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POST-ELECTION DISCUSSION SERIES

OPTIONS & POSSIBILITIES FOR GOVERNMENT REVENUE GROWTH & EFFICIENCY

DISCUSSION NOTE

Partners:

FINDING MONEY FOR PRESIDENT BUHARI

WHERE DOES THE MONEY COME FROM?

N2.92tn

N1.8tn Expected Oil Revenue based $60 per barrel

N120bn VAT

N200bn Customs Duties

N500bn CIT

N300bn Independent Revenue

HOW DOES GOVT SPEND? (RECURRENT)

N3.6tn

N1.85tn Personnel Cost and Pensions

N200bn Overheads

N300bn Statutory Transfer Including NASS

N250bn Others Service Votes

N1tn Debt Service

Already the FG will run a Deficit of N700bn to fund Recurrent Expenditure only

ANNUAL CAPITAL SPENDING

N500bn On-going projects + **N1.2tn** New Promises

N1.7tn

NEW DEBT

N1.7tn Capital Projects + **N700bn** Recurrent Deficit

N2.4tn Annually

Where will the funds come from?

This analysis is based on the trend of FG finances in the past 3yrs and projected spending based on APC's manifesto

OPENING NOTE

This post-election discussion series is hinged on the need to kickstart critical, informed discourse centred on a overhauling of the practices, nuances and laws that govern public finance in Nigeria. We plan to hold this session with experts and this edition will focus on alternative public revenue streams and improving efficiency for enhanced service delivery to the Nigerian citizen.

Our focus for this conference is to examine (and thereafter document) in detail how Nigeria can substantially improve her overall economic competitiveness; expand her non-oil revenue base; identify strategic sectors for investment and enshrine a more efficient approach in the collection of taxes and government dues. We also expect to ensure our esteemed panelists and audience give prominence to deliberations geared at unearthing all macro-economic factors necessary for a thriving economy, one which tangibly weans itself from Oil and moves beyond repeating mantras about diversifying the economy.

According to the 2014 IMF Article IV Consultation Document: "(Nigeria's) non-oil revenue is just 40% of non-oil GDP - compared to an average of 10-15% of non-oil GDP for other oil producers - providing inadequate financing for infrastructure and social needs, and leaving the Budget vulnerable to oil shocks."

BudgIT believes governments must adapt and protect economies from the vagaries of finite commodities; this symposium sets out to start a series of deliberations on how the incoming government can diversify Nigeria's revenue base to deliver on majority of its campaign promises - one of the strongest advocacy points on which BudgIT was founded. Panel discussions will appraise the current capacity and structure of Nigeria's economy, with the aim of revealing existing and new revenue streams, as well as the structural changes needed to efficiently maintain these revenue streams in line with best practices. This will be the anchor driving BudgIT's advocacy going forward.

Our focus for this conference is to examine (and document) in detail how Nigeria can substantially improve her overall economic competitiveness, expand her non-oil revenue base, identify strategic sectors for investment, and enshrine a more efficient approach in the collection of taxes and government dues. We also expect to ensure our esteemed panelists and audience give prominence to deliberations geared at unearthing all macro-economic factors necessary for a thriving economy, one which tangibly weans itself from Oil and moves beyond repeating mantras about diversifying the economy.

The euphoria of Nigeria's general elections are over, the last dregs of which are sure to be exhausted after May 29, when the new government settles down to business. Then, reality will inevitably kick in. Citizens will understandably look to elected politicians to fulfill campaign manifestos, regardless of the irrefutable fact that Nigeria lies in a mire of weak public finances. The incoming government headed by General Muhammadu Buhari has made a ton of promises that will require extraordinary thinking - and action- to deliver, given the current state of the public purse. There is also the widespread challenge posed by State Governors, who have been unable to pay workers' salaries for months. Public debt has been on a continuous rise, a characteristic shared by Debt-servicing costs, which are escalating at a time the Excess Crude Account is nearly empty. Other telltale signs litter our streets and communities, as capital projects lie uncompleted by the current administration.

Nigeria's dire fiscal circumstances are such that long after the incoming government settles into power, a pertinent question will remain: How will the incoming government meet the eager expectations of citizens? For the greater good of the Federal Republic of Nigeria, it is best we all began proffering, and working towards substantial solutions.

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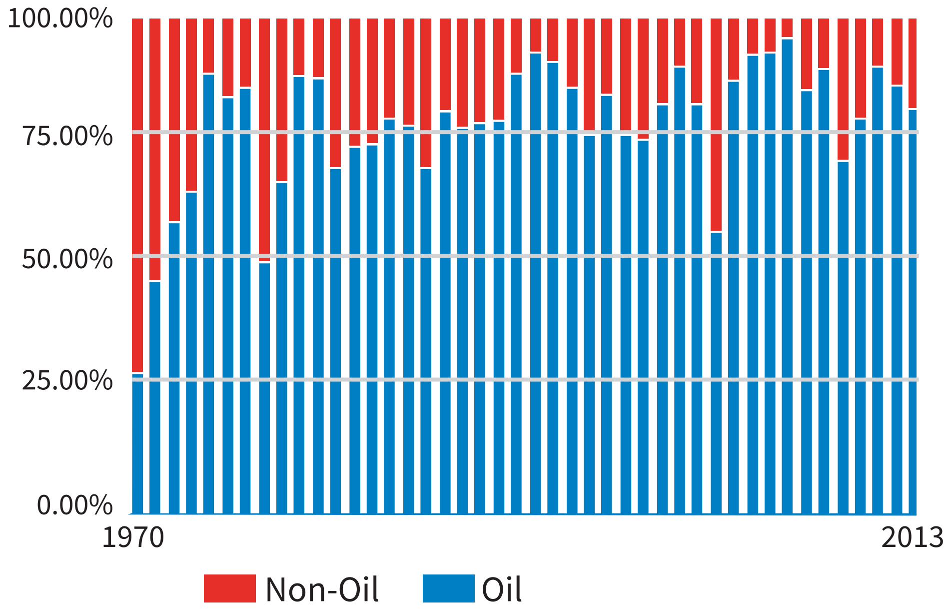
STRUCTURE OF THE NIGERIAN ECONOMY

Nigeria is the world's 23rd largest economy, and is always viewed solely through the prism of crude oil, despite being a middle-income country that is largely diversified, with rapidly expanding financial, service, communications and entertainment sectors. Nigeria produces only about 2.6% of global crude oil supplies, as against 12.9% and 12.7% in Saudi Arabia and Russia respectively.

70%

Oil-based revenue accounts for 70% of total government revenue

In the early 70s, the Government Revenue was largely a reflection of the overall health of the economy. Non-oil based revenue accounted for 73.7% of Total Government Revenue, powered largely by personal income tax, company/corporate tax and tariffs on imports. Today the primary sector of the Oil and Gas industry accounts for about 70% of government revenue, despite the reality that this sub-sector constitutes only a paltry 10.8% of the GDP of Africa's largest economy.



Source: CBN

#AskQuestions

Will the government trim its workforce and cut down the annual wage bill of N1.8tn, or will it find more ghost workers?

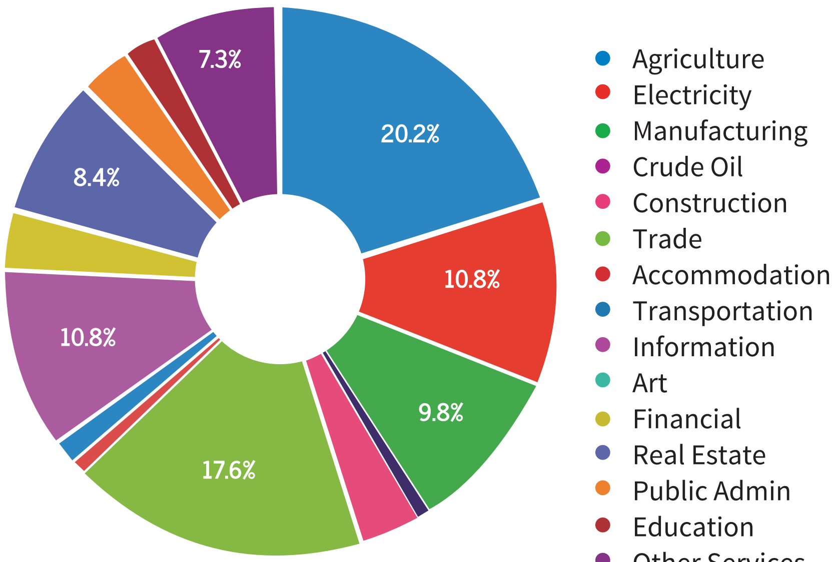
Will the government reschedule Nigeria's debt to reduce the challenge of debt servicing costs, which have risen to over N1tn - a whopping 26% of actual revenues?

