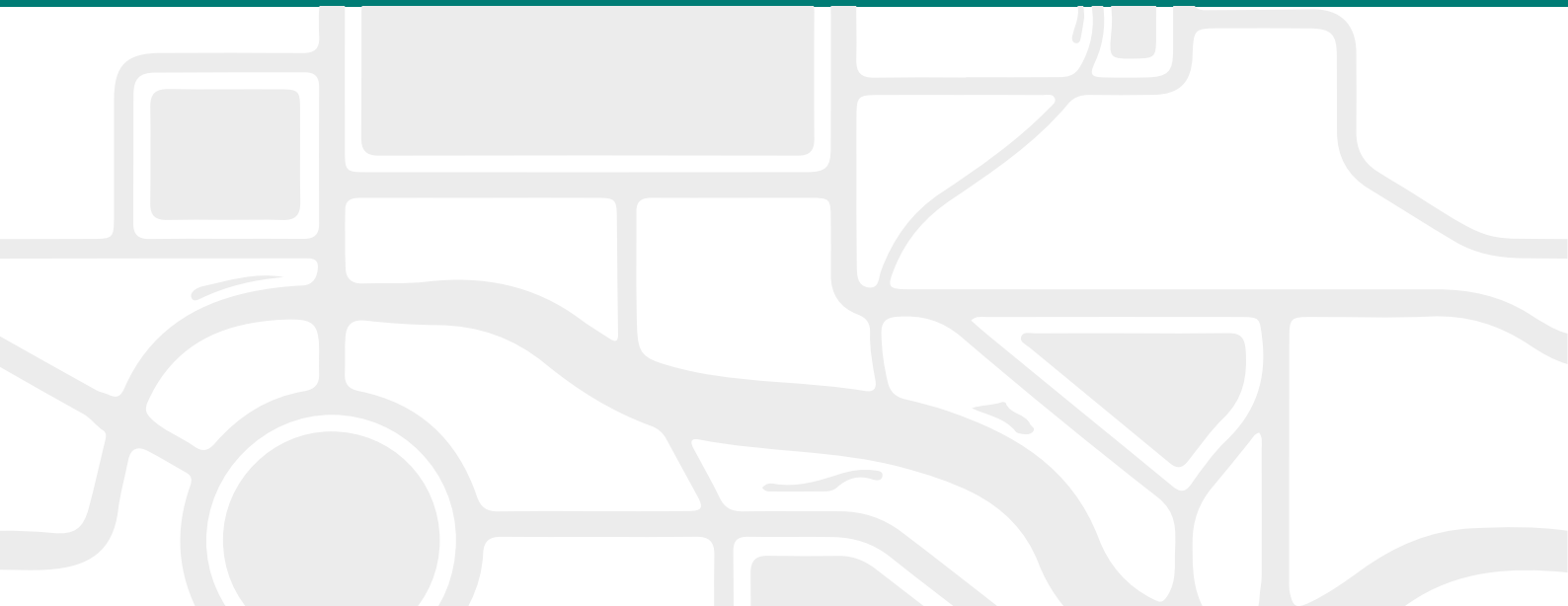
Project	Amount	Year
Micro, Small and Medium Enterprises Development Fund (MSMEDF) Guidelines	220bn	2015
Micro, Small and Medium Enterprises Development Fund (MSMEDF) Guidelines	220bn	2016
Micro, Small and Medium Enterprises Development Fund (MSMEDF) Guidelines	10bn	2018
Micro, Small and Medium Enterprises Development Fund (MSMEDF) Guidelines	250bn	2020
Micro, Small and Medium Enterprises Development Fund (MSMEDF) Guidelines	75bn	2020
Micro, Small and Medium Enterprises Development Fund (MSMEDF) Guidelines	50bn	2020
Micro, Small and Medium Enterprises Development Fund (MSMEDF) Guidelines	1trn	2020

Source: CBN





07 Ease of Doing Business





Nigeria has made it simpler to launch a business by reducing the time required for company registration by creating a “One-Stop Shop” for business registration the Corporate Affairs Commission (CAC), introducing an online platform for tax registration and payments and adopting new insolvency regulations.

In the Ease of Doing Business ranking for 2020, Nigeria came in at 131 out of 190 economies. However, in order to enhance its business climate and modernize its administrative processes, the nation set out on an ambitious reform program through the creation of the Presidential Enabling Business Environment Council (PEBEC) in 2016.¹⁹ These initiatives led to substantial advancements in Nigeria in the years that followed. In 2020, the Ease of Doing Business in Nigeria increased from a 47.33 score in 2015 to a 56.9 score in 2020 growing by 20.22% in 6 years.²⁰

Nigeria has made it simpler to launch a business by reducing the time required for company registration by creating a “One-Stop Shop” for business registration the Corporate Affairs Commission (CAC), introducing an online platform for tax registration and payments and adopting new insolvency regulations.²¹ This change was adopted

first by Lagos and Kano. By eliminating the need for on-site inspections for business premises registration, Nigeria has also made it simpler to start a firm.

Nigeria has made progress in improving its ease of doing business in recent years. According to the World Bank’s 2020 report,²² Nigeria has shown improvements in indicators such as starting a business, getting construction permits, getting electricity, registering property, trading across borders and enforcing contracts. More still needs to be done in these areas to ease the environment for business owners as well as in indicators such as getting credits, protecting minority investors, paying taxes and resolving insolvency where a lot of efforts need to be made for improvement.

19. See the Presidential Enabling Business Environment Council. Councils and Committees. Available at: <https://statehouse.gov.ng/policy/councils-committees/presidential-enabling-business-environment-council/>.

20. See generally, World Bank Group. (2020). Doing Business 2020. Comparing Business Regulation in 190 Economies. International Bank for Reconstruction and Development /The World Bank 1818 H Street NW, Washington, DC 20433. Available at: <https://archive.doingbusiness.org/en/reports/global-reports/doing-business-reports>

21. See the Corporate Affairs Commission of Nigeria (Website). Federal Republic of Nigeria. Available at: <https://pre.cac.gov.ng/home>.

22. See generally, the World Bank Group. Doing Business 2020. (2019, December). Africa Research Bulletin: Economic, Financial and Technical Series 56 (10). Available at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/75ea67f9-4bcb-5766-ada6-6963a992d64c/content>

Table 25: 6 Years Overview of Nigeria's Performance on Ease of Doing Business²³

Year	Rank	Score	% Growth
2015	170	47.33	
2016	169	44.69	-5.58%
2017	169	44.63	-0.13%
2018	145	52.03	16.58%
2019	146	52.89	1.65%
2020	131	56.9	7.58%

Source: The World Bank; Doing Business Archive.

Nigeria still faces several challenges in attracting foreign investment and promoting entrepreneurship. Corruption, inconsistent government policies, and inadequate infrastructure are among the key factors that continue to hinder business growth in the country. The problems of insecurity, multiple taxations, electricity, and investment monopolies have crippled some businesses, hence making it difficult to render services or create products. In order to reduce business angst and boost the environment for business owners, significant interferences must be addressed.

While Nigeria has made progress in improving its ease of doing business,

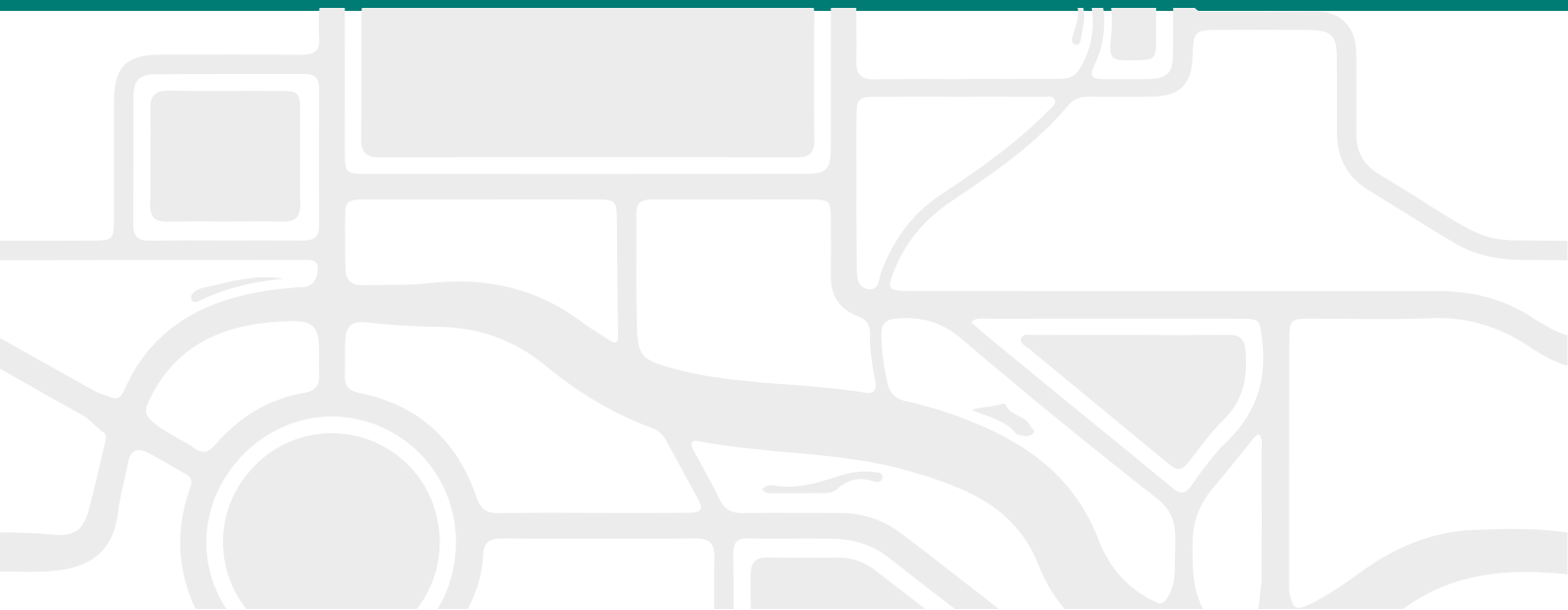
there is still a long way to go before it can be considered a truly business-friendly environment. Ongoing reforms and efforts to address these challenges will be essential for Nigeria to attract investment, promote entrepreneurship, and drive economic growth in the years to come. Bola Tinubu's proposals to support SMEs, encourage foreign investment, and improve infrastructure could help to create a more business-friendly environment in Nigeria. However, it remains to be seen how these proposals would be implemented in practice, and whether they would be effective in promoting Nigeria's business environment.

23. See generally, World Bank Group. Doing Business reports. (n.d.). World Bank. Available at: <https://archive.doingbusiness.org/en/reports/global-reports/doing-business-reports>.



08

Security: Context and Spending





While the Boko Haram offensive has greatly reduced in intensity over the years, other theatres have come to take centre stage. From kidnappings to Farmer/Herdsmen clashes and from Oil theft to Banditry the country has seen endless victims die.

Nigeria has engaged with security challenges on multiple fronts for over a decade. While the Boko Haram offensive has greatly reduced in intensity over the years, other theatres have come to take centre stage. From kidnappings to Farmer/Herdsmen clashes and from Oil theft to Banditry the country has seen endless victims die. In fact, from when ex-President Buhari assumed power till his penultimate year in office, nearly 56,000 Nigerians lost their lives.²⁴ Dataphyte (citing SBM Intelligence) reported that in Q1 of 2023 alone, over 2,000 persons lost their lives.²⁵ Not only is this new government inheriting these

challenges (and the mandate to solve them) but they are also inheriting the largest security budget that Nigeria has seen in 10 years, as shown in the table below. While it can be conceded that the enormity and direness of the situation requires spending on personnel, infrastructure and equipment; this spending must translate to a safer and more secure environment for all Nigerian citizens.

24. See "7yrs under Buhari, a retired general, Nigeria's security crumbles", by Caleb Ojewale, on May 30th, 2022, in Business Day (Online). Available at: <https://businessday.ng/features/article/7yrs-under-buhari-a-retired-general-nigerias-security-crumbles/>.

25. See "How many Nigerians need to die under Buhari?", by Dennis Amata, on May 15th, 2023, in Dataphyte (Online). Available at: <https://www.dataphyte.com/latest-reports/how-many-nigerians-need-to-die-under-buhari/>.