10.8%

Crude Petroleum sector accounts for 10.8% of GDP but 70% of government total revenue.

NIGERIA'S GDP COMPOSITION

The Agriculture sector (20.24% of nominal GDP in 2014); Trade sector (17.64% of nominal GDP in 2014) and the Real Estate sector (8.4% of nominal GDP in 2014) are largely informal, and mostly fragmented. They contribute very little to overall Government Revenue, despite collectively accounting for 46.28% of Nigeria's economy. The under-performing Manufacturing sector - the 3rd largest in Africa - accounts for 9.58% of GDP at current prices.



Source: NBS (2014 GDP)

#AskQuestions

The recurring questions are: Why should 10.8% of the GDP contribute more than 70% of Federation revenues? Where is the potential for government to extract additional taxes, based on the current structure of Nigeria's economy?

80%

The government takes about 80% of revenue from crude oil sales

THE OIL INDUSTRY

The Nigerian government has consistently failed to leverage the ease with which it pulls revenue from the country's vast crude oil reserves to explore other revenue streams. The government takes about 80% of all revenue generated from crude oil sales, with the balance going to cover operational and other existing costs. Ironically, this means only about 1% of the population benefit from oil income directly, as the bulk of oil revenue can hardly offset personnel costs or service outstanding debts.

HOW GOVERNMENT TAXES THE OIL SECTOR

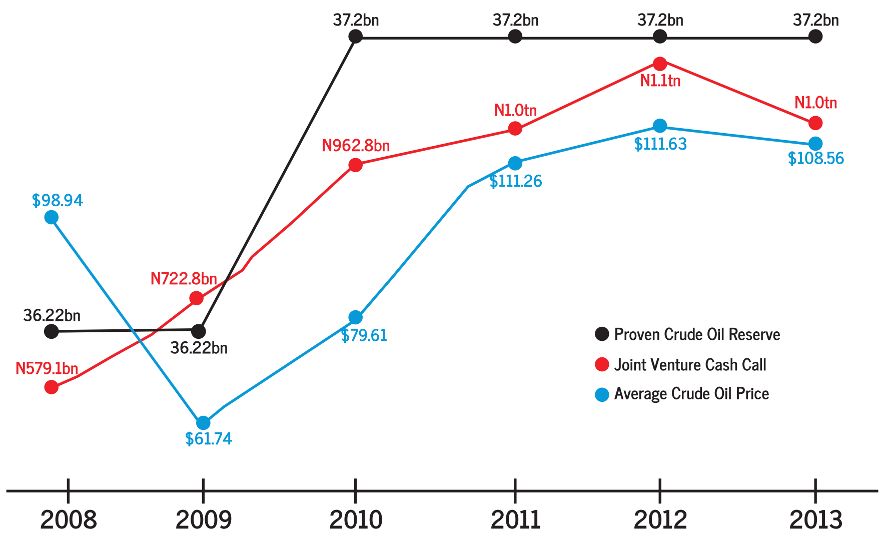
PPT RATES

Weighted Average -JV/AF/Independent/Marginal	85%
Weighted Average –PSC	50.53%
Weighted Average –SC	50.53%

ROYALTIES RATES

Weighted Average-JV/AF/Independent/Marginal	18.67%
Weighted Average-PSC	2.76%
Weighted Average-SC Oil	2.76%

Source: Budget Office of the Federation



Axes are labeled differently

Source: Budget Ofice, EIA

STRUCTURE OF CRUDE OIL PRODUCTION IN NIGERIA
Share of Oil Production: 2014 Assumptions

PERCENTAGE BASED ON CONTRACT TYPE	
JV/AF/Independent/Marginal	63.03%
Joint Ventures	35.06%
Alternative Funding	5.65%
Marginal	2.23%
Independents	6.7%
Modified Carry Arrangement	13.39%
Production Sharing Contracts	36.65%
Service Contracts	0.32%
Total Production	100%

Source: Budget Office

The global financial meltdown in 2009 left Nigeria's oil revenue sliding to N2.776tn, representing a 42.52% reduction in revenues at the end of the year. This showed the weakness of the Nigerian economy but the fault lines were not very visible, due to prior robust savings in the Excess Crude Account. The global economy recovered in 2010, as did crude oil prices, resulting in government revenue rising to N5.396tn and N8.025 tn in 2010 and 2011 respectively.

#AskQuestions

Is Nigeria broke? Currently, Nigeria's public finances are under intense strain, as the fiscal buffer that is the Excess Crude Account is severely depleted, at a time when oil prices are only just picking up, after reaching a recent global low of $47 per barrel. Monthly FAAC allocations have tumbled from N756bn in June 2014 to N495bn in March 2015. The most obvious sign of the frailty of the public coffers is the State governments; many cannot adequately meet personnel obligations, and recently the Federal Government itself took a loan worth $2bn from the World Bank, to augment revenue shortfalls.

THE TRADITIONAL STRUCTURE OF THE OIL INDUSTRY IS THREATHENED

74%

74% of the 6.89bn barrels of crude oil produced globally are converted and sold as gasoline, heating oil, diesel and jet fuel.

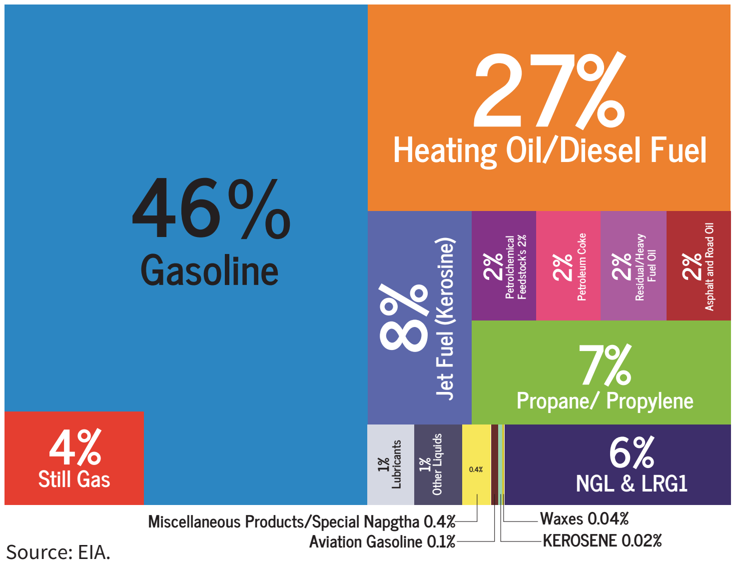
The price war launched by some sovereign nations against Shale oil producers has depressed crude oil prices, putting enormous strain on Nigeria's already largely inadequate government revenue. Worse still, the United States, which is the largest buyer of Nigeria's crude oil, has gone from purchasing 1.1 million barrels per day to approximately 55,000 barrels a day in two years. The US is also set to reduce these figures even further in the nearest future, due to advances in technology - specifically, unconventional oil and gas extraction methods, such as the horizontal drilling of shale oil from rock formations that include sandstone and carbonates. With all of this occurring against a backdrop of significant shale reserves, the dynamics of the oil industry are changing rapidly.

Many optimistic supply-side marketers are touting China as a replacement to the United States, positioning the world's most-populous nation as the next chief purchaser of Nigeria's sweet crude. However, China is presently sitting on 1.275 trillion cubic meters of Shale gas, the largest such reserves in the world. India, another potential buyer, is flooded with options on who to buy Crude from, and her geographical distance from Nigeria may likely count against the business prospects of Africa's largest economy.

In 2013, about 74% of the 6.89 billion barrels of petroleum used globally were converted into gasoline, heating oil/diesel fuel, and jet fuel, according to data-sets from the US Energy Information Administration. Switching to the use of gasoline as fuel in passenger cars may spell doom for the crude oil mining industry, as recent breakthroughs in research are focused on making this prospect a reality.

Various other disruptive models to energy use and consumption are being rolled out at such breakneck speed that analysts are certain that technology will end crude oil mining in much the same way that the Internet fully disrupted print media.
Taking into account the current state of Nigeria, where gas production (associated gas) is strongly connected to crude oil mining, it is imperative that we face two tasks: escalating the technological and infrastructural development of our oil and gas industry, whilst simultaneously diversifying Nigeria's revenue streams to end a fiscally unhealthy fixation on oil.

What are the world's 6.89billion barrels of petroleum converted into?



Source: EIA.

Also crucial to Nigeria's fortunes is that several US oil producers would be able to export raw Crude to the already competitive markets from August 2015, after the Obama administration lifted a ban placed on Crude oil exports in the 70s. This could put further pressure on prices, as a glut of the commodity is likely to follow.

Even if all these worse-case scenarios failed to materialise, and the dynamics influencing the price of Crude today tilted to Nigeria's advantage, the future trends being exhibited in the global oil and gas sector may yet escalate Nigeria's fiscal struggles.

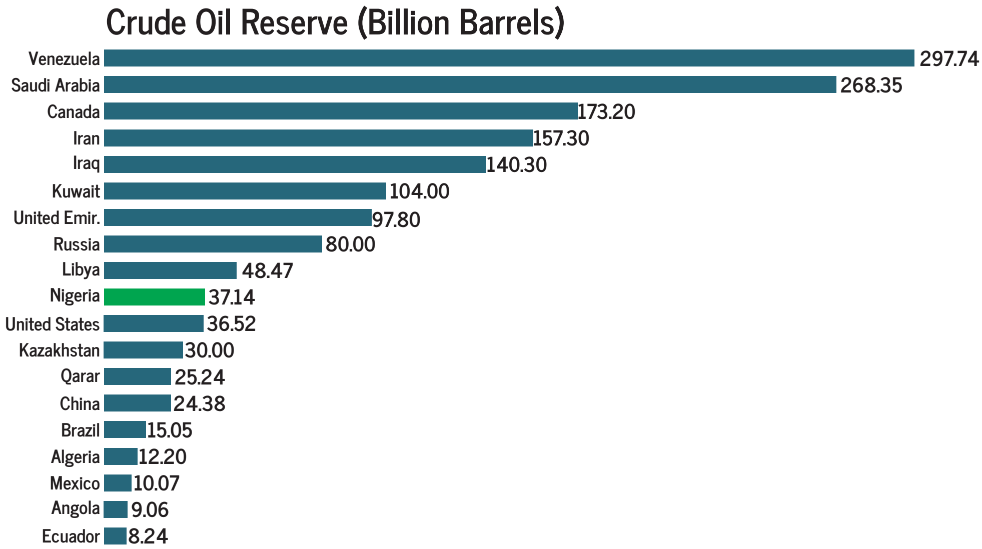
NIGERIA'S CRUDE OIL RESERVE VS THE WORLD'S

37.14bn

Nigeria's crude oil reserves

Nigeria cannot stabilize the oil markets, as its production figures and reserves are relatively low, compared to other nations such as Saudi Arabia, the UAE and Canada. Other African countries, like Angola, are also competing fiercely with Nigeria for a portion of global oil sales. It is worth noting that Nigeria has recently been experiencing cases of unsold cargo, which obviously delays oil receipts.

Proven reserves are those reserves estimated to have a reasonable certainty of being recovered, under existing economic and political conditions. Proven oil reserves are a measure of a country's oil power. According to OPEC, about 81% of the world's total oil reserves are located in the OPEC countries, with Venezuela atop the list and owning about 20% of the world's oil reserves. Saudi Arabia comes close, possessing about 18% of all oil reserves.



Source: EIA

Above, we highlight the top 20 countries by billion barrels of oil in reserve. Nigeria ranks 10th on the list, with about 37 billion barrels of crude oil in reserve (0.08 billion barrels less than its 2014 level). This is a tad higher than the United States' reserves, and about 12% of Venezuela's. This comparison is necessary, to ascertain Nigeria's production strength relative to other countries' in light of any plans Nigeria may have towards forestalling economic instability.

CAUSES OF REVENUE LOSS TO NIGERIA

Nigeria's oil industry is reported as having lost significant amounts of revenue. The Nigeria Extractive Industries Transparency Initiative (NEITI) in a publication, details the various conduits that facilitate and perpetuate these losses. They are as listed below:

1. **The rising cost of financing Joint Ventures was evidently stated by NEITI as a major challenge for NNPC, Nigeria's oil company.**
   The NNPC pays prohibitive sums to finance its share of upstream production costs. A minimum of N1tn has been deducted annually in the last three years from oil and gas gross revenues, yet this is still inadequate because, according to NEITI: "nearly half of JV production is conducted under alternative finance arrangements." These alternative financing arrangements, known as Modified Carry Agreements, have average finance charges of 8%.

$8.74bn

$8.7bn as the total subsidy payments between January 2011 and July 2012

2. **Fuel subsidy payments:** This refers to the amount of money which the FGN allocates for payment to independent petroleum products importers, or refineries in Nigeria, in order to provide support for consumers of these products within Nigeria. This subsidy is paid by the FGN through the Petroleum Products Pricing Regulatory Agency (PPPRA) into the Petroleum Support Fund (PSF). As was reported during the subsidy scam scandal, records of these payments are poorly kept. Therefore, due to the lack of an efficient method of calculating amounts due to each seller, some have collected more than they should, draining the treasury. collected more than they should, draining the treasury.

3. **Inefficient measurement of Crude Oil mined:** As NEITI points out, Nigeria evaluates production by measuring at terminals but not at wellheads of flow stations.
Around 10% of oil is estimated to be lost or stolen between these points, resulting in tangible revenue that falls outside of the grasp of the government, and by extension, ordinary Nigerians. A review report on the NNPC by PricewaterhouseCoopers (PWC) notes that $760m was recorded as pipeline and product losses within a 19-month period. This absence of proper evaluation methods in ascertaining the amount of oil Nigeria mines makes it difficult to quantify the actual losses recorded, and ensures that calculating the amount of crude stolen at source is impossible.

   In addition to that, various audit reports have shown that often, conflicting data is submitted by the various stakeholders involved in core areas of the extractive industry, especially in the production, lifting and refinery deliveries sectors. These areas are the crucial avenues where a conflict in data reporting and poor book-keeping practices conspire to ensure Nigeria's oil revenue base remains at a sub-optimal level.

4. **Discretionary deductions:** In the NEITI report for 2009- 2011, the sum of $1.746 billion was withdrawn from the Cash Call Account of the NNPC, without proper documentation of what purposes necessitated the deductions. Rather, ad hoc activities was the vague and inadequate explanation given for these substantial deductions. Also, in the PWC report,

there were payments for demurrage and port charges which were not substantiated with strong supporting documents. Arbitrary deductions such as pipeline protection and operational costs also stand a likelihood of being manipulated, to the detriment of the public purse.

5. **The utilisation of favourable exchange rates by the NNPC: About N98 billion** ($653 million) was lost by the FGN in the periods between 2009 – 2011 as a result of the favourable exchange rates being utilized by NNPC to pay back its debts to the FGN. NEITI and a couple of other bodies have raised an alarm over this practice.

46%

Percentage of revenue from domestic crude oil lifting which the NNPC retains as operational expenses

6. **Allocation of crude oil to the NNPC:** Some 450,000 barrels of crude oil per day are received by the NNPC for processing at Nigeria's refineries, yet the refineries produce less than that amount, leaving the NNPC with extra crude which is then exported. It has also been stated in the PWC report that the NNPC spent 46% of all revenue from liftings of domestic crude on itself within the review period; the auditors emphasise that this practice is unsustainable. Also, NEITI reports that about $866m was lost within 2009 – 2011 from arrangements relating to offshore processing, crude oil exchange and product exchange.

7. **Unclear and obsolete legislation:** Nigeria's petroleum industry is still governed by the 1969 Petroleum Act, with a newer Petroleum Industry Bill (PIB) spending over 1000 days at the National Assembly without being passed. In addition, some aspects of tax legislation in Nigeria are unclear, which has led to oil companies making beneficial interpretations of taxes that consistently result in reduced PPT and Royalty payments to the government. The tax regime of the Oil and Gas sector is one characterised by 'unregulated self-assessment.' This self-assessment regime has been abused by industry operators, including operating subsidiaries of Nigerian Petroleum Development Company, like the Nigerian Petroleum Development Company, which has refused to open its books to auditors.

   NEITI has listed several firms to illustrate this phenomenon, including Mobil and the Shell Petroleum Development Company, where these entities took improper tax deductions

Transparency

40/58

According to the Natural Resource Governance Institute ranking, “Nigeria received a "weak" score of 42, ranking 40th out of 58 countries.

Though showing a relatively strong performance in the Institutional & Legal Setting components, the contrast of a poor Enabling Environment score drives down Nigeria's prospects.

worth up to $604m. Noted was Addax Petroleum, which is reported as enjoying questionable tax and royalty rates, while other companies did not pay education taxes in full, owing up to $512million in taxes.