Table 26: Timeline of Nigeria’s Disaggregated Security Budget

9-Year Security Budget Trend

Unit (NGN)

Year	Defense	Ministry of Interior	Police	Office of the National Security Adviser	Service Wide Votes	Total
2015	375.50 bn	156.22 bn	327.57 bn	88.73 bn	40.22 bn	988.23 bn
2016	443.08 bn	202.04 bn	312.56 bn	88.88 bn	38.55 bn	1.09 tn
2017	469.84 bn	218.82 bn	319.01 bn	123.49 bn	44.48 bn	1.18 tn
2018	576.40 bn	248.17 bn	335.40 bn	122.68 bn	78.00 bn	1.36 tn
2019	589.96 bn	248.57 bn	371.09 bn	120.71 bn	80.00 bn	1.41 tn
2020	899.91 bn	245.87 bn	410.49 bn	141.49 bn	80.00 bn	1.78 tn
2021	964.05 bn	265.86 bn	455.13 bn	179.72 bn	105.00 bn	1.97 tn
2022	1.19 tn	297.13 bn	783.86 bn	212.76 bn	220.39 bn	2.71 tn
2023	1.25 tn	304.40 bn	813.91 bn	195.02 bn	212.40 bn	2.77 tn

Source: Federal Government Budgets, 2015 to 2023



09

Investment Potential Matrix

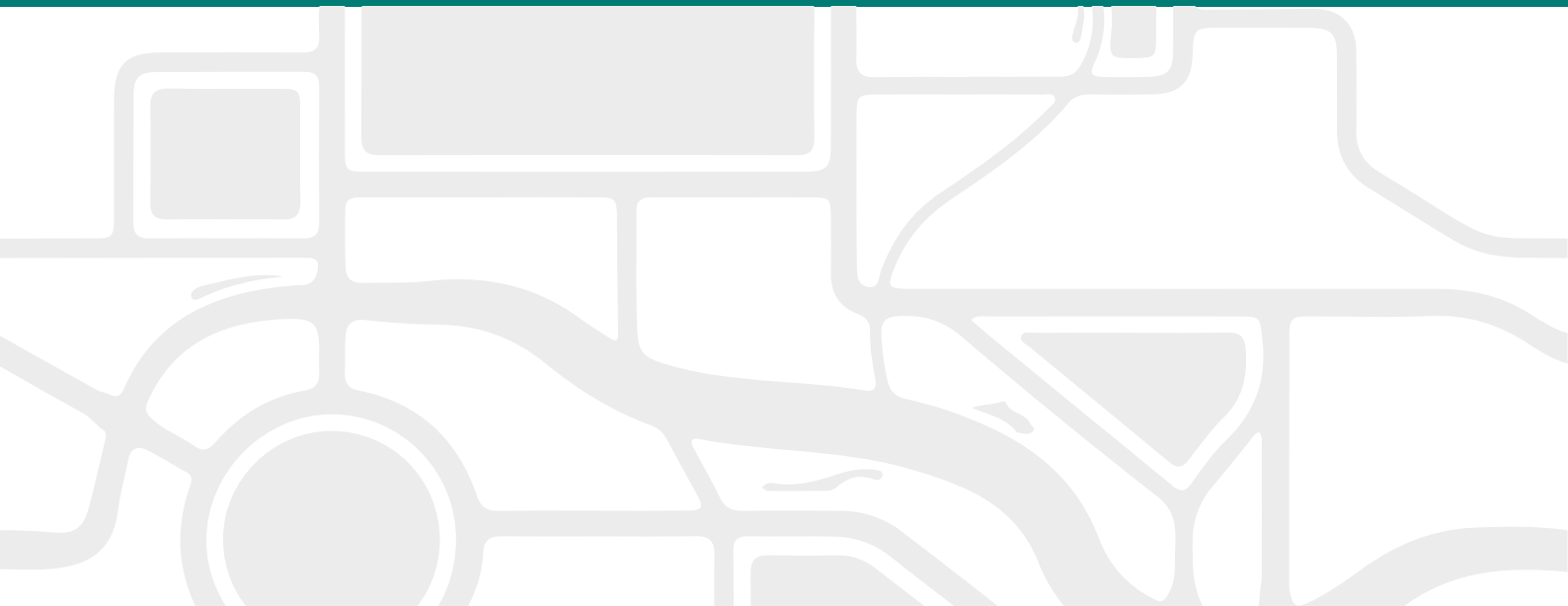


Table 27: Nigeria's Investment Potential

Investment Opportunities	Locations
Real Estate	Abuja, Lagos, Port Harcourt,
Treasury Bills	All States
Agriculture	Kano, Niger, Benue, Kogi, Ondo
Oil and Gas	Rivers, Akwa Ibom, Delta, Bayelsa
Manufacturing	Kaduna, Lagos, Kano, Anambra
Mining and Solid Minerals	Kogi, Zamfara, Osun, Plateau

Source: *BudgIT 2021 State of States*

Economic growth is enhanced by the activities of businesses and their capacity to combine the elements of production to provide goods and services and make a profit.²⁶ This also means that to exploit the potential of domestic trade and the international market, businesses must operate efficiently and effectively. Depending on the sector Nigerian firms are interested in, the 36 states of the country provide access to varied and numerous raw materials, trade corridors and labour, among others. Having written extensively about the commercial and market opportunities of the individual states, we aim to highlight some of the top investment windows in the country and their locations. This is in order to emphasise that Nigeria has been and still is 'open for business'. Recent comments by government officials show that the Federal government has made some

significant steps in providing critical network infrastructure to link the country.²⁷ Such road infrastructure aids the linking regions productive in crop production in the north, to the southern parts of the country. While the Federal government has the constitutional mandate to provide certain forms of infrastructure (like Trunk 'A' roads and tertiary health facilities), there is no regulation preventing states from entering into intra-state agreements/arrangements for the free flow of raw materials, goods and services. As such, states are encouraged to pursue initiatives that exploit their potential for improved trade. However, this must be seen against the backdrop of the previous section of this report, which provided evidence on the level of 'Ease of Doing Business' of the various states in the country.

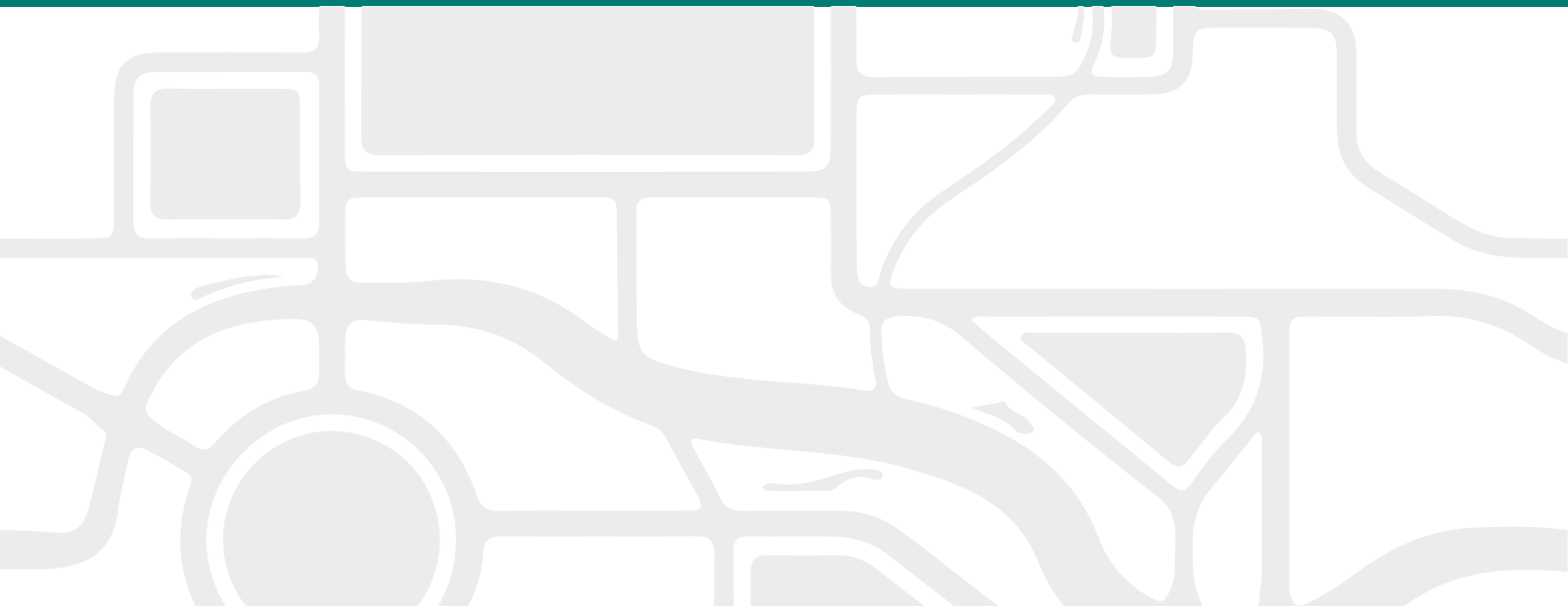
26. See "What is Economic Growth?" by Kimberley Amadeo, on July 31, 2022, Economic Terms. In the Balance (Online) Blog. Available at: <https://www.thebalancemoney.com/what-is-economic-growth-3306014>.

27. See Ogunlesi, T [@toluogunlesi]. (2023, March 10). "UPDATE: Loko-Oweto Bridge and ~75km Loko-Nasarawa Road now COMPLETED. A new road connection across River Benue". [Tweet: <https://twitter.com/toluogunlesi/status/1634249408966434830>]. Twitter.



10

Federal Government Infrastructure Profile



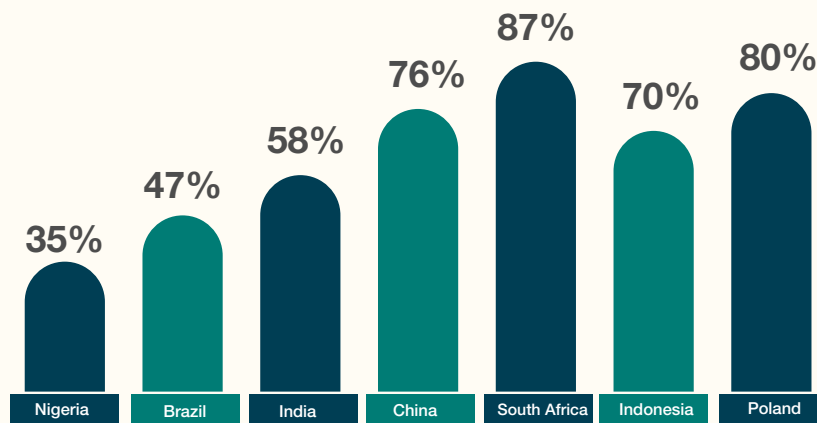


Nigeria's reviewed Infrastructure Master plan (2020) projected an annual investment of \$100 billion dollars till 2043 to close the country's infrastructure deficit which was last estimated at \$2.3 trillion dollars.

Infrastructure deficit is one of Nigeria's major challenges. Ranging from transport, to power, healthcare and IT infrastructure, it is evident that the country requires significant investment to close the infrastructure gap. At present, Nigeria's infrastructure stock

is estimated at 35% of GDP, clearly below the recommended benchmark of 70%. As the largest economy in Africa, this is both dismal and unacceptable compared to South Africa's 87%.²⁸

Figure 6: Comparison of Infrastructure stock in select countries (% of GDP)



Source: National Integrated Infrastructure Master Plan, 2020. Federal Ministry of Finance, Budget and National Planning

28. See "Reviewed National Integrated Infrastructure Master Plan". Federal Ministry of Budget and National Planning, 2020. Available at <https://nationalplanning.gov.ng/wp-content/uploads/2022/10/REVIEWED-NIIMP.pdf>

Nigeria's reviewed Infrastructure Master plan (2020) projected an annual investment of \$100 billion dollars till 2043 to close the country's infrastructure deficit which was last estimated at \$2.3 trillion dollars. The majority of investments are to be concentrated within the transport and energy sectors, both of which would attract more than 50% of the required total infrastructure investment over the next two decades (NIIMP, 2020).

Existing efforts to tackle infrastructure needs include the establishment of the Nigeria Infrastructure Fund and the Presidential Infrastructure Development Fund both managed by the Nigeria Sovereign Investment Authority (NSIA). The Infrastructure Corporation of Nigeria (InfraCorp) established in 2021 with oversight from the CBN, Africa Finance Corporation and NSIA is also mandated with improving infrastructure in the country. Additional funding includes project-tied loans from multilateral donors/development banks. Major infrastructure projects in the country are highlighted below:

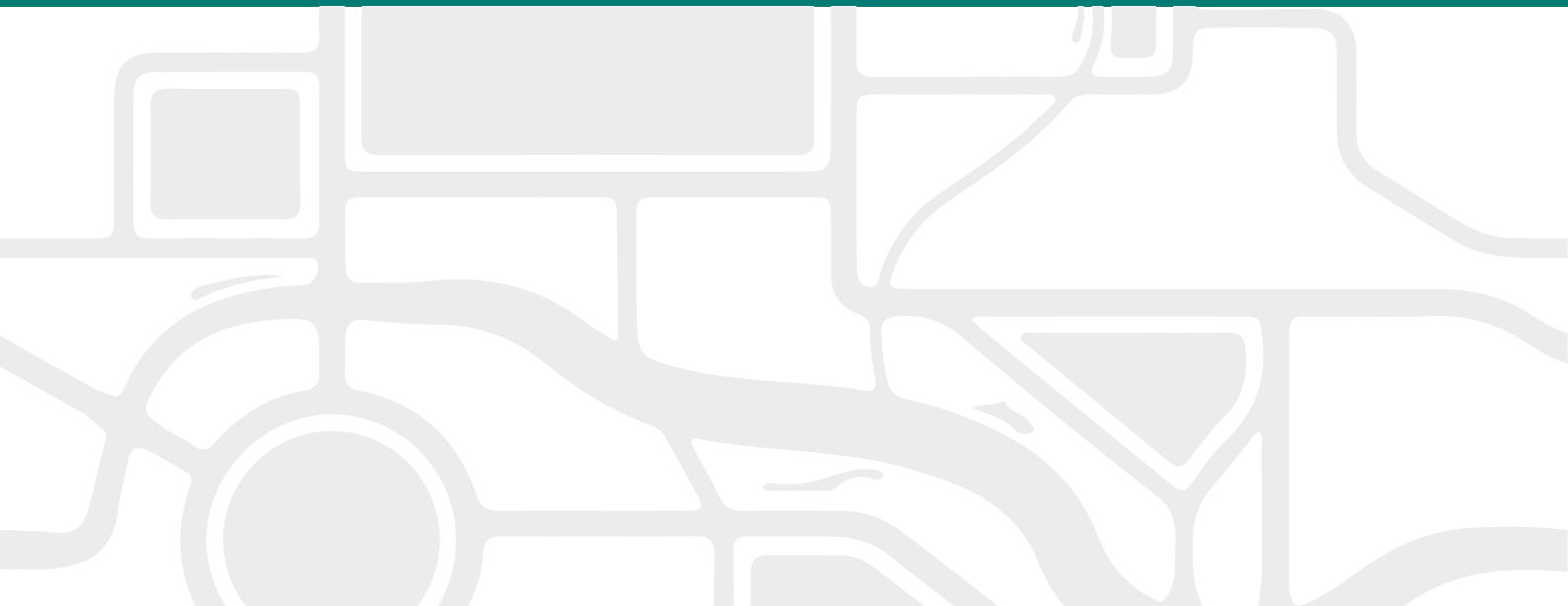
- The 156km Lagos-Ibadan Standard Gauge Railway with an extension to Lagos Port, funded by the Export-Import Bank of China and now nearing completion.
- The 614km Ajaokuta-Kaduna-Kano (AKK) Gas Pipeline, co-funded by China and the Nigerian National Petroleum Corporation
- The just commissioned Lekki Deep Sea Port, Lagos, co-owned by the China Harbour Engineering Company, Tolaram Group, the Lagos State Government and the Nigerian Ports Authority.
- The 35km Apapa-Oshodi-Oworonshoki Expressway to link the port to the Lagos-Ibadan expressway, being driven by the Dangote Group.
- The construction of four new international airport terminals in Lagos, Abuja, Port Harcourt and Kano.