8. **Lack of transparency in the NNPC's transactions:**
Most of the transactions involving crude oil undertaken by the NNPC are often carried out using methods which require copious layers of fiscal dealings and complex calculations beholden to several bureaucratic whims, which result in greater opacity than is necessary for efficient operation. Hardly are simple, easily-comprehensible and reportable processes utilized. Examples of these possibly deliberately obfuscating methods include: alternative JV financing; product exchange contracts, offshore processing contracts; In-kind payments of operation tax and royalty debts.

9. **Other issues are recognized by NEITI** include the following: tax assessments submitted by companies do not match these companies' own internally-audited financial statements, implying that these entities are abusing capital allowances, in an attempt to reduce their tax liabilities. It has also been stated that the role of NNPC as a buyer, seller and regulator within the industry leads to conflict of interest and results in lost revenue for the Government.

   It is important that these issues, such as the capacity of government agencies to operate efficiently are considered. Most especially, the ability of government ministries and agencies to bring in all revenue and end arbitrary deductions must be enforced.

#AskQuestions

Will the new government remove fuel subsidy payments, which have gulped over N6tn in five years - an amount higher than the total capital expenditure of the Federal government over the same period?

Will import waivers and duties that cut back government expenditure be stopped, to raise Nigeria's revenue profile?

NON-OIL REVENUE

VALUE ADDED TAX

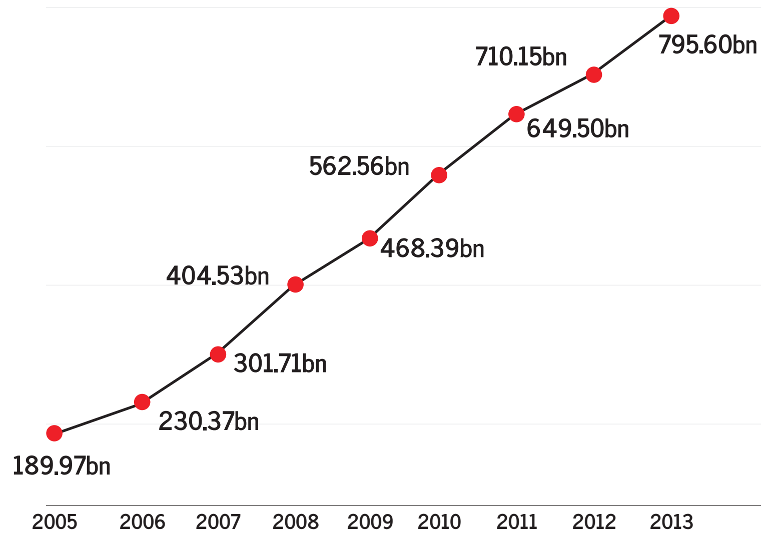
5%

Government revenue from VAT in Nigeria ranks among the lowest worldwide

Presently using the invoice method for VAT collection, Government Revenue from VAT is about the lowest in the world. At 7.67% of Total Government Revenue in 2013, when compared with 56% of government revenue in Bangladesh and 33.9% of government revenue in China, Nigeria is yet to fully unlock the economy-boosting potential of VAT.

Despite final consumption expenditure of households moving from N42tn in 2012 to N58tn in 2013 (a 38% jump), VAT income for the government moved up just 12%, from N710bn to N795bn.
Dismal as this may seem, VAT revenue was only 1.69% of final consumption expenditure in 2012, even declining to 1.37% in 2013, despite VAT rates staying at 5% of total consumption. All European and African countries rely on VAT as a main source of government revenue. Average VAT revenue collected by the EU countries amounted to 21% of total general government revenue in 2013. Denmark (VAT rates at 25%) draws the highest amount of resources, with VAT accounting for 10% of GDP.
Spain lies at the opposite end of the spectrum, with VAT rates at 21% in turn constituting 5.8% of GDP. If the Nigerian government were to achieve what Spain did with VAT in 2013, the projected revenue from VAT should have been N4.872tn, not the N795.6bn we celebrated in 2013.

ACTUAL VAT REVENUE



Source: Budget Office

16.2%

Average VAT rate in across 28 African countries

Many will affiliate the dismal performance in VAT collection with the informal nature of the Nigerian retail space. Most retail activities are largely fragmented and unregistered. Effective VAT collection entails ensuring a large proportion of all retail activity occurs within registered retail space. Another crucial factor is the VAT rate itself. The Nigerian Value Added Tax rate at 5% is one of the lowest in Africa and globally. According to research by PwC, the average standard rate of VAT across 28 African countries is 16.2%, while in the European Union it is 21.5%. Nigerians spend substantial amounts of money consuming goods that are under the VAT-exempt list, namely: basic food staples, Medical, Veterinary and Pharmaceutical Raw Materials, books, newspapers, infant products and magazines.

With regards to the GDP, Nigeria's VAT contribution is relatively low at 1.2%, compared to Lesotho, where VAT constitutes an average of 7.7% of GDP. The global economic meltdown in 2009 brought about devaluation, which had an impact on ensuring VAT collection rates as part of GDP increased from 1.66% to 1.88%, but dropped to 1.03% in 2010.

VAT rates

United Kingdom	20%
Japan	8%
France	20%
Nigeria	5%
South Africa	14%
Algeria	17%
Angola	10%
Indonesia	10%
Iran	6%

Source: Worldbank

#AskQuestions

Will the restructuring of the oil industry and the NNPC, which currently spends 46% of domestic crude sales on itself, improve government revenue?

Will there be a concerted effort to boost oil production and check the scale of oil theft in Nigeria?

Total value of Nigeria's imports

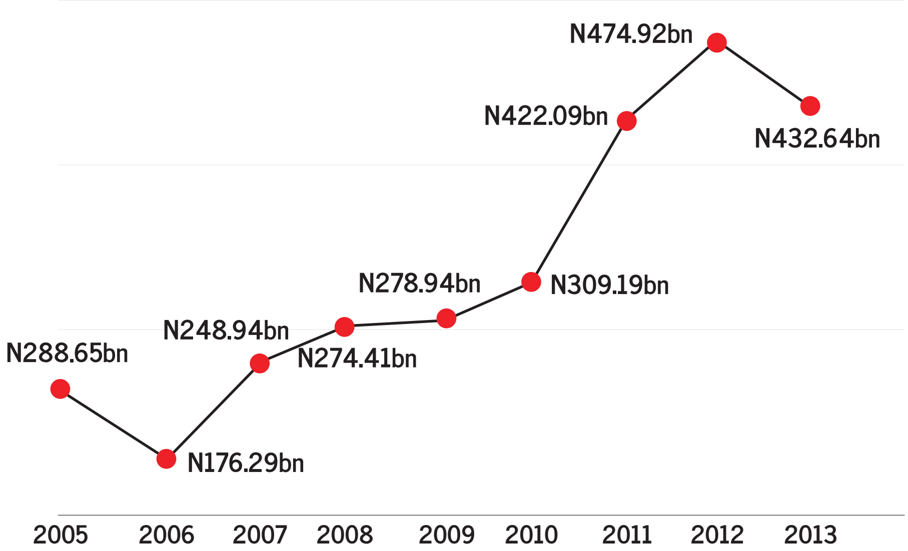
Source: NBS

CUSTOMS AND DUTIES

Africa’s largest economy uses tariffs on imported goods and services as a fiscal tool to boost its overall capacity and largely drive government revenue. Government Revenue from tariffs as a percentage of GDP has stayed at an average of 1.4% between 2005 and 2013. At about 4.17% of Total Government Revenue in 2013, Nigeria’s income from Customs and Duties looks similar to that of most emerging economies, including South Africa's (4.1% of revenue) and Brazil's (4.6% of government revenue).

Nigeria imported goods and services worth N9.6tn, N13.7tn, N9.3tn, N10.5tn in 2010, 2011, 2012, and 2013 respectively. When compared with government revenue from Customs and Duties which was at N309bn, N422bn, N474bn and N432bn in 2010, 2011, 2012 and 2013 respectively, then Tariffs on Imports as a percentage of total import bills have an average of 3.88%, between 2010 and 2013. In spite of reported widespread infractions and corruption in its ports of entry, Nigeria looks to be doing well, despite lower import bills relative to GDP. However, this revenue stream may soon come under strain, due to the adoption and implementation of the Common External Tariff by West African countries.

ACTUAL CUSTOMS DUTIES & EXCISE



Source: Budget Office

The implementation of the Common External Tariff (CET) by the ECOWAS, approved by the Extraordinary Conference of Heads of State and Government held in Dakar on 25 October 2013 – as well as all the statutory obligations that accompany it – now limits the medium term outlook of Nigeria, with regards to how she sets tariffs and duties on imported goods.

The CET of the ECOWAS is made up of five tariff bands where goods are taxed based on the category to which they belong. As such, essential social goods (medicine) classed in the 0 category are taxed at 0% with 85 tariff lines, while essential commodities, basic raw materials, capital goods, specific inputs, classed in the first category, are taxed at 5% with 2146 tariff lines. Inputs and intermediate products (classed in the second category) are taxed at 10% with 1373 tariff lines. Final consumer goods (classed in the third category) and specific goods for economic development (classed in the fourth category) will be taxed at 20% with 2165 tariff lines and 35% with 130 tariff lines respectively.

CET TARIFF BANDS

Essential Social goods (Including Medicine)	0%
Good of primary necessity, capital goods, raw materials and specific inputs	5%
Intermediate goods	10%
Final consumption goods	20%

Source: ECOWAS

The implementation of the CET by the ECOWAS Member States will ensure a status quo for a period of five years. During this time period, countries must effectively organize convergence towards a single rate, in order to ensure equal contributions from Member States to regional integration efforts. Nigeria may have to adjust its tariffs downwards, and that may impact strongly on revenue from Tariffs on Imports, which account for an average of 3.93% of Total Government Revenue.

Notably, imported Fully Built Unit (FBU) cars (where total tariffs are expected to rise to 70% under Nigeria's Automobile Policy) will now attract a tariff rise of not more than 20%, under the CET regime.

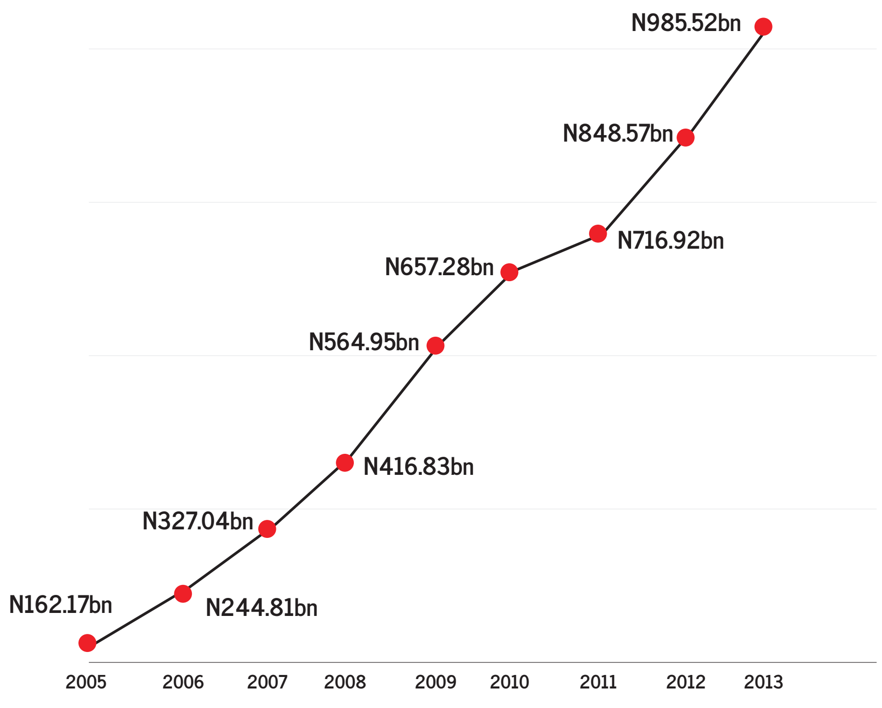
COMPANIES INCOME TAX

30%

Nigeria's Corporate Income Tax rate, one of the highest in the world

Nigeria's Company Income Tax rate, at 30%, is one of the highest in the world. The long-term benefits would possibly greatly outweigh the short-term costs, if rates are brought in line with the global average of 23% and revenue from other sources, especially the Personal Income Tax and VAT could quickly make up for the shortfall.

Ironically, without structural changes to Nigeria's current revenue collection and sharing formula, the Federal Government's non-oil revenue will dip significantly. This is because the Federal government is not allowed to collect Personal income Tax outside the federal capital territory of Abuja. It however collects VAT on behalf of the Federation but takes only 15% of net collection, which is a wide departure from the 52% share it receives on total Company Income Tax collected.



Source: Budget Office

In 2013, the corporate tax (which excludes petroleum profit tax) accounted for 9.5% of Total Government Revenue, despite a fraction of business activity that is being carried out by pass-through entities, waivers and exemptions, amid a decline in corporate sector profitability, due to factors including higher costs of borrowing and electricity.

Although Nigeria has one of the world's highest corporate tax rates, it however collects less in corporate tax revenue relative to GDP (1.22% in 2013) than the global average of 3.0% in 2013. In all, Nigeria's corporate income tax collection averaged 1.42% of nominal GDP between 2005 and 2013.

Concerted efforts should focus towards achieving a scenario where 85% of commercial activities in Nigeria including farms, retail outlets, artisans and construction workers all operate as corporate entities. Reducing corporate tax rates, especially for small-scale businesses, will move a substantial amount of tax revenue from the personal income tax bracket into the corporate tax bracket.

#AskQuestions

Will there be a drive to restructure how revenue generation agencies remit funds to the Federal Government?

How will Nigeria bring informal businesses into the tax bracket?

How will government convince the banking sector to support more funding for public projects under a partnership scheme?

SUGGESTED REFORMS FOR NON-OIL REVENUE

1. Implementation of a new value-added tax (VAT) code, by dropping the VAT-exempt list altogether and replacing it with a benefit system such as personal income tax credits for low-income earners and families with babies. About 62% of spending is on food, and food falls under the tax-exempt list.

2. Nigeria must register all businesses and persons for VAT purposes, and VAT-registered businesses can be natural persons or legal entities.

3. Nigeria must set the thresholds by law or via regulation, specifying at what turnover levels VAT registration becomes compulsory. For instance, by stipulating that transactions above N5,000 can only be legal if the goods/services providers (natural persons or legal entities) are registered for VAT purposes.

4. VAT-registered entities should be obliged by regulation or law to do business only with other VAT-registered entities. For example, a farmer cannot trade with a retailer until he/she is registered for purposes of VAT.

5. A review and implementation of the National Tax policy, as presented in 2010.

6. Simplify the Nigerian Tax law by translating it into local languages.

7. Draft, train and empower all relevant prosecuting agencies, to increase investigation, arrest and prosecution rates for tax offenders.

8. Set up a specialised Tax Court in all States of the Federation, to reduce administrative costs and speed up prosecution proceedings.

9. Waivers, Tax credit and exemptions should be included as a recurrent line (welfare) to reflect their status as a significant strand of government revenue and expenditure, and subjected to approval by the National Assembly.

WHAT ARE YOUR SUGGESTED VAT AND CIT RATES FOR NIGERIA?

Tweet @BudgITng
#Askquestions
#GrowNGRevenue

PUBLIC FINANCE REFORMS

THE BUDGET AS A POLICY DOCUMENT

Budgets come with grand targets and with certain policies that are a roadmap for how the government intends to fulfill its promises to citizens. Essentially, the government's agenda and the needs of the people must intersect, and in the best-case scenario more of the latter ends up represented and achieved in the final budget.

Analyses show that the Nigerian budget is prepared as a template, with the figures merely filled in year in, year out, by ministry officials. A casual look at the budget reveals the same items listed for consecutive years, with the same amounts of funds allocated.

One instance is seen in the Agriculture budget, where figures for seeds and fertilizers remain the same, without recourse to market trends or exchange rates. There is also the serial budget for roads in the Ministry of Works, all of which reveal the repeated production of budgets from worn out templates that do not take into account the realities of the public purse or the priorities of the people.

In the Budget, governments are universally known to routinely lay out lofty goals. In Nigeria's case there have been promises declaring that 3.5 million jobs will be provided for citizens within a certain period of years. Without steady revenue streams and transparent, accountable public servants, these goals will remain ink on paper. Beyond figures typed in and documents passed into law, how do we empirically show in the budget that government really means business, and a budget has been made in tandem with a realistic acceptance of the nuances that will affect its implementation? The best place to start would be with the articulation of all Budget plans (via public and private sector consultation), whilst also providing for sufficient resources to enable efficient and speedy implementation.

Capital Expenditure and special interventions in the budget should reflect the underlying structure of GDP output, or other growth levers of the economy and make these top priority. Agriculture is the biggest contributor to Nigeria's GDP at about 40%, and the sector also employs more people than any other industry in Nigeria. Spending on Agriculture must therefore be directed towards strengthening the sector's pressing needs such as increased mechanization, which will in turn mean an increase in jobs and a nation able to meet domestic consumption demands.