Other projects in view include the construction of a \$2 billion dollar railway line connecting northern Nigeria to neighbouring Niger, the rehabilitation of a 1,400km line linking Port Harcourt with Maiduguri in the far northeast valued at \$3 billion dollars and the rehabilitation and expansion of power grid by German multinational Siemens under the Presidential Power Initiative, targeting 25,000MW of electricity by 2025, up from the current installed capacity of around 12,500MW.²⁹

29. See "Nigeria invests billions in new infrastructure drive". By Dianna Games, on April 5th, 2021. In African Business (online). Available at <https://african.business/2021/04/technology-information/nigeria-invests-billions-in-new-infrastructure-drive>



11 Sectoral Profiles





Agriculture

A better functioning agricultural sector that promotes the expansion of productive agribusiness, is critical to driving economic growth and stability in the country. The latter is in addition to enhanced food security and higher earnings for rural people.

Agriculture accounts for 25.6%³⁰ of Nigeria's GDP and 35%³¹ (2019) of employment in 2022. With an average annual growth rate of 0.47%³² In the last 5 years (2018-2022), the industry has been a key driver of job growth. However, there is still tremendous potential in the industry that can be realised. A better functioning agricultural sector that promotes the expansion of productive agribusiness, is critical to driving economic growth and stability in the country. The latter is in addition to enhanced food security and higher earnings for rural people. An improved agric sector would aid in the formation of small and medium-sized businesses, while also producing a diverse range of food and cash crops. The Nigeria Agenda 2050 (NA, 2050), which was developed against the backdrop of ongoing economic and social challenges and the need to address them within the framework of long- and medium-term development plans, addressed the agricultural sector's need to grow faster than the population growth rate of 2.6% in order to meet the population's and industries' food and fibre needs. This

expansion is required to feed the country's estimated 350 million inhabitants by 2050.³³ And as such the government would have to take deliberate steps in creating investment opportunities in the sector. The Agricultural sector is already open to private investment, and prospects for investment exist across the many value chains, such as: Rice, maize, millet, cassava, sugar cane, and tomato. The value chain extends to cash crops such as cocoa, palm kernel, and rubber (mechanised agriculture production), food processing and preservation throughout the sector's value chains, and processing and packing of beef, Fruit juice/canned fruits, etc. The federal government can encourage private sector engagement through investment incentives, such as tax breaks, exemptions, and reliefs, among other things,³⁴ which would be based on specific government policies, company performance, and appropriate international investment treaties.

30. See the National Bureau of Statistics. (2023). Nigerian Gross Domestic Product Report (Q4 & Full Year 2022). Federal Government of Nigeria. Available at: <https://nigerianstat.gov.ng/download/1241288>.

31. See the World Bank. Employment in agriculture (% of total employment) (modelled ILO estimate). Available at: <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS>.

32. See the National Bureau of Statistics. Nigerian Gross Domestic Product Report (Q4 & Full Year 2022), op.cit.

33. See the Ministry of Finance, Budget and National Planning. (May, 2023). Nigeria Agenda 2050. Journal on 38. Available at: <https://nationalplanning.gov.ng/wp-content/uploads/2023/05/Nigeria-Agenda-2050-Report-Corrected.pdf>.

34. See "FG approves five-year tax break for agric investors", by Friday Olofor, on October, 27th, 2022, in the Punch (Online) Newspapers. Available at: <https://punchng.com/fg-approves-five-year-tax-break-for-agric-investors/>.



Telecoms and Information and Communications Technology



The country is underperforming in terms of broadband internet connection expansion, with just about 36% of its citizens having access to the internet.

There was a total of 195.23 million telecommunication connections in Nigeria in 2021, with 195.13 million mobile phones, which corresponds to an average of 0.91 per person.³⁵ The country is underperforming in terms of broadband internet connection expansion, with just about 36% of its citizens having access to the internet.³⁶ In 2022, Nigeria's telecom services industry was estimated to be worth \$9.1 billion dollars. The market is anticipated to expand at a Compound Annual Growth Rate (CAGR) of 4.6% from 2022 to 2027.³⁷

With an estimated population of 200 million people and the pattern of actions outlined in the manifesto of the President, the future of the telecommunications industry is primed for tremendous growth in the years to come. By enacting laws and

introducing regulations that would educate and empower young people, the administration can explore potential benefits to GDP from outsourcing in various markets and economic sectors, made possible by ICT.

As of September 2022, Nigeria had the third-highest concentration of developers in Africa, with 89,000 developers dispersed among 481 tech companies operating both inside and outside the country. It is important to work with these companies to advance Nigerian telecommunications by collaborating with high-tech firms and investing in policy-driven initiatives.³⁸

35. See World Data. Development of Telephone and Internet Connections. Available at: <https://www.worlddata.info/africa/nigeria/telecommunication.php>.

36. See World Data. Development of Telephone and Internet Connections, op.cit.

37. See Global Data. Nigeria Telecom Services Market Size and Analysis by Service Revenue, Penetration, Subscription, ARPU's (Mobile, Fixed and Pay-TV by Segments and Technology), Competitive Landscape and Forecast, 2022-2027. Available at: <https://www.globaldata.com/store/report/nigeria-telecom-operators-market-analysis/>.

38. See "Demand for Software Developers Continue to Spur Nigeria's Tech Ecosystem" by Daniel Ayuba, on Dec. 13, 2022, in Mustard Insights (Online) blog. Available at: <https://blog.mustardinsights.com/data-that-affects-you/demand-for-software-developers-continue-to-spur-nigerias-tech-ecosystem-fjJEf>.



Banking and Finance

Bank credit to the private sector as a percentage of GDP was 11.23% (2020); bank assets as a percentage of GDP was 16.40% (2021); bank credit to the government and public enterprises as a percentage of GDP was 4.24% (2020), and financial system deposits were 21.83% in 2021.

The Central Bank of Nigeria oversees the regulation of the Nigerian banking system. The banking industry in Nigeria is essential for its increasing provision of financial services, products, and access. Every sector of the economy depends on the banking system as a lifeline, which acts as a growth catalyst. Every sector of the economy, whether it be the agricultural, manufacturing, mining, or service industries, can only thrive or prosper with the assistance and services of the banking sector. In addition to promoting spending, commercial banks also encourage saving, and the latter is made possible by their establishment, particularly in rural areas, which hastens economic growth.

The sector is also a contributor to the country's GDP. In Q1 2023, the Finance and Insurance Sector contributed 4.11% to the nominal GDP. Bank credit to the private sector as a percentage of GDP was 11.23%

(2020);³⁹ bank assets as a percentage of GDP was 16.40% (2021);⁴⁰ bank credit to the government and public enterprises as a percentage of GDP was 4.24% (2020)⁴¹, and financial system deposits were 21.83% in 2021.⁴² In the first two months of 2023, banks' credits to the government increased by N3.77tn. According to data obtained from the Central Bank of Nigeria, the total government credit increased from N24.66tn at the end of December 2022 to N28.43tn at the end of February 2023.⁴³

The new administration has inherited the monetary policy rate (MPR) of 18.5%,⁴⁴ an inflation rate of 22.22%,⁴⁵ and the exchange rate of N461.28.⁴⁶ Having made concrete efforts at unifying the exchange rate, the new administration must create a monetary policy regime that will promote growth while keeping inflation within acceptable bounds.

39. See the Global Economy. Nigeria: Bank credit to the private sector. Global Economy (Online). Available at: https://www.theglobaleconomy.com/Nigeria/Bank_credit_to_the_private_sector/#:~:text=Bank%20credit%20to%20the%20private%20sector%20as%20percent%20of%20GDP&text=The%20latest%20value%20from%202020,to%20compare%20trends%20over%20time

40. See the Global Economy. Nigeria: Bank assets to GDP. Global Economy (Online). Available at: https://www.theglobaleconomy.com/Nigeria/bank_assets_GDP/#:~:text=Bank%20assets%2C%20percent%20of%20GDP&text=The%20latest%20value%20from%202021,to%20compare%20trends%20over%20time

41. See the Global Economy. Nigeria: Bank credit to government. Global Economy (Online). Available at: https://www.theglobaleconomy.com/Nigeria/bank_credit_to_government/

42. See the Global Economy. Financial system deposits, percent of GDP - Country rankings. Global Economy (Online). Available at: https://www.theglobaleconomy.com/rankings/financial_system_deposits_GDP/

43. See the Central Bank of Nigeria. Money And Credit Statistics (Million Naira). Federal Republic of Nigeria. Available at: <https://www.cbn.gov.ng/rates/mnycrredit.asp?year=2023>

44. See "BREAKING: CBN increases interest rate to 18.5% for the third time in 2023", by Temitope Hassan, on May 24th, 2023, in Intelregion (Online). Available at: <https://www.intelregion.com/news/breaking-cbn-increases-interest-rate-to-18-5-for-the-third-time-in-2023/>

45. <https://nigerianstat.gov.ng/elibrary/read/1241321>

46. See the Central Bank of Nigeria (Website). Exchange Rates Monthly Moving Average. Federal Republic of Nigeria. Available at: <https://www.cbn.gov.ng/rates/exchrtebycurrency.asp>



Oil and Gas



In the medium to long term, with the Nigerian National Petroleum Corporation Limited (NNPCL) setting an example and keeping with the ongoing reforms in the sector, more oil and gas companies especially in the upstream and midstream segments can be encouraged to list their equity on the Nigerian Stock Exchange.

Nigeria is the largest oil and gas producer in Africa and a major exporter of crude oil and petroleum products.⁴⁷ Nigeria's economy and budget have been largely supported by income and revenues generated from the petroleum industry since 1960. Statistics as of Q1 2023 show that the Nigerian oil sector contributed about 6.21% of the entire GDP of the nation.⁴⁸ In addition, oil accounts for 54% of revenue⁴⁹ and 76% of exports.⁵⁰

The need for broad reforms in the petroleum sector, ease of doing business, and encouragement of local content in the industry birthed the Petroleum Industry Bill, which was signed into law in 2021 after nearly 20 years of advocacy.⁵¹ The new law allows the government to pursue incremental reforms in the oil sector and reduce the mismanagement of revenues. These include implementing an impartial and open system of drilling rights auctions⁵² to encourage investments in the upstream segment of the industry. Similarly, the recent deregulation of the downstream sector in line with provisions of the Petroleum

Industry Act (PIA) 2021 opens the segment to investment, ranging from refineries like the just commissioned Dangote 650,000bpd refinery to oil pipelines and other methods of product transportation systems. Already the BUA group anticipates the competition of a 200,000bpd refinery in Akwa Ibom State by 2025.⁵³

With increased investment in refineries by the private sector, Nigeria's dependence on imported refined petroleum would gradually reduce.⁵⁴ This would also help to taper off the short-term effects of the removal of the petrol subsidy. In the medium to long term, with the Nigerian National Petroleum Corporation Limited (NNPCL) setting an example and keeping with the ongoing reforms in the sector, more oil and gas companies especially in the upstream and midstream segments can be encouraged to list their equity on the Nigerian Stock Exchange. In addition to the pooling of funds for growth, this would foster the inclusion of Nigerians in the benefits of oil and gas production.⁵⁵

47. See "Nigeria retains Africa's top oil producer spot", by Chinedu Ndigwe, on January 18th, 2023, in Business Day (Online) Newspapers. Available at: <https://businessday.ng/news/article/nigeria-retains-africas-top-oil-producer-spot/>

48. See generally, the National Bureau of Statistics. (2023). Nigerian Gross Domestic Product Report, Q1, 2023. Federal Republic of Nigeria. Available at: <https://nigerianstat.gov.ng/eilibrary?query=GDP>.