QUICK POINTS

1. The Federal and State Governments need to decide in cogent terms what sectors they intend to focus on, to propel growth. This must be backed by a factual assessment of resources needed to provide jobs for young people.

2. Job creation can be efficiently achieved by assessing areas of competitive advantage on a location basis, and showing in the Budget how government intends to leverage on geographical peculiarities to activate these sectors for the growth of the economy.

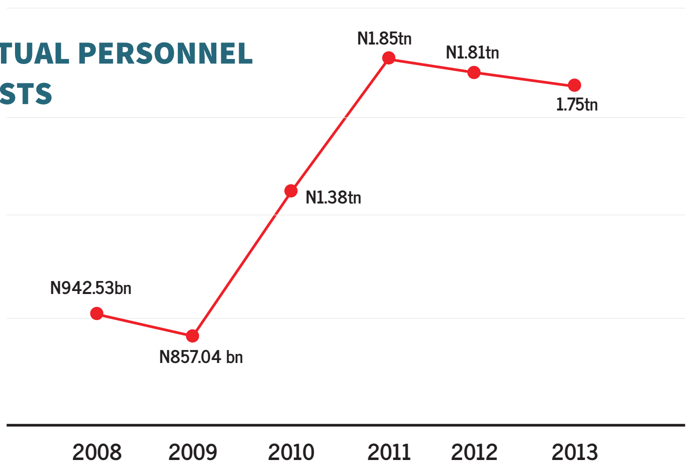
3. National and State agenda must demonstrate in detail the strategic focus of the government, and what resources will be allocated towards the Budget to ensure its fulfillment.

4. Performance contracts given by the President to Ministers must be in keeping with budgetary provisions, to enable subsequent routine assessment and prudent utilisation of resources.

PERSONNEL COSTS

Nigeria's personnel costs are astronomic, for a developing country seeking to expand its economy. To fully activate levers of development such as power and infrastructure, the government will have to cut its current costs significantly. A crucial fact is that the federal workforce is still riddled with the names of ghost workers, almost a decade after the Integrated Payroll and Personnel Information System (IPPIS) was launched in 2007. IPPIS was expected to eliminate payroll fraud and create a central database for a verified, streamlined workforce.

ACTUAL PERSONNEL COSTS



Source: Budget Office

QUICK POINTS

1. Sincerely review and implement the Steve Oronsaye Report, by removing government institutions and job functions that are a duplicate of existing ones, and merely a waste of public funds.

2 Run the Federal Civil Service with the utmost efficiency, where a periodic, critical appraisal of roles and skill sets is routine.

3. Hasten the IPPIS exercise, to endow all Ministries and Agencies with deft project management skills that remove all transition inadequacies.

4 Withhold an arbitrary increase of the present personnel costs of government. The focus should be on improving the service delivery level of the current workforce, and driving the capital development level of the country.

5. A prudent reduction of the salaries of public officials, and a constitutional limit to the number of their assistants and aides; these significantly contribute to the bloated personnel costs Nigeria is grappling with.

$6.354tn

Amount estimated as spent on the subsidy of petroleum products since 2010, when President Goodluck Jonathan assumed leadership
- Daily Independent Research

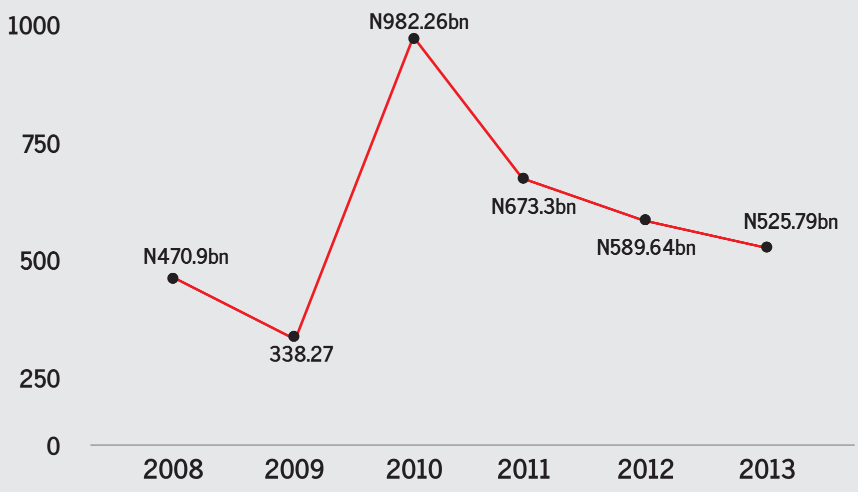
#AskQuestions

Will the government sell off part or its total share in Joint Ventures, to raise short-term cash to meet its escalating obligations?

OVERHEAD COSTS

Within the Budget are items with lower opportunity costs which should take a backseat, but instead get frivolous appropriation. The need to harness funds prudently and divert same towards capital projects expansion that unlocks revenue faster cannot be overstated. While there are repeated discussions to cut the waste in government, there are still no bullish attempts by civil servants and public officials to make tangible sacrifices for the common good. Most items in the overhead budgets need a drastic snips; an immediate savings of N100bn is projected, if government truly cuts down the frivolous overheads of its Ministries, Department and Agencies (MDAs).

ACTUAL OVERHEAD COSTS



Source: Budget Office

QUICK POINTS

1. A thorough stock-taking of the assets in ministries' and agencies' offices, to stall the yearly appropriation of vast funds to items in the Budget, such as computers, photocopiers and other office equipment which are supposed to be in use for a much longer period of time.

2. A restructured Federal Procurement Bureau, with streamlined processes and records easily accessed by FOI requests.

3. An inter-ministerial framework, which allows government to benefit from the bulk purchase of overhead items.

OPACITY OF GOVERNMENT DATA

Data in the hands and minds of citizens is key to driving civic participation, as well as the the comprehension of civic issues, which makes for informed discussions among peers and with leaders. Grey areas still exist in the Budget, where the light of Open Data has not reached. A major concern is the level of opaqueness in the statutory transfers of funds, which are first line deductions appropriated to the following independent government arms in Nigeria:

1. The National Judicial Council
2. The National Assembly
3. The Independent National Electoral Commission
4. The Niger Delta Development Commission
5. The Universal Basic Education Commission

The Budget Office of the Federation - unlike many States and local governments - publishes the Nigeria Budget Implementation Reports. Unfortunately, these reports, which should detail the country's spending on capital projects, only communicate some summarised figures and a few handpicked projects. Discussions are better-stimulated when information on all projects which funds have been released for is published. This allows citizens to subject the entire Budget to independent performance ratings, and provide valuable feedback. With the current structure, citizens are excluded from tracking the allocation of capital projects located within their communities.

QUICK POINTS

1. For citizens to properly contribute to governance within the right context, government has to imbibe data transparency.

2. A full implementation of the Treasury Single Account, which guarantees a unified structure for existing government bank accounts, and will tangibly reduce opacity in the reporting of government finances. There is also a need for an Open Data portal, to bring data from multiple sources of the Accountant-General's Office, the Central Bank of Nigeria, the Budget Office of the Federation, the Bureau of Public Procurement, RMAFC and other related agencies together, in an Online database, for increased fiscal accountability.

3. Reports on capital project implementation need more details, with clear specifics on the names of projects and the funds

released, to enable independent bodies assess the scorecard performance bestowed on MDAs.

4. Strengthen support for the legislature and civil society in their role as pivotal stakeholders appraising government project performance and Budget processes.

5. Institutions covered under statutory transfers, that receive and manage public funds must release a full breakdown of monies in their budgets, not aggregate figures, as currently found in the Budget.

DEBTS

Debts are used to bridge the deficit between actual expenditure and revenue within a certain period. It is often said that debts acquired by a State are a tax on the unborn. After paying off huge debts and exiting the books of the London and Paris Clubs, Nigeria has seen its domestic debts rise on a linear level. Domestic debts rose by 23.5% in 2011. Relative to its peers, Nigeria’s debt has stayed low, at 17.8% of the GDP. However, current concerns exist about what impact domestic debts (with a yield of 13-14%) have on muscling private capital within the economy. A potential worry is the cost-benefit analysis and transparency level of the projects which funds are being expended on.

QUICK POINTS

1. A thorough Debt Sustainability analysis of Federal Government debts and the accurate publishing of all internal debts owed by States is imperative, to gauge their level of indebtedness relative to current revenue levels.

2. Make available a clear list of projects to be funded by debts, within the Budget. This includes projects' life-cycles, and a clear rationale of the cost-benefit analysis for citizens.

3. Staying within the limits of the Fiscal Responsibility Act, in terms of our fiscal deficit to GDP ratio is crucial, as government's main source of revenue is tied to oil, a commodity whose price is volatile.

PROCUREMENT REFORMS

The laws, and legal provisions that guide the Nigerian budget need to be properly followed, to ensure a smooth passage and implementation of the Budget. Over the years the Government, through its agencies, does not comply with the full codes of the Budget. The major laws that guide the Budget and its implementation include:

- The 1999 Constitution
- The Public Procurement Act
- The Fiscal Responsibility Act

A breach of these legal provisions regarding the Budget is shown in the MTEF* process, which does not include macroeconomic projections such as targets for growth, interests rates, inflation and exchange rates. This does not conform to the Fiscal Responsibility Act.

The late presentation of Budget Implementation Reports is also worrisome, leaving little time for citizens to verify projects done by governments before tenures come to an end. We hope scenarios like the early presentation of budget in 2013 will be a continuous exercise.
*Medium Term Expenditure Framework fiscal paper

QUICK POINTS

1. A reassessment of Budget documents and processes, as well as benchmarking their compliance with existing laws.

2. Restructuring the procurement process and its present constitution. Boards especially should be empowered to approve contracts, rather than the Federal Executive Council.

3. Ministries, Departments and Agencies need to be brought up to speed during the procurement process, ensuring more efficient and transparent outcomes.

4. The Government Integrated Financial Management Information System (GIFMIS) must be rapidly adopted across all government institutions, to ensure they profit from the benefits of maintaining a single treasury account which closes the loopholes that typically result in a mismatch of reporting figures.

5. Strengthening the capacity of the Bureau of Public Procurement and all internal monitors, for a fair and transparent bidding system.

6. Publicly available standard pricing benchmarks for public goods, works and services.

7. Nigeria needs publicly available minimum requirements for the delivery of public services; e.g the basics of what every primary healthcare centre should have, or a breakdown of the services to be received once a citizen accesses a primary health care centre. This will create a yardstick for standards, and accurate civic assessment.

8. Every public contract should have clear specifications about the work to be carried out, with an itemization of all services that will be functional upon contract execution. All stages of contract execution should be noted as milestones and time-lines, with all of this information made publicly available.

9. Annual approved Budget estimates, the procurement plan listings and the final price of contracts awarded should be listed. These should adhere to uniform data presentation standards, to ensure that appropriation of funds is easily linked to final expenditure. The reports should also be publicly available, so that every citizen knows how much is saved - or wasted- on each line item in the Budget.

10. It should be made clear, whether Budget Performance reports only cover projects where funds have been released. This means contract performance evaluation reports must be provided as well.

AUDIT REFORMS

In the budgeting system, it is important to think through the Budget process, which is not complete without a thorough audit report that adequately addresses infractions in the expenditure of public finance. BudgIT has been vocal about concerns that audit reports are not publicly available. To achieve a well-rounded performance of the Budget, both the Budget and a subsequent audit report/statement must be accessible by citizens.

SPECIAL ACCOUNTS

16/100

Open Budget Score
Nigeria noted as providing scant information to the public in its budget documents during the year (2012)

There are three special accounts whose balances are derived from the Federation Account. They are: the Stabilization Account, the Ecological Account and the Ecological Account.

According to the existing revenue allocation formula which took effect in January 2004, the FGN is entitled to 52.68%, States get 26.72%, LGAs get 20.60% and there is the derivation of 13% for mineral resource-producing States only.

The Breakdown of the Federal Government's share is given below:

Federal Government	48.5%
FCT	1%
FGN Share of derivation Ecology	10%
Stabilization Funds	0.50%
Development of Natural Resources	1.68%

ECOLOGICAL FUND ACCOUNT

The Ecological Fund is paid into an account managed by the Federal Government, and expected to be used to manage ecological disasters as they arise. This fund is subject to the President's discretion, and the National Emergency Management Agency (NEMA) is entitled to 20% of payments to the Ecological Account. However, there have been cases of outstanding remittances to NEMA and the use of these funds as loans for the Air Force; for funding budget deficits, for the provision of engineering infrastructure to Kubwa/Karshi satellite towns in Abuja, and the development of the Abuja Downtown Mall. The purpose for which this account was created has been constantly abused.

NATURAL RESOURCES DEVELOPMENT ACCOUNT

According to NEITI's Audit Report, “the Natural Resources Development Account was established to develop alternative mineral resources. The drive was to reduce the reliance of the Nigerian economy on petroleum. The account was set up to develop the alternative natural resources in each state of the Federation."

However, it is a shame that this account has been used for servicing budget deficits; for fertiliser procurement; paying the salary arrears of staff of the Power Holding Company of Nigeria and even to purchase a new Head Office for the National Pension Commission.

STABILIZATION ACCOUNT

NEITI reports that "the Stabilization Fund generally refers to the mechanism set up by a government or central bank to insulate the domestic economy from large influxes of revenue, as from commodities such as oil."

Most of the deductions from the stabilization accounts are discretionary loans appropriated to selected Ministries. According to NEITI, it is advisable that appropriate steps are taken to recover the outstanding loans.

INDEPENDENT REVENUE AGENCIES

The Independent Revenue agencies currently hide under the Fiscal Responsibility Act, abusing the 'operating surplus' term to remit too little to the Federal Government. Under the current structure, the government agencies collect all monies on behalf of the Federal Government, pay for their operations and then remit the balance, knownas "Operating Surplus" back to the Federal Government Consolidated Revenue Pool.

The Federal Government has nearly 600 agencies, whose portfolios cover central and mortgage banking, maritime administration and safety, media, insurance, oil and gas, air and sea port management, to mention a few. According to a report by the National Assembly Budget and Research Office (NABRO), "all the agencies under study generated the sum of N12.24 trillion internally between 2009 and 2012."

The NABRO report also notably states that "these agencies control trillions of Naira, but paradoxically, they account for only 5% of the Federal Government budget deficit financing. Most Government-owned industries and enterprises are operating at below optimal levels of capacity and are among the least efficient in the world. It is therefore not surprising that only few of the agencies were recording profits/surpluses, and hence earning low income for the Federal Government."

There is a structural deficiency in allowing government agencies to collect funds and then proceed to potentially spend same in a frivolous manner before remitting a lower share to the Federal Government.

Panelists' Feedback from Inaugural Post Election Discussion event

This event, which took place on the 8th of May, 2015 had informed perspectives on fiscal and monetary issues from a panel of distinguished speakers. Key recommendations from the event are highlighted below:

Keynote Speaker
Dr. Yemi Kale, Statistician-General, National Bureau of Statistics

1. **Value added Tax rate is very low**: Government can expand revenue by increasing VAT rates and focusing on sub-sectors with low VAT collection rates relative to GDP. Agriculture has the lowest VAT collection rates relative to its economic contribution, donating 0.11% to total VAT, but 18.45% to GDP. Professional Services contribute the highest VAT relative to GDP, with 13.69% of total VAT, and 3.69 of total GDP

2. **Bridging the 17million Housing Deficit (affordable housing):** Real Estate contributes 8% to Nigeria's GDP, with growth rates presently at 12%. The possible constraints to this sector are a lack of adequate Finance (access to mortgages), cheap building supplies and skilled labour. Government stands to gain more in VAT collections, given that the Properties and Investment sector, as well as the Building and Construction sector falls under those which are lagging, in terms of VAT collection relative to GDP. A formalisation of the Real Estate sector, whilst solving the listed constraints, will markedly increase the sector's potential for government revenue growth.

3. **Intellectual Property rights protection and the war against Piracy:** The Nigerian movie industry, as the world's 2nd largest, holds significant opportunities for VAT. This industry constitutes 1.4% of Nigeria's GDP, but is growing at an exponential rate of 24%.The challenges of piracy, the overwhelmingly informal nature of Nollywood and its practitioners' non-registration with regulators should be evaluated and reformed.

4. **Formalization of the informal sector**: According to Dr Kale, the ratio of businesses in the informal sector to those in the formal sector is about 60%:40%. Dr Kale proposes that the formalization of the informal sector is a significant way Nigeria can widen the tax net to boost revenue. This is because effective taxation of income can only be achieved within the formal sector.

5. **Labour Law Reform:** Policy makers must look at the conditions in the labour market and the ability of workers to bargain for higher salaries. Higher incomes result in higher spending, which in turn leads to high VAT receipts, higher personal income tax and higher corporate income tax.