49. See "2021 statistical bulletin- public finance". Central Bank of Nigeria.

50. See "Economic contribution of extractive industries". EITI/Nigeria. Available at <https://eiti.org/countries/nigeria>

51. See "Buhari signs Petroleum Industry Bill into law", by the Cable Reporters, on August 16th, 2021, in the Cable (Online) Newspapers. Available at: <https://www.thecable.ng/breaking-buhari-signs-petroleum-industry-bill-into-law>

52. See "Funding, dealbreaker for Nigeria's oil block sale" by Oladehinde Oladipo, on November 1st, 2022, in Business Day (Online) Newspapers. Available at: <https://businessday.ng/uncategorized/article/funding-dealbreaker-for-nigerias-oil-block-sale/>

53. See "BUA to complete 200,000bpd refinery before 2025" by Femi Adekoya, on April 15, 2021, in The Guardian (Online). Available at <https://guardian.ng/business-services/bua-to-complete-200000bpd-refinery-before-2025/>

54. See "Buhari commissions Dangote refinery amid high expectations", by Mary Izuka, on May 22nd, 2023, in Premium Times (Online) Newspapers. Available at: <https://www.premiumtimesng.com/business/business-news/599798-buhari-commissions-dangote-refinery-amid-high-expectations.html>

55. See the Nigerian Content Development & Monitoring Board. "NCDMB Seeks Listing Of Oil Coys On Stock Exchange" (Press Release). Federal Republic of Nigeria. Available at: <https://ncdmb.gov.ng/ncdmb-seeks-listing-of-oil-coys-on-stock-exchange/>. Date accessed-24/05/2023.



Solid Minerals

Nigeria has large deposits of iron ore, but currently imports most of the steel it consumes. With the right investments in place, Nigeria can become a major steel producer, creating jobs and generating revenue for the country.

Nigeria is blessed with a variety of solid minerals that have the potential to contribute significantly to the country's revenue base. These minerals include gold, lead, zinc, tin, iron ore, limestone, niobium, and tantalum, among others. The solid mineral sector in Nigeria has been largely underdeveloped due to a lack of investment, inadequate infrastructure, and policy inconsistency. However, recent efforts by the government to diversify the economy and reduce dependence on oil have led to renewed interest in the sector. One of the major investment opportunities in the solid mineral sector of Nigeria is in the exploration and mining of gold. Nigeria is believed to have significant gold reserves, but most of it remain unexplored.⁵⁶ Nigeria's gold deposits estimated at 21.46 metric tons in 2022,⁵⁷ account for around 5% of global gold reserves.

With the global demand for gold on the rise, there is a huge potential for investors to tap into this market and generate significant revenue for the country. Another area of opportunity is in the mining and processing of industrial minerals such as limestone,

gypsum, and kaolin. These minerals are used in the production of cement, ceramics, and other building materials, and there is a growing demand for them in Nigeria and the wider West African region.

Investors can also explore opportunities in the production of iron ore and steel. Nigeria has large deposits of iron ore, but currently imports most of the steel it consumes. With the right investments in place, Nigeria can become a major steel producer, creating jobs and generating revenue for the country. In addition to mining, there are also opportunities in downstream activities such as mineral processing, refining, and value addition. This will not only create jobs but also increase the value of the minerals produced, leading to higher revenues for the country.

Investments in the solid mineral sector can have a significant impact on Nigeria's revenue base. Currently, the sector contributes less than 1%⁵⁸ to the country's GDP, but with the right investments and policies in place, this can increase significantly. The

56. See generally, Wigmore Trading Nigeria. (2022). An Analysis of Nigeria's Gold Reserves in 2022 and Its Impact on the Economy. Available at: <https://wigmoretrading.com/an-analysis-of-nigerias-gold-reserves-in-2022-and-its-impact-on-the-economy/#:~:text=With%20an%20estimated%20gold%20reserves,of%20the%20global%20gold%20reserves.>

57. See Wigmore Trading Nigeria. An Analysis of Nigeria's Gold Reserves in 2022 and Its Impact on the Economy, op.cit.

58. See "Despite solid mineral abundance, Nigeria makes only N496 billion in 13 years", by Ayodeji Adegboyega, on June 22nd, 2021, in Premium Times (Online) Newspapers. Available at: <https://www.premiumtimesng.com/news/headlines/469165-despite-solid-mineral-abundance-nigeria-makes-only-n496-billion-in-13-years.html?tztc=1>

government has already taken steps to encourage investment in the sector. These include updating the Minerals and Mining Laws⁵⁹ the establishment of the Mining Cadastre Office (MCO) for mineral titles and cadastral register management, the establishment of the Nigerian Solid Minerals Development Fund (NSMDF) and the provision of tax incentives to investors.⁶⁰ Notwithstanding, challenges with accessing funds under the SMDF should also be resolved promptly. Additional steps should be taken to address concerns over the activities of illegal miners. Also, tackling insecurity which significantly increases the risk to investors cannot be ignored and must take priority if the government is serious about

developing the solid minerals sector. Furthermore, the inadequacy of data on mineral deposits and their occurrence needs to be addressed urgently. These include details of geological spread and deposits as well as relevant seismic information which can encourage mineral exploration. The government needs to invest in the creation of detailed geological data as a strategy to encourage more investment in the mining sector. The solid mineral sector can become a major contributor to Nigeria's GDP, reducing the country's dependence on oil and creating jobs for its citizens.



59. See "Nigeria: Ministry presents new mining regulations", by Abdulkadir Badsha Mukhtar, on May 30th, 2011, in Daily Trust (Online). Available at <https://allafrica.com/stories/201105301574.html>

60. See Industrial Renaissance. (May 2023). Solid Minerals and Mining Incentives in Nigeria. Article. Available at: [https://indusren.com/incentives-and-guarantees/solid-minerals-and-mining-incentives-in-nigeria/#:~:text=A%20tax%20credit%20of%2020,raw%20material%20sourcing%20and%20utilization.&text=This%20is%20applicable%20to%20industrial,of%20five%20\(5\)%20years.](https://indusren.com/incentives-and-guarantees/solid-minerals-and-mining-incentives-in-nigeria/#:~:text=A%20tax%20credit%20of%2020,raw%20material%20sourcing%20and%20utilization.&text=This%20is%20applicable%20to%20industrial,of%20five%20(5)%20years.)



Manufacturing

Nigeria is the largest economy in Africa, with a relatively large population, and a rapidly growing middle class. The country's strategic location in West Africa provides easy access to regional markets, making it an attractive destination for investment in the manufacturing sector.

The Nigerian manufacturing sector has significant investment potential, especially when viewed through the lens of the Nigerian Sustainable Development Goals (SDGs). The SDGs which are a set of 17 global goals are aimed to end poverty, protect the planet, and ensure prosperity for all.⁶¹

In Nigeria, the manufacturing sector is critical to achieving several of these SDGs. For example, the sector can contribute to SDG 1 (No Poverty) by creating jobs and raising incomes for low-income earners. It can also contribute to SDG 2 (Zero Hunger) by producing food and agricultural products for local consumption. Moreover, the manufacturing sector has the potential to contribute significantly to SDG 9 (Industry, Innovation and Infrastructure) by providing the necessary infrastructure and technology for industrial growth and development. This goal is particularly crucial in Nigeria, where the manufacturing sector is still largely underdeveloped compared to other countries. Investing in the Nigerian manufacturing sector can also support SDG 7 (Affordable and Clean Energy)

by promoting the use of renewable energy sources in manufacturing processes. This will reduce the sector's reliance on fossil fuels and contribute to a cleaner environment. In addition, the sector can contribute to SDG 8 (Decent Work and Economic Growth) by creating more job opportunities and increasing economic growth. The manufacturing sector is a key employer in Nigeria, and an increase in investment can lead to more job opportunities and economic growth.

Furthermore, investing in the Nigerian manufacturing sector can also support SDG 12 (Responsible Consumption and Production) by promoting sustainable production practices, reducing waste, and ensuring the efficient use of resources. This sector presents significant investment potential for both local and foreign investors. Nigeria is the largest economy in Africa, with a relatively large population,⁶² and a rapidly growing middle class. The country's strategic location in West Africa provides easy access to regional markets, making it an attractive

61. See generally, the United Nations Development Programme. (2015). United Nations Development Programme (UNDP). Available at: [https://www.google.com/search?q=United+Nations+Development+Programme+\(UNDP\).+\(2015\).+Sustainable+Development+Goals&aq=chrome..69157.1063j0j7&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=United+Nations+Development+Programme+(UNDP).+(2015).+Sustainable+Development+Goals&aq=chrome..69157.1063j0j7&sourceid=chrome&ie=UTF-8).
62. See Africanews. (February, 2022). Top 5 economies in Sub-Saharan Africa to watch out for in 2023, according to IMF. Available at: <https://www.africanews.com/2023/02/02/top-5-economies-in-sub-saharan-africa-to-watch-out-for-in-2023-according-to-imf/#:~:text=Nigeria%20%2D%20As%20the%20largest%20economy,sub%2DSaharan%20Africa's%20economic%20rankings>.

destination for investment in the manufacturing sector. One key investment potential in the Nigerian manufacturing sector is the availability of abundant natural resources. Nigeria has a wide range of natural resources, including oil and gas, solid minerals, and agricultural products. These resources provide raw materials for manufacturing, making the sector a viable investment option. The availability of a large pool of skilled and semi-skilled workforce is another potential. Nigeria has a young and growing population, with a high number of graduates from tertiary

institutions. This provides an ample supply of skilled labour for the manufacturing sector.

Overall, the Nigerian manufacturing sector has significant investment potential that can contribute to the achievement of several of the country's Sustainable Development Goals. Investment in this sector can lead to job creation, economic growth, and sustainable industrialization.⁶³



63. See generally, the United Nations Development Programme. (2015). United Nations Development Programme (UNDP). Available at: [https://www.google.com/search?q=United+Nations+Development+Programme+\(UNDP\).+\(2015\).+Sustainable+Development+Goals&oq=United+Nations+Development+Programme+\(UNDP\).+\(2015\).+Sustainable+Development+Goals&aqs=chrome..69i57.1063j0j7&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=United+Nations+Development+Programme+(UNDP).+(2015).+Sustainable+Development+Goals&oq=United+Nations+Development+Programme+(UNDP).+(2015).+Sustainable+Development+Goals&aqs=chrome..69i57.1063j0j7&sourceid=chrome&ie=UTF-8).



Micro, Small and Medium Enterprises

Small and Medium scale enterprises (SMEs) in Nigeria have contributed around 48% of GDP on average during the previous five years. In terms of number of firms, they account for over 50% of industrial jobs and roughly 90% of operations in the manufacturing sector.

Nigeria's MSMEs account for 96% of the total number of businesses in the country and contribute approximately 50% to the national GDP.⁶⁴ Small and Medium scale enterprises (SMEs) in Nigeria have contributed around 48% of GDP on average during the previous five years. In terms of number of firms, they account for over 50% of industrial jobs and roughly 90% of operations in the manufacturing sector.⁶⁵

The President has promised to create low-cost, business-support investment opportunities for business creators and owners.⁶⁶ In Nigeria, about 22% of MSMEs (at around 9 million enterprises) face financing challenges. It is recommended that the various

development and investment banks-if they must provide credit-do so within reasonable bounds. This is because, if credit is extended by the government (as opposed to coming via the capital market or private lenders) to businesses, it can create unintended consequences where inefficient businesses continue to survive. This is opposed to a pure market condition where inefficient firms are taken over and managed more effectively and efficiently by stronger firms. This does not mean that the government should not provide support but it should do so in a comprehensive, sequential and growth-enhancing manner.

64. See the PriceWaterhouseCoopers. (June 2020). MSME Survey Report: Building to Last, at p.4. Published by PriceWaterhouseCoopers. Available at PwC's MSME Survey 2020.

65. See the PriceWaterhouseCoopers. MSME Survey Report: Building to Last, op.cit.

66. See the All Progressive Congress. Renewed Hope 2023, Action Plan for a Better Nigeria, op.cit., at p. 64.



Education

The percentage allocated to education in the budget in 2022 was 5.4%: a reduction of 50% from the percentage it was in 2015 (10.8%). This demonstrates that more must be done for the educational sector in terms of funding allocation and educational investment.

The Nigerian education industry is a complex and diverse industry that serves a large and growing population. 68% of the youth in Nigeria in 2020 had received secondary education, around 15% of them had completed primary education, while 17% pursued higher studies after secondary education.⁶⁷ Yet, Nigeria has over 15 million out-of-school children as of May 2022, and with a projection that Nigeria's illiteracy levels have dropped from 38% to 31%, a 7% change between 2018 to 2022. This indicates that at this rate, Nigeria would need an average of 21 years to achieve a 94% youth literacy rate.⁶⁸

The new administration has identified several strategies, including the formation of a permanent committee of

private-sector representatives, educational leaders and the provision of student loans. This is in addition to the establishment of a Special Education Fund open to private investors, STEM initiatives (through which scholarships would be offered to students), and the rationalisation of tertiary institutions' governance, funding, and compensation structures.⁶⁹ The percentage allocated to education in the budget in 2022 was 5.4%: a reduction of 50% from the percentage it was in 2015 (10.8%).⁷⁰ This demonstrates that more must be done for the educational sector in terms of funding allocation and educational investment.

67. See "Number of students enrolled in public and private lower secondary school in Nigeria as of 2019, by age" by Doris Dokua,Sasu, on Nov. 28, 2022, in Statista (Online) data. Available at: <https://www.statista.com/statistics/1129925/students-in-public-and-private-middle-school-in-nigeria-by-age/>.

68. See "International Literacy Day: Achieving SDG 4 Still a Long Way Off for Nigeria" by Khadijat Kareem, on Sept. 8, 2022, in Dataphyte (Online) data. Available at: <https://www.dataphyte.com/latest-reports/international-literacy-day-achieving-sdg-4-still-a-long-way-off-for-nigeria/>.

69. See the All Progressive Congress. Renewed Hope 2023: Action Plan for a Better Nigeria, op.cit., at p.44.

70. See "DailyDataCard: Budgetary Allocation to Education 2015-2023" by Dataphyte, on Oct. 12, 2022, in Dataphyte (Online) data. Available at <https://www.dataphyte.com/latest-reports/visualisation/dailydatacard-budgetary-allocation-to-education-2015-2023/>



Health

The largest nation in Africa, Nigeria has a population of over 200 million. It has the second-highest doctor density among West African nations, which is still very low compared to the actual need for such a populous country. Government spending on healthcare is significantly slim.

In Nigeria, all three levels of government Federal, State, and Local are responsible for delivering health services and programs. The Federal Government is primarily in charge of providing policy direction, planning, and technical assistance, as well as coordinating the National Health Policy's state-level implementation and establishing health management information systems. The federal government is in charge of managing vaccines, regulating drugs, monitoring disease outbreaks, and training medical personnel. Additionally, the Federal Government is in charge of managing orthopaedic, psychiatric, and teaching hospitals, as well as some medical facilities. While the state government oversees the various general hospitals (secondary healthcare), the local government focuses on dispensaries (primary healthcare), and the federal government regulates these entities through the National Primary Health Care Development Agency (NPHCDA).

The largest nation in Africa, Nigeria has a population of over 200 million. It has the second-highest doctor density among West African nations,⁷¹ which is still very low compared to the actual need for such a populous country.

Government spending on healthcare is significantly slim. At a meeting in Abuja in April 2001, the member countries of the African Union decided to devote 15% of their budgets to health. Nigeria has been trying to reach the 15% threshold at the federal and local levels for 21 years but has yet to do so. The health sector in Nigeria has historically received less than 6% of the country's annual budget.

The health of a country's population directly affects its productivity and wealth. Basic healthcare must be regarded as a matter of long-term national security and as a fundamental human right by the new administration. Resurrect and relaunch the National Health Insurance Scheme, see to it that it takes off successfully, and ensure that it covers the majority of Nigerians for health insurance. The administration must rise to the challenges of inadequate health infrastructure, an overburdened workforce, high maternal and infant mortality, inadequate preventative care and dependence on imported medicines and vaccines. Prioritise the increase of the health sector budgetary allocation to meet up the 15% threshold.

71. See "Density of medical doctors in West Africa in 2020, by country", by Statista (Online). Available at: <https://www.statista.com/statistics/1122671/density-of-medical-doctors-in-west-africa-by-country/>.



Power

With consequential power bills being signed by both ex-President Muhammadu Buhari and President Bola Tinubu into law, states now have the space to generate their own electricity. This watershed moment is key to ensuring that states that have higher power needs than others, can seek the investment to have more firms producing electricity.

Without a doubt, having access to electricity helps any country advance toward industrialization. It is impossible to overstate the significance of power for socioeconomic development and the numerous opportunities it provides for Enterprises (MSMEs) to prosper. The power sector must be well-positioned in order for Nigeria, a country where MSMEs account for a significant portion of its economic activities, to achieve economic prosperity.

At present installed generation capacity is close to 13,000MW while operational capacity barely meets 5,000MW for a population of 200 million people and an economy valued at N213tn, with an estimated electricity consumption of approximately 20,000MW (National Development Plan, 2021 - 2025). In addition to low generating capacity, constraints include poor wheeling capacity at the transmission and distribution segments of the electricity supply chain. This is also keeping in view that the government intends to generate 30,000MW by 2030, with 9,000MW (30%) coming from

renewable sources and 21,000MW from its power plants.⁷²

Power project tied donor funding as well as bilateral agreements such as the Siemens partnership to increase the country's power capacity to 25,000MW are some of the efforts in place to improve electricity supply across the country. Ongoing donor-funded projects include the World Bank-funded interventions like the "Power Sector Recovery Operation",⁷³ and the "Nigeria Electricity Transmission Project"⁷⁴ which inject millions of dollars into Nigeria's electricity sector to improve various segments of the electricity supply chain.

With consequential power bills being signed by both ex-President Muhammadu Buhari⁷⁵ and President Bola Tinubu⁷⁶ into law, states now have the space to generate their own electricity. This watershed moment is key to ensuring that states that have higher power needs than others, can seek the investment to have more firms producing electricity.

72. See "Nigeria pledges to meet 30 gigawatts energy target by 2030", by on December 14th, 2023, by Vanguard Reporters, in the Vanguard (Online) Newspapers. Available at: <https://www.vanguardngr.com/2022/12/nigeria-pledges-to-meet-30-gigawatts-energy-target-by-2030/#:~:text=Nigeria%20on%20Tuesday%20pledged%20its,energy%20by%20the%20year%202030.>

73. See the World Bank. Who we are. News. Nigeria - Power sector recovery operation. June 23, 2020. Available at <https://www.worldbank.org/en/news/loans-credits/2020/06/23/nigeria-power-sector-recovery-operation>.

74. See the World Bank Group. Nigeria - Electricity Transmission Project (English). Washington, D.C: World Bank Group. Available at: <http://documents.worldbank.org/curated/en/704121518922836847/Nigeria-Electricity-Transmission-Project>.

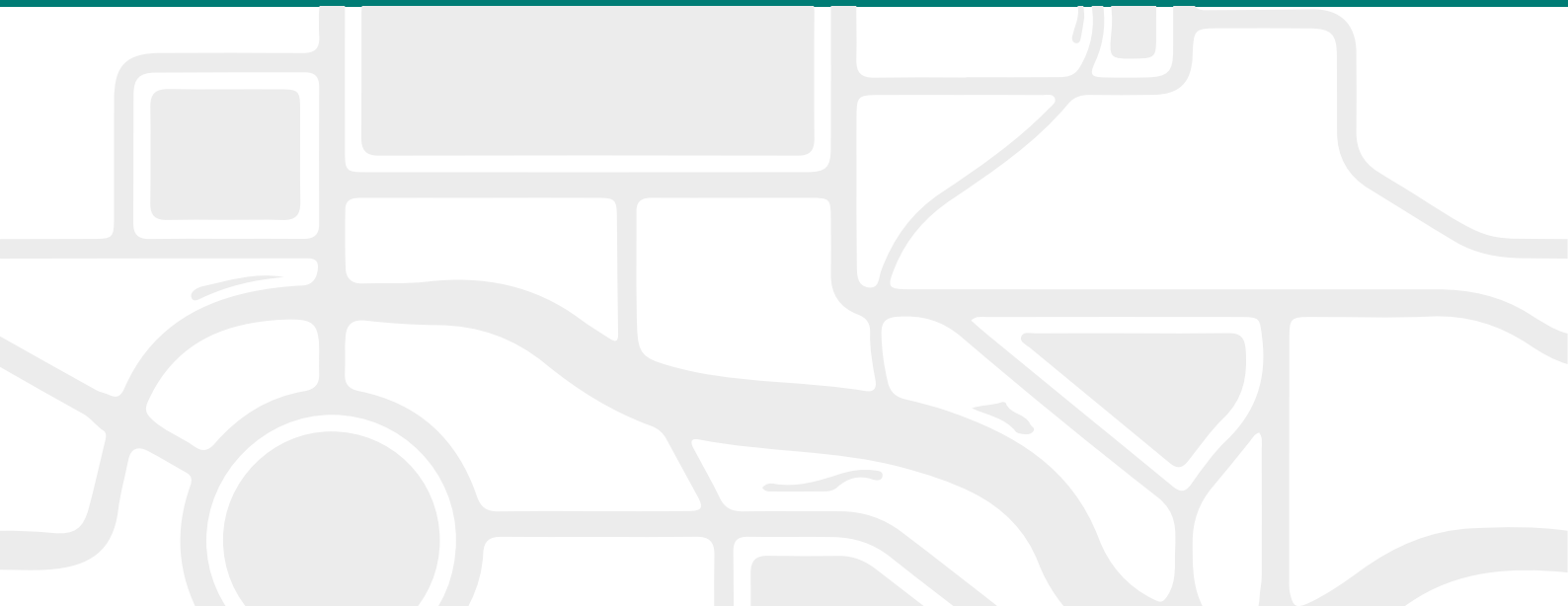
75. See "Buhari signs amended constitution to allow states generate, transmit electricity", by Hannah Johnson, on March 17th, 2023, in the Punch (Online) Newspapers. Available at: <https://punchng.com/buhari-signs-amended-constitution-to-allow-states-generate-transmit-electricity/#:~:text=The%20President%2C%20Major%20General%20Muhammadu,%2C%20Tolu%20Ogunlesi%2C%20on%20Friday.>

76. See "States, companies authorised to generate power as Tinubu signs electricity bill into law", by Bunmi Aduloju, on June 9th, 2023, in the Cable (Online) Newspapers. Available at: <https://www.thecable.ng/states-companies-authorised-to-generate-power-as-tinubu-signs-electricity-bill-into-law.>



12

Energy Transition and Climate Finance





At least 30% of its electricity is expected to be generated from renewable energy sources by 2030. This will be achieved through a combination of policy interventions, including the implementation of a feed-in tariff system to encourage investment in renewable energy projects, the establishment of an energy efficiency and conservation fund, and the development of a framework for the deployment of off-grid renewable energy systems.

Nigeria, like many other countries, is currently facing the challenge of transitioning to cleaner and more sustainable energy systems while also combating the effects of climate change. During the 2021 UN General Assembly, Nigeria reiterated its commitment to a just energy transition and called for financial support from developed countries to achieve this (UN, 2021). In October 2022, Nigeria launched its Energy Transition Plan (ETP), spelling out its strategy to achieve SDG7 by 2030 and net-zero emissions by 2060, with the ultimate goal of mobilising financing to implement the plan.

Nigeria's ETP⁷⁷ aims to reduce greenhouse gas emissions, increase energy efficiency, and promote renewable energy sources. Key strategies outlined in the plan include significantly increasing the share of renewable energy in the country's energy mix as early as 2030 while reducing the country's reliance on fossil fuels, particularly oil and gas, which have been the mainstay of Nigeria's economy for decades. At least 30%⁷⁸ of its electricity is expected to be generated from renewable energy sources by 2030. This will be achieved

through a combination of policy interventions, including the implementation of a feed-in tariff system to encourage investment in renewable energy projects, the establishment of an energy efficiency and conservation fund, and the development of a framework for the deployment of off-grid renewable energy systems.⁷⁹

In 2017 Nigeria developed a Green Bond program,⁸⁰ with the purpose of collecting funds for climate-friendly projects by issuing bonds to both domestic and foreign investors. The bond proceeds will be used to support a range of renewable energy projects, energy efficiency initiatives, and other activities aimed at reducing greenhouse gas emissions and promoting long-term growth. This is potentially a major financing option for the country. Nigeria's energy transition and climate financing strategy is an important step toward developing a more sustainable and resilient energy system. However, there are still many obstacles to overcome, such as securing adequate investment as well as the implementation of supporting legislation.

77. See the Energy Transition Implementation Working Group (ETWG) (Website). Nigeria Energy Transition Plan, June 2022. Available at: <https://energytransition.gov.ng/>

78. See the Federal Ministry of Environment. (July, 2021). Nigeria's First Nationally Determined Contribution – 2021 Update, at p. 18. Federal Republic of Nigeria. Available at: https://climatechange.gov.ng/wp-content/uploads/2021/08/NDC_File-Amended-_11222.pdf.

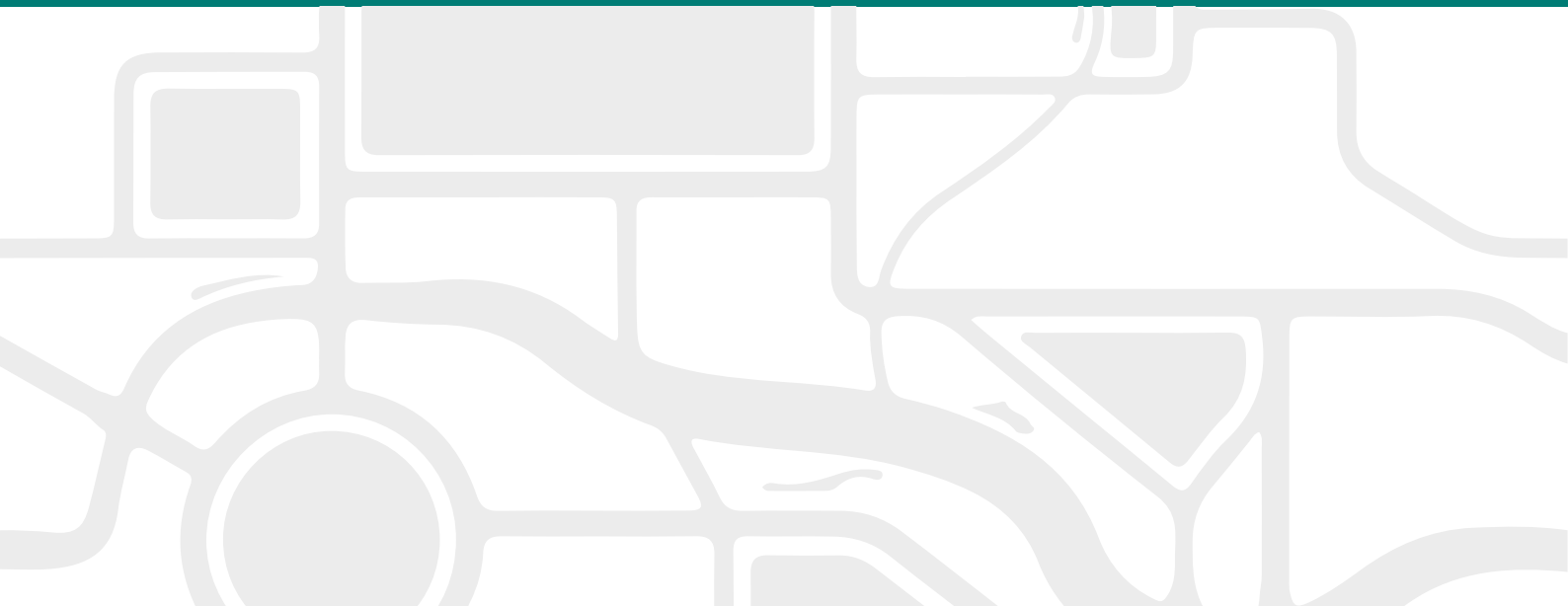
79. See the Federal Ministry of Environment. Nigeria's First Nationally Determined Contribution – 2021 Update, op.cit.

80. See "Nigeria Green Bond Programme", by FSD Africa (Website). Available at: <https://fsdafrika.org/projects/nigeria-green-bond-programme/>.



13

Key Public Finance Management Issues



01: Subsidy



However, due to low levels of citizen-government trust, the government had been advised to preempt the removal by providing targeted interventions for low-income earners, among other things. This is because the removal will come with a rise in inflation (but if it coincides with negative oil price shocks, it could positively impact non-oil GDP and aggregate demand).

Nigeria has been experiencing a significant rise in its fiscal deficit (for 2023 alone, the budget deficit is a staggering N10.78tn)⁸¹. One of the likely causes behind this, is Nigeria's expensive petroleum subsidy regime. The Nigeria Extractive Industries Transparency Initiative (NEITI) points out that the approval of subsidy financing in 2022 by the National Assembly (to the tune of N4tn) pushed up the total budget deficit by 15%.⁸² Identified as an intervention primarily benefiting middle and high-income households by some observers,⁸³ the removal of the trillion naira subsidy payments would work to free up needed resources for the government. To put things in perspective, between 2011 and 2021, the Nigerian government spent N13.69tn on subsidy payments.⁸⁴ However, due to low levels of citizen-government trust,⁸⁵ the government had been advised to preempt the removal by providing targeted interventions for low-income earners, among other things.⁸⁶ This is because the removal will come with a rise in inflation (but if it coincides with negative oil price shocks, it could

positively impact non-oil GDP and aggregate demand)⁸⁷. The new administration must take a bold step to discontinue subsidy payments but it should also ensure it matches the discontinuance with programs that alleviate the short-term impacts. The outgoing administration intended to spend \$800 million dollars⁸⁸ (via a loan obtained from the World Bank) on an intervention program. Whether or not this is taken up by Bola Tinubu remains to be seen, as the National Economic Council has made proposals on the provision of interventions for Nigerians.⁸⁹ Yet, some Civil Society Groups in the country disapproved of the government attempting to further sink the country in debt before subsequently approving the subsidy removal.⁹⁰ The new administration will have to allay the fears and scepticism of the public going forward, having taken this major decision.

81. See Usen, I., Kwaga, V., Opaluwa, E., et al. (2023). Nigeria 2023 FG Budget Review: Pulse For a New Administration, at p. 34. The Budget Foundation, Lagos. Available at: <https://budgetit.org/wp-content/uploads/2023/05/2023-FG-Budget-Analysis-3.pdf>.

82. See The Nigeria Extractive Industries Transparency Initiative (2022). Cost of Fuel Subsidy to the Nation: Options for Policy Advisory, at p. 6. Policy Advisory. Available at: <https://neiti.gov.ng/cms/wp-content/uploads/2022/12/Cost-of-Fuel-Subsidy-to-the-Nation-Options-for-Policy-Review.pdf>.

83. See "Wealthy people in Nigeria benefit more from petrol subsidies, poor people benefit only 3% – World Bank" by Omono Okonkwo, on November, 22nd, 2022, in Nairametrics (Online) Newsblog. Available at:

<https://nairametrics.com/2022/11/22/wealthy-people-in-nigeria-benefit-more-from-petrol-subsidies-poor-people-benefit-only-3-world-bank/>. But see also "Poor, not rich, benefit from fuel subsidy, economists counter FG", by Geoff Iyatse, on August 4th, 2021, in the Guardian (Online) Newspapers. Available at:

<https://guardian.ng/news/poor-not-rich-benefit-from-fuel-subsidy-economists-counter-fg/>. The piece correctly argues that there is a correlation between the price of PMS and the inflation rate. It is certain that removal of the subsidy in the short term will cause inflation and as such, the federal government is advised to provide financial "buffers" for poor and low-income earners that will cushion the effect of subsidy removal and the hike in petrol (and by extension transport costs). However, as NEITI claims, the impact of subsidy removal on transportation will be minimal, as the total number of vehicles using PMS is not very significant. See the Nigeria Extractive Industries Transparency Initiative. Cost of Fuel Subsidy to the Nation: Options for Policy Advisory, op.cit., at p. 14.

84. See the Nigeria Extractive Industries Transparency Initiative. Cost of Fuel Subsidy to the Nation: Options for Policy Advisory, op.cit., at p. 15.

85. See Afrobarometer. (2023). News Release: Nigerians want competitive elections but don't trust the electoral commission, at p. 4. Abuja, Nigeria. Available at: <https://www.afrobarometer.org/wp-content/uploads/2023/02/R9-News-release-Nigerians-want-competitive-elections-but-dont-trust-INEC-Afrobarometer-2feb23.pdf>.

86. See "Removal of Fuel Subsidies in Nigeria: An Economic Necessity and a Political Dilemma", by Nelipher Moyo and Vera Songwe, Op:Ed, on January 10th, 2012. Brookings Institute. Available at: <https://www.brookings.edu/opinions/removal-of-fuel-subsidies-in-nigeria-an-economic-necessity-and-a-political-dilemma/>.

87. See Omotosho, B. (2019). Oil Price Shocks, Fuel Subsidies and Macroeconomic (In)stability in Nigeria, at p. 30. In the CBN Journal of Applied Statistics Vol. 10., No. 2. Central Bank of Nigeria. Federal Republic of Nigeria. Available at: https://www.cbn.gov.ng/out/2020/std/1%20-%2038_a416_omotosho.pdf.

88. See "Removing Fuel Subsidy: A Balancing Act For The Policymakers", by Nasir Aminu, on May 3rd, 2023, in Daily Trust (Online) Newspapers. Available at: <https://dailytrust.com/removing-fuel-subsidy-a-balancing-act-for-the-policymakers/>.

89. See "Subsidy Removal: NEC Proposes Palliatives For Workers, Vulnerable", by Deji Ejumoye, on June 16th 2023, in Arise (Online) News. Available at: <https://www.arise.tv/subsidy-removal-nec-proposes-palliatives-for-workers-vulnerable/#:~:text=According%20to%20him%2C%20%2E%20%80%9Cas%20you,million%20from%20the%20World%20Bank>.

90. See "Subsidy Removal: CSOs Kick Against \$800m World Bank Loan", by Bukola Idowu, on May 3rd, 2023, in Leadership (Online) Newspapers. Available at:



The CBN has abolished the multiple exchange rates via a circular released on the 14th of June, 2023. This key move will push the 'official rate' closer to the parallel market rate.

Table 28: Yearly Subsidy Payment by the Federal Government of Nigeria

Year	Payments (billion naira)	Payments (\$bn)
2021	1430	3.575
2020	864	2.4069
2019	508	1.6547
2018	1190	3.8889
2017	154	0.4739
2016	240	0.9449
2015	654	3.3367
2014	1220	7.3939
2013	1320	8.3019
2012	1360	8.5535
2011	2110	13.5256
2010	667	4.4172
2009	469	3.7823
2008	631	5.3025
2007	272	2.176
2006	257	1.9923
2005	351	2.66
Total	13697	74.3862

Source: NEITI

02: Unification of the Exchange Rate

The country's foreign exchange rate management currently adopts the form of a "flexible regime".⁹¹ This means that the value of the currency (as against a reserve currency) is determined by the forces of demand and supply. However, due to the intervention by the CBN, the system was actually more of a 'managed float'.⁹² Be that as it may, the optimal supervision of an exchange rate can affect macroeconomic performance (specifically, the inflation rate where it is 'fixed').⁹³ In a 2012 study, exchange rate management was shown to impact economic growth, as

well.⁹⁴ The new government is confronted with the choice of continuing the managed float or pursuing some other alternative that will ultimately create a completely new set of challenges.⁹⁵ Even the CBN concedes that the previous regime makes the economy vulnerable to speculative attacks, due to global economic conditions and excess liquidity.⁹⁶ The CBN has abolished the multiple exchange rates via a circular released on the 14th of June, 2023.⁹⁷ This key move will push the 'official rate' closer to the parallel market rate.

91. See the Central Bank of Nigeria. (2021). Exchange Rate Management in Nigeria, at p. 1. Understanding Monetary Policy Series, No. 8. Central Bank of Nigeria. Abuja, Nigeria. Federal Republic of Nigeria. Available at: <https://www.cbn.gov.ng/out/2022/mpd/series%208.pdf>.

92. See Obadan, M. (2009). Exchange Rate Regimes For Developing And Emerging Markets, at p. 13. Being a paper presented at the 3-day International Conference on "Central Banking, Financial Stability and Growth", Organized by the Central Bank of Nigeria on May 4, 2009, in Abuja. Available at: <https://www.cbn.gov.ng/cbnat50/papers/session2/EXCHANGE%20RATE%20REGIMES%20FOR%20DEVELOPING%20AND%20EMERGING%20MARKETS-Obadan.doc>.

93. See generally, Ghosh, A., Gulde, A., Ostry, J., et al. (1996). Does the Exchange Rate Regime Matter for Inflation and Growth? Journal of Economic Issues, No. 2. International Monetary Fund. Washington, D.C. 20431, U.S.A. Available at: <https://www.imf.org/external/pubs/ft/issues2/issue2.pdf>.

94. See generally, Bailliu, J., Lafrance, R., and Perrault, J. (2002). Does Exchange Rate Policy Matter for Growth? Bank of Canada Working Paper 2002-17. International Department, Bank of Canada Ottawa, Ontario, Canada. Available at: <https://www.bankofcanada.ca/wp-content/uploads/2010/02/wp02-17.pdf>.

95. See Obadan, M. Exchange Rate Regimes For Developing And Emerging Markets, op.cit., at p. 3.

96. See the Central Bank of Nigeria. Exchange Rate Management in Nigeria, op.cit., at p. 29.

97. See the Central Bank of Nigeria. (2023). "Press Release: Operational Changes to the Foreign Exchange Market", p. 1. Federal Government of Nigeria. Available at: <https://www.cbn.gov.ng/Out/2023/CCD/Operational%20Changes%20to%20FX%20Market.pdf>.

Prior to now, there were effectively 3 foreign exchange regimes in the country (or multiple currency practices or MCP).⁹⁸ In practice, this meant that the Federation exchanged its US dollar-denominated revenues for naira at the CBN (using the artificially low official rate, or the CBN rate)⁹⁹. As these revenues derive from the oil sector and customs administration, the generally opaque MCP system acted as an implicit tax on Federation revenue levied by the CBN.¹⁰⁰ The World Bank claims the cost of this tax is in the realm of \$13 billion dollars.¹⁰¹ The new administration can consider how useful these funds will be if

diverted to other more productive uses. Exploring the unification of the rates (the Import and Export Window has already begun responding to market forces)¹⁰² will help to mop up the large drain on potential revenues. The impacts on federal fiscals, according to one expert, will be to ramp up government revenue but also ramp up debt service payments, government debt and debt-to-GDP ratio.¹⁰³ In any event, the CBN has ended its controversial role in the real sector, through the cessation of its various fiscal interventions.¹⁰⁴



However, the government of China has been seen to be providing significant amounts of funding across developing nations. Nigeria has received \$7.3 billion dollars from China, between 2000 and 2020 and 66% of Nigeria's debt service payments are in favour of China.

03: Development Finance

The role of development finance is critical for developing countries, as it allows the productive use of resources from areas where it is less productive.¹⁰⁵ Nigeria is in need of huge volumes of investment, as the country's infrastructure stock is about 35% of GDP, which is far less than the recommended ratio.¹⁰⁶ In fact, the Reviewed National Integrated Infrastructure Master Plan claims that Nigeria needs \$2.3 trillion dollars over the next 23 years to fill that gap.¹⁰⁷ However, the government of China has been seen to be providing significant amounts of funding across developing nations.¹⁰⁸ Nigeria has received \$7.3 billion dollars from China, between 2000 and 2020¹⁰⁹ and

66% of Nigeria's debt service payments are in favour of China.¹¹⁰ The administration of Muhammadu Buhari was able to set up an Infrastructure Corporation (InfraCorp) in collaboration with African Finance Corporation (AFC) and the Nigerian Sovereign Investment Authority (NSIA), to the tune of N1trn.¹¹¹ With this, the coming government may contemplate building on this amount to meet the gap, either via bond issuance, extended lines of credit from Development Financiers or further negotiated loans from China. Whatever the approach, the need to meet the infrastructure (and general financing gap) is urgent.

98. See generally, the International Monetary Fund. (2019). Review of the Fund's Policy on Multiple Currency Practices: Initial Considerations. IMF Policy Review. International Monetary Fund. Washington, D.C. Available at: <https://www.imf.org/-/media/Files/Publications/PP/2019/PPEA2019015.ashx>.

99. See Hernandez, M., Timmis, E., Saldarriaga, M., et al. (November, 2022). Nigeria Public Finance Review: Fiscal Adjustment for Better and Sustainable Results: Synthesis Report, at p. 29. Report No. AUS0002571. The International Bank for Reconstruction and Development /The World Bank. 1818 H Street NW, Washington DC 20433. Available at: <https://documents1.worldbank.org/curated/en/09961511172214261/pdf/P17509504ea7b902108a420d5a2e60b19b1.pdf>.

100. See Hernandez, M., Timmis, E., Saldarriaga, M., et al. Nigeria Public Finance Review: Fiscal Adjustment for Better and Sustainable Results: Synthesis Report, op.cit.

101. Ibid.

102. See "Nigeria officially floats naira as I&E rate hits N755/\$", by Lolade Akinmurele, on June 14th 2023, in Business Day (Online) Newspapers. Available at: <https://businessday.ng/news/article/nigeria-officially-floats-naira-as-ie-rate-hits-n755/>.

103. See Oyedele, T (@taiwooyedele), (2023, June 15). "10 major implications of Naira exchange rates unification. With the Nigerian Naira now exchanging in the official forex market". [Tweet]: <https://twitter.com/taiwooyedele/status/1669027421075513351>. Twitter.

104. See the Central Bank of Nigeria. "Press Release: Operational Changes to the Foreign Exchange Market", op.cit., at p. 2.

105. The Brookings Institute describes Development Finance as: "[T]he use of public sector resources to facilitate private sector investment in low- and middle-income countries where the commercial or political risks are too high to attract purely private capital, and where the investment is expected to have a positive developmental impact on the host country. Development finance institutions use direct loans, loan guarantees, equity investments, and a variety of other products to support and enable these investments—and to mitigate political and commercial risk". See Ingram, G., and Mosbacher, R. (2018). "Development finance: Filling today's funding gap", at p. 1. Prepared for the 2018 Brookings Blum Roundtable. The Brookings Institute. Available at: https://www.brookings.edu/wp-content/uploads/2018/07/BBR2018_Ingram_Mosbacher_Policy-Brief.pdf.

106. See "All eyes on Tinubu to close Nigeria's \$2.3 trillion infrastructure gap", by Dennis Amata, on April 26th, 2023, in Dataphyte (Online). Available at: <https://www.dataphyte.com/latest-reports/all-eyes-on-tinubu-to-close-nigerias-2-3-trillion-infrastructure-gap/#:~:text=Like%20many%20sub%20Saharan%20African,percent%20average%20for%20emerging%20economies.>

107. See the Federal Ministry of Finance, Budget and National Planning. (2020). Revised National Integrated Infrastructure Master Plan (2020-2043), at p. 1. The Federal Republic of Nigeria. Available at: <https://nationalplanning.gov.ng/wp-content/uploads/2022/10/REVIEWED-NIIMP.pdf>.

108. See "China's loans to Africa worry World Bank President David Malpass", by Jonatha Josephs, on April 2nd, 2023, in Business News-BBC (Online). Available at: <https://www.bbc.com/news/business-65140363>.

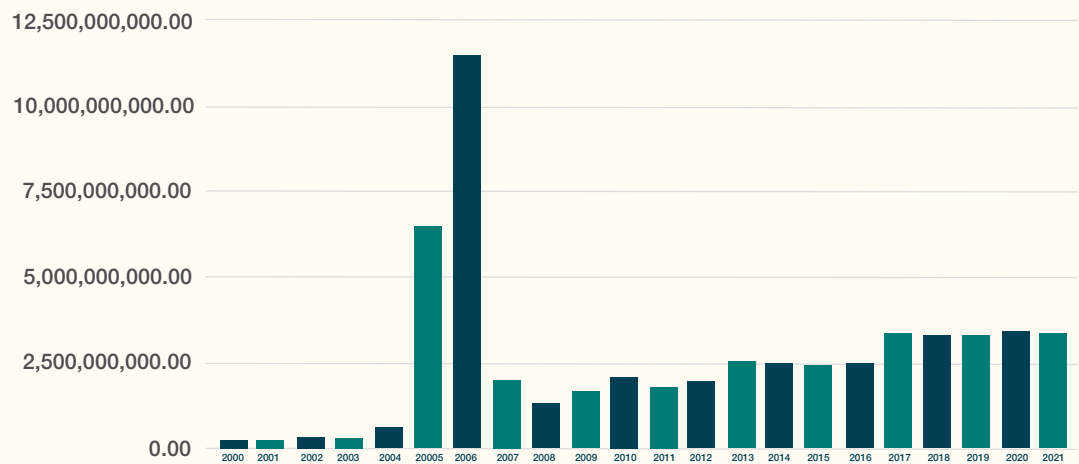
109. See "All eyes on Tinubu to close Nigeria's \$2.3 trillion infrastructure gap", in Dataphyte, op.cit.

110. See "China accounts for 66% debt-service payments by Nigeria, other IDA countries in 2022 - World Bank", by Oladehinde Olawoyin, on December 8th, 2022, in Premium Times (Online) Newspapers. Available at: <https://www.premiumtimesng.com/news/top-news/569564-china-accounts-for-66-debt-service-payments-by-nigeria-other-ida-countries-in-2022-world-bank.html>.

111. See "Bridging Nigeria's Infrastructure Deficit through InfraCorp: Prospect, Challenges and Future Outlook", by Michael Ango, on May 17th, 2022, in Andersen Capital Digest. Andersen Global. Available at: <https://drive.google.com/file/d/171VeYfbTAUMDk2NKPkyuXGGodJUHNQW/view?pli=1>.

Figure 7: Net Official Development Assistance Received by Nigeria

Net official development assistance received (current US\$) vs. Nigeria



Source: The World Bank

The federal government intends to broaden the tax base and for good reason. According to the Tax Expenditure Statement of 2021, the country lost potential tax revenue to the tune of 4% of the GDP of 2021, or about N6.8tn. This, in turn, is because low tax revenue has been pushed by the narrow bases of indirect taxes, low tax compliance, large amounts of tax exemptions as well as low rates.

04: Taxation

Moving Nigeria away from oil dependence is a critical move that will ensure that the country ceases to be subject to oil price shocks and volatility. As of 2021, Nigeria’s revenue-to-GDP stood at 7%¹¹² but the government aims to increase it to 15% in the future¹¹³ as part of its Strategic Revenue Growth Initiative (SRGI).¹¹⁴ The outgoing government has changed the face of taxation significantly, by the Finance Act, 2023.¹¹⁵ The act, among other things, has amended the following: Capital Gains Tax Act, the Companies Income Tax Act, the Customs, Excise, Tariff, etc., (Consolidation) Act, the Federal Inland Revenue Service Establishment Act,

Personal Income Tax Act, Petroleum Profit Tax Act, Stamp Duties Act, Value Added Tax Act, Tertiary Education Tax Trust Fund Act, Corrupt Practices and other Related Offences Act and the Public Procurement Act. These amendments have a range of impacts, as some seek to better incentivise business, others increase the cost of products, some seek to make new services liable for taxation, while others increase the amounts being paid as tax.¹¹⁶

The federal government intends to broaden the tax base and for good reason. According to the Tax Expenditure Statement of 2021, the

112. See the International Monetary Fund. (2023). Nigeria: Selected Issues, at p. 28. IMF Country Report No. 23/94. International Monetary Fund, Washington, D.C. Available at: <https://www.elibrary.imf.org/downloadpdf/journals/002/2023/094/002.2023.issue-094-en.pdf>.

113. See “Nigeria eyes 15% tax-to-GDP ratio”, by Hope Moses-Ashike and Gbemi Faminu, on May 9th, 2023, in Business Day (Online) Newspapers. Available at: <https://businessday.ng/news/article/nigeria-to-raise-tax-ratio-to-gdp-by-15-finance-minister/#:~:text=The%20Nigerian%20government%20says%20it,8%20percent%20as%20of%202022.>

114. See “FG launches SRGI 2.0, as it targets revenue to GDP of 15% by 2023”, by Johnson Uche, on February 11th, 2021, in Nairametrics (Online) Newsblog. Available at: <https://nairametrics.com/2021/02/11/fg-launches-srgi-2-0-as-it-targets-revenue-to-gdp-of-15-by-2023/>.

115. As at the time of this document going to press, the President had not assented to the bill. See “Finance Bill 2022: FG Proposes to Change FIRS to NRS”, by Sunday Aborisade, on December 24th, 2022, in Thisday (Online) Newspapers. Available at: <https://www.thisdaylive.com/index.php/2022/12/23/finance-bill-2022-fg-proposes-to-change-firs-to-nrs/>.

116. See “Key provisions of Finance Bill 2023 as it still awaits presidential assent”, by Detail Commercial Solicitors, on May 6th, 2023 in Financial Nigeria (Online). Available at: <https://www.financialnigeria.com/key-provisions-of-finance-bill-2023-as-it-still-awaits-presidential-assent-feature-514.html>.

country lost potential tax revenue to the tune of 4% of the GDP of 2021, or about N6.8tn.¹¹⁷ This, in turn, is because low tax revenue has been pushed by the narrow bases of indirect taxes, low tax compliance, large amounts of tax exemptions as well as low rates. However, perhaps due to the SRGI, the tax receipts of the country have improved. About N10tn was made in 2022 by the Federal Inland Revenue Service.¹¹⁸ This is a considerable jump from N5.27tn in 2019, 4.95tn in 2020

(among other things due to COVID-19) and N6.4tn in 2021. Tax reform is on the manifesto of the President,¹¹⁹ as it forms the basis for constitutional amendment and business development. Nigerians are expectant that the new government fairly and equitably balance the need to grow revenues and the quality of the social contract.



117. See the International Monetary Fund. Nigeria: Selected Issues, op.cit., at p. 29.

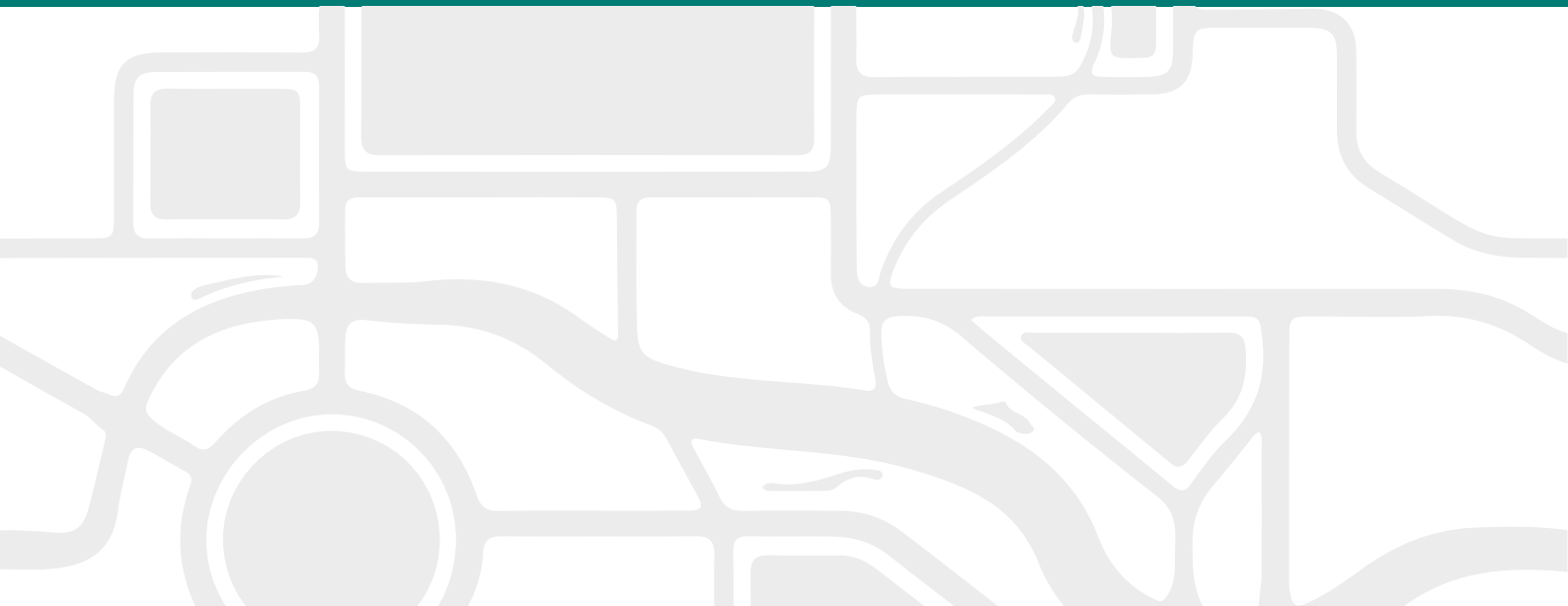
118. See "Nigeria tax receipts rise 56% in 2022 - revenue service", by Chijioke Oluocha, on January 23rd, 2023, in Reuters (Online) News. Available at: <https://www.reuters.com/article/nigeria-tax-idUSKBN2U217P>.

119. See the All Progressive Congress. Renewed Hope 2023: Action Plan for a Better Nigeria, op.cit., at p.16.



14

Conclusions and Recommendations





In providing recommendations, BudgIT goes beyond only the Executive but includes the Legislature. The law-making arm of Nigeria's government requires sustained engagement as it plays an indispensable role in serving as a check and balance to an Executive that (as past experience has shown), would attempt to 'bend' the rules where it sees fit.

The President of the Federal Republic of Nigeria, Bola A. Tinubu has a heavy crown. Apart from inheriting a massive debt, deficit, weak revenue sources, inflation, high unemployment, and poorly managed foreign exchange management system-he also has numerous structural weaknesses baying at his door. However, despite these problems of existential proportion, there are potentials that can be transformed into productivity, growth and development. What is required is a mix of deliberate decision-making (hinged on sound and rigorous data and policy learning), strategic engagement with the states (that explores a balancing of federal and subnational roles and responsibilities), an even-handed relationship with the National Assembly (that exploits the President's capacity for considered deal-making) and the firmness to insist on a separate but mutually enforcing relationship between the fiscal and monetary authorities. These actions will be enhanced where there is a realisation that the country's impoverished people require an urgency about their affairs, that no president before has effectively shown. However, the expectations are

multidirectional, as no country ever succeeded with only a government. The private sector, the academia, the international community, Civil Society organizations and-most importantly-citizens must be aware of their role in supporting the government in legal and societally enhancing ways. Rome was not built in a day and Nigeria is no different.

The recommendations below are by no means exhaustive but aim to highlight the potential wins that the new government can attempt to achieve. Also, there are knotty problems that if addressed, can open up more revenue opportunities for the ailing federal government purse. In providing recommendations, BudgIT goes beyond only the Executive but includes the Legislature. The law-making arm of Nigeria's government requires sustained engagement as it plays an indispensable role in serving as a check and balance to an Executive that (as past experience has shown), would attempt to 'bend' the rules where it sees fit.

Fiscal and Monetary Recommendations



If the new administration is able to create a more efficient mechanism for the allocation of federal resources (which the states rightly deserve), the gains will be felt all around.

BudgIT recommends that to improve fiscal performance, the administration can consider strengthening tax administration. This can be done by the continuance of pursuing the digitalisation of the payment process,¹²⁰ of which have been observed to make more revenues available.¹²¹ This will enable the government secure revenues while preserving transparency in revenue transfer through government accounts.

BudgIT proposes that the new government entertain addressing the financing gap between it and the states. By this, we mean that the dependence of the states on federal revenues has created pockets of inefficiency. This has the states tax their citizens less, reduce the efficiency of their expenditure and make their constraints more malleable-which has implications for their fiscal sustainability.¹²² If the new administration is able to create a more efficient mechanism for the allocation of federal resources (which the states rightly deserve), the gains will be felt all around. For one, the states may possibly have better incentives to properly tax their citizens (this, in itself could have implications for the creation of demands for accountability by the

citizens)¹²³ and potentially use the revenue they earn, more effectively. Secondly, the federal government will have fewer states dependent on the centre and rebalance the fiscal dependence more to equality.¹²⁴

BudgIT recommends (though, it goes without saying) that the new government pursue Fiscal discipline; specifically, one leading to a decline in subsidized CBN lending. The financing of the country's fiscal deficit through the now infamous "Ways and Means" continues to fuel inflation by increasing liquidity in the money market.¹²⁵ The clear fiscal rules (which proscribe breaches of fiscal ceilings) in the CBN Act must not only be followed but the Executive (in both the person of the President and the Governor of the CBN) has to accept that rule of law ensures the integrity of the political system. The route to ensuring this breach does not repeat itself is not an easy one, in that it entails raising fiscal revenues through the enhancement of the economic system, the more efficient use of existing revenues and the battling of inflation, among other things.

Related to the recommendation above, to constrain inflation (which, if

120. See generally, "The Impact of Digitization and Technology on the Administration of Taxes in Nigeria", by Ater Vendaga, on April 8th, 2023, in SabiLaw (Online) blog. Available at: <https://sabilaw.org/the-impact-of-digitization-and-technology-on-the-administration-of-taxes-in-nigeria/>.

121. See "Digitalization of Tax Systems Can Boost States IGR Generation", by Ode Ududu, on October, 25th, 2021, in Dataphyte (Online) Research. Available at: <https://www.dataphyte.com/latest-reports/economy/digitalization-of-tax-systems-can-boost-states-igr-generation/>.

122. See Hernandez, M., Timmis, E., Saldarriaga, M., et al. Nigeria Public Finance Review: Fiscal Adjustment for Better and Sustainable Results: Synthesis Report, op.cit, at p. 35.

123. See "Tax and Accountability: How to strengthen the links?", by Rihannon McCluskey, on July 9th, 2019, in the International Centre for Tax and Development Blog (Online). Available at: <https://www.ictd.ac/blog/tax-accountability-strengthen-links/>.

124. See generally, Okolo, P., and Raymond, A. (2014). Federalism and Resource Control: The Nigerian Experience. In the Journal of Public Policy and Administration Research, Vol. 4, No. 2. Available at: <https://core.ac.uk/download/pdf/234669115.pdf>.

125. See "CBN loans to FG fueling inflation, interest payment to gulp 62% revenue by 2027 – World Bank", by Oladehinde Olawoyin, on January 3rd, 2023, in Premium Times (Online) Newspapers. Available at:

<https://www.premiumtimesng.com/news/headlines/573795-cbn-loans-to-fg-fueling-inflation-interest-payment-to-gulp-62-revenue-by-2027-world-bank.html>.



In addition, BudgetIT advises the new government to consider the rationalization of tax expenditures. These especially concern those granted to agriculture, pioneer, and financial sectors.

done well, will have positive spillover effects on the economy), the government and monetary authorities may entertain a multi-pronged approach. Specifically, the lack of flexible foreign exchange (FX) management and conflicting monetary policy goals. This is seen in the multiple currency practices, that have 3 exchange rates in the country and the subsidized funding to medium and large firms.¹²⁶ Though this sounds counterintuitive, the financial sector (commercial banks and credit houses) and not the CBN can aim to be the provider of financial services and resources. Despite the CBN claiming to have provided billions of naira to MSMEs,¹²⁷ the evidence on the ground appears to conflict with this. Data from Dataphyte shows that the number of MSMEs reduced between 2017 and 2020, in the face of the claim that they had gotten funding from the CBN.¹²⁸ To be fair, there may have been other

reasons for this but it does bring to light the need to question the effectiveness of CBN-provided finance.

In addition, BudgetIT advises the new government to consider the rationalization of tax expenditures. These especially concern those granted to agriculture, pioneer, and financial sectors. This includes the implementation of a risk-based selection system for selecting tax cases for audit. Also the improvement of excise tax administration, as well as the use of improved technology solutions and monitoring tools for excise stamps and physical controls. In addition, the design of a comprehensive communication package that explains the benefits of paying taxes. Finally, where funding exists, the leveraging of technology and big data to expand the tax base and tax net.¹²⁹

126. See the World Bank Group. (December, 2022). Nigeria Country Economic Memorandum: Charting a New Course Synthesis Report, at p. 37. Report No. AUS0002837. International Bank for Reconstruction and Development/The World Bank. 1818 H Street NW, Washington DC 20433. Available at: <https://documents1.worldbank.org/curated/en/099020012132216124/pdf/P1761970c336260ce0bd0e0ebd98a53275d.pdf>.

127. See "CBN decries Nigeria's N617.3 billion financing gap for MSMEs", by Ubah Ifeanyi, on May 26th, 2021 in Nairametrics (Online). Available at: <https://nairametrics.com/2021/10/03/cbn-decries-nigerias-n617-3-billion-financing-gap-for-msmes/>.

128. See "SMEs face cash crunch as banks prioritise large enterprises", by Olanrewaju Oyedeji, on February 26th, 2023, in Dataphyte (Online) Research. Available at: <https://www.dataphyte.com/latest-reports/smes-face-cash-crunch-as-banks-prioritise-large-enterprises/>.

129. See Hernandez, M., Timmis, E., Saldarriaga, M., et al. Nigeria Public Finance Review: Fiscal Adjustment for Better and Sustainable Results: Synthesis Report, op.cit, at p. 46.

National Assembly Recommendations



01

In carrying out its oversight tasks, the National Assembly should ensure that it follows the concepts of separation of powers, checks and balances, and the constitution.

02

Create a framework for effective oversight activities that includes legislative/policy-making, appropriation and public accounts, bad administration investigations, corruption control, and democratic consolidation.

03

Address the difficulties that the National Assembly has encountered in carrying out its oversight obligations, and draw lessons and plans for improvement.

04

Despite the usually timely submission by the executive, the budget faces considerable delays during the review process at the National Assembly. There is a need to be more effective and efficient in the budget review process by the National Assembly, so as to produce budgets that are better tailored to meet the developmental needs of the country and its citizens.

Recommendations for Ministries, Departments and Agencies



01

Government should strengthen institutional frameworks that can allow ministries, departments, and agencies to pursue the goals and coordinate the implementation of development plans across the tiers of government. They should also be able to provide buffers to external shocks.

02

States Ministries, departments, and agencies should be further strengthened and trained in the implementation of federal government-administered policies in order to avoid poor implementation, and uneven service delivery due to overlapping expenditures, of the three tiers of government and a lack of fiscal capacity to deliver.

03

Allocating spending effectively to ministries, departments, and agencies is key to economic sustainability and growth. To attain budget credibility and sustainability across all MDAs, the government should reduce deviations between budgeted and actual expenditures to less than 15%, and impose penalties on ministries, agencies, and departments that surpass this threshold.

04

Improve budget credibility: Publish a monthly report that tracks the cumulative (federal and state) budget execution rates relative to the original budget for each revenue and expenditure category. Limit the percentage growth to oil production in the budget to 10% of the average oil production in the preceding two years. Adopt a supplemental budget mid-year if there is more than a 10% deviation in revenue outturn. Reduce deviations between budgeted and actual expenditures to less than 15%, and impose penalties on ministries, agencies, and departments that surpass this threshold.

Recommendations for Ministries, Departments and Agencies



05

States are at various stages of implementing the Nigerian Social Investment Programme (NSIP). To reduce fragmentation, States should develop a common delivery platform for social protection programs implemented by different ministries and agencies. MDA personnel should be trained to build their capacities. Effective operating mechanisms should be put in place to reduce bureaucratic operations and processes that may hinder policy implementation.

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Month	Net Allocations
January 2020	₦176,832,771.33
February 2020	₦163,949,946.6
March 2020	₦146,679,645.58
April 2020	₦166,226,823.97
May 2020	₦154,359,913.84
June 2020	₦139,579,150.75
July 2020	₦170,197,562.09
September 2020	₦172,927,668.06

 **01**

Track and Monitor
Constituency Projects
Domiciled in your State

 **02**

Prompt your elected
representatives about
projects your community
needs

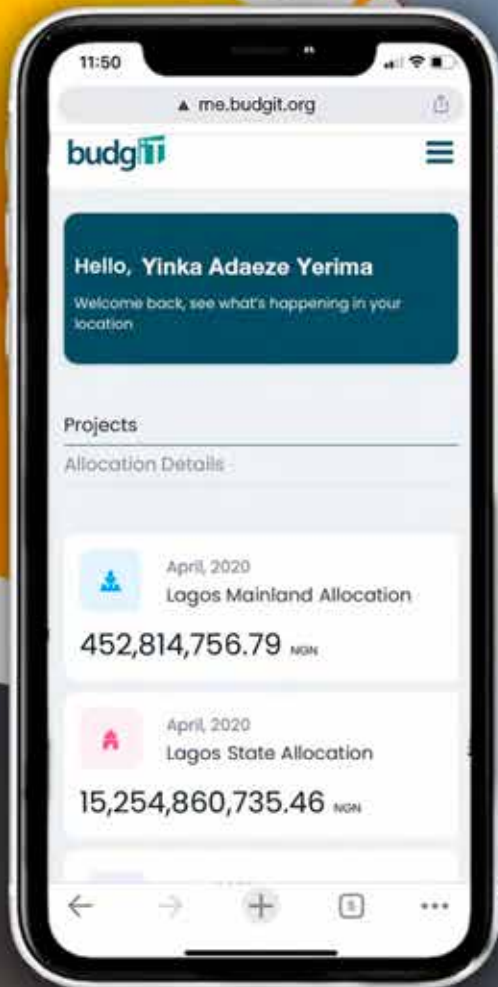
 **03**

Track Federal Allocations to
your Local Government

 **04**

Contact your elected
representatives through
Tracka

Follow the budget
Track the Project



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