6. **Tax policy Reforms (Firms within the tax system):** The government's policy drive should be directed at expanding production output. Companies currently paying taxes will remit more into the public purse in the long-term not by an increase in tax rates, but by enabling laws that allow them to expand output to meet local demand as well as export, with a primary focus on continental trade.

7. **Tax policy Reforms (Entities outside the tax system):** Policy direction should introduce severe penalties, creating disincentives that deter tax evaders. Entities under-reporting output should also face grievous legal consequences.

Opeyemi Agbaje, CEO RTC Advisory Service

1. **Taxation, in tandem with government accountability:** Government should lead by example, by becoming more accountable to Nigeria regarding expenditure and revenue, as well as its policy direction(s). Government should do all it can to regain the trust of the populace.

2. **Lowering of Tax rates:** Mr Agbaje terms Nigeria's tax rates "unrealistic," saying to widen the tax net, the country should lower tax rates across the board. He believes most Nigerians presently pay tax, even though not all tax ends up within the government's coffers, citing the informal sector, where market women, Taxi drivers, Motorcycle Taxi "Okada" riders, etc pay significant amounts of tax to various collectors, daily. Lowering tax rates and unifying the collectors will encourage citizens and corporate bodies to pay tax, thereby resulting in enhanced taxpayer figures. Simultaneously, as the economy grows, government revenue grows.

3. **Diversifications (export perspective): Policy should be directed at diversifying the economy:** more focus should go to the exportation of products and services Nigeria has a competitive advantage in.

4. **Private Capital for commercial activities:** Borrowing for self-sustaining infrastructure and investments should be cautiously leveraged. Nigeria should stop investing its scarce revenue in the petroleum industry through the NNPC, airports and power sector.

5. **Long term development finance for social infrastructure:** Long-term development finance should be used to build infrastructure in the Health, Education and other Social service sectors.

6. **Develop Solid Minerals:** Investment in the solid mineral sub-sector of the economy will help diversify government revenue base. This will further diversify Nigeria's export base impact on employment and boost government revenue..

7. Formalize the retail sector, to increase taxation

8. Fight corruption and cut waste in government

9. **Fuel Subsidy:** Nigeria should halt the subsidy on fuel, while gains from subsidy removal should be channelled toward investments which cover the petrochemicals industries and refineries, for instance.

10. **Power:** Outside the privatization of the power sector, Government must ascertain the level of existing and needed infrastructure for this sector and provide remedies: these include power transmission infrastructure and gas infrastructure. Fixing the power sector will remove a chief impediment to doing business in Nigeria, again create much-needed jobs and shore up government revenue.

11. **Oil and Gas:** Gas flaring and oil pipeline vandalism must be stopped nationwide, in oil-producing regions as well as in areas where pipelines merely run through.

Olufemi Awoyemi, CEO Proshare

1. Autonomy in MDAs: Mr Awoyemi proposes that the often-abused "autonomy culture" in the Nigeria's MDAs is now a burden on the State and should be reversed, especially at key government institutions including the CBN, NNPC, NPA and SEC. This is because the motivation for granting autonomy to some MDAs is to ensure duties are executed without fear or favour. However, some MDAs abuse the privilege, spending or retaining money without recourse to budgetary provisions.

2. Transparency and Accountability: The government should open its books, to allow for institutional and public scrutiny, and should be more accountable in general, to regain the trust of the populace. Only then will the incentive to pay tax become normal to citizens, who feel a corrupt government has no moral justification to collect taxes it will fritter away.

3. Policy formulation: Policy direction should be viewed and embarked on from an economic standpoint, not from a political perspective.

4. Nigeria Tax Rates: Nigeria must adjust tax rates lower and drag more people into the tax net.

Jonathan Rosenthal, The Economist's London-based Africa Editor

1. Increasing tax collection: Nigeria should diversify government revenue away from volatile crude oil, and focus more on tax collection. The country is not a high tax environment and should therefore increase tax rates and its collection drive which trails behind, when viewed in relation to economic output.

2. Port system reform: Nigeria must reform its port system – bringing the time required to clear goods within the region of 2 hours.

3. Diversifying: Nigeria must fix its infrastructure, power, roads etc to witness accelerated diversification of her economy.

Ronke Onadeko CEO, Deltr Energy

1. Funds Management: Ms Onadeko suggested government monitors leakages, mismanagement, over-budgeting and over-spending in all sectors. She believes Nigeria has the funds and resources to boost the economy and generate revenue; also suggested funds must be efficiently managed.

2. Nigeria should stop Fuel subsidy. It is one of the largest drains on foreign exchange and government revenue. The funds from this should be channelled into capital projects in Nigeria's communities.

3. Cut the National Assembly budget. N150 billion per annum is needlessly huge, and should be seen as a waste in government.

4. Responsibility of States to their Representatives: Ms Onadeko suggested each State government funds its representative in the National Assembly (NASS), to reduce over-budgeting for NASS, the misappropriation of funds and also to curb ostentatious spending by Representatives and Senators.

5. Nigeria needs to find other ways to compensate political financiers - and stop political patronage, which often occurs to the detriment of the growth of the economy.

Taiwo Oyedele, Partner and Head of Tax and Regulatory services, PricewaterhouseCoopers

1. Petroleum industry reform

2. Bring the cost of collection of tax revenue in line with global standards of 1%

3. Transparency levels in the administration of waivers and other incentives in the oil sector, must be evaluated and boosted.

4. **Declare a Tax Amnesty and embark on taxpayer awareness campaigns:** As an incentive to bolster taxpayer numbers and allow for honest self-appraisals.

5. Cut graft in tax administration

6. Block tax leakage and streamline tax incentives.

7. In response to a question asked by an audience member, Mr Oyedele proposes ascertaining the number of taxable individuals in each State, and utilising technology which enables efficient tax collection, as a means of shoring up States' revenue.

Austin Ndiokwele PFN Program manager, DFID

1. **Single Treasury Account:** Nigeria must expedite the transfer of all revenue into a single account and promote effective cash management by using immediate need as its main measuring metric. This should cut profligate spending in government.

2. **Revenue generation and Efficiency**: Government should not merely focus on revenue generation, but also work to reduce inefficiency in all administrative duties, as well as enact incentives that encourage people to do the right thing. The incoming government will have to focus on the cost of governance.

3. **IPPIS**: Adoption of the Integrated Payroll and Personnel Information Systems will open the government workforce to a realistic perspective of the number of ghost workers in each sector, cut down the duplication of roles and also reduce unnecessary spending in sectors of the economy served by civil servants.

4. **Institute the Public Procurement Council.**

Ifeanyi Peters Program Manager, SPARC

1. **Strong Performance Management system:** Nigeria's government at all levels should set plan-led key performance indicators and simplify these, for easy understanding by stakeholders and the general public.

2. **Alignment between planning and spending:** Nigeria needs to merge the functions of the Budget Office with that of the Planning Commission to ensure purposeful, prioritised government spending**.**

3. Reform systems that regulate businesses out of business.

4. Nigeria should reduce tax rates to expand the tax net.

Vincent Nwani Head of Research and advocacy, Lagos Chambers of commerce and Industry

1. Policy should prioritise the overall fiscal health of taxpayers, and not be solely directed at the government's revenue drive.

2. **Fees and Fines:** Fees, fines or tax in kind which are levied on Nigeria's already struggling Manufacturing sector should be stopped**.** The country should weigh the largely unreported revenue squeezed out of manufacturers against the larger gain the economy gets if the growth of the manufacturing sector is made a primary policy initiative of the government.

3. **Consolidating Regulatory agencies**: Businesses must be spared from their current ordeal, where they must endure frequent visits from up to 24 regulatory agencies, including NAFDAC, FIRS and SON. These visits are sometimes accompanied by the shutdown of factory production lines, result in poor time management, as well as infractions caused by regulatory agencies forcing manufacturers to bear the cost of shortfalls in budgetary allocations, etc. This is a burden on manufacturers, and a strong disincentive to start a business in Nigeria. On the Government side, sending multiple agencies to a manufacturer is a waste of scarce resources, which in part explains the huge overheads seen in government.

4. Ensure transparency in the issuance of tax holiday and waivers.

5. Petroleum industry reform

7. Using Pension funds to finance infrastructure investment.

APPROXIMATE COSTS OF KEY PROJECTS IN BUHARI'S MANIFESTO

1. Small Business loan Guarantee Scheme

N10tn
Take-off fund needed

The incoming government promised Small Business Loan Guarantee Scheme to create at least 5 million new jobs by 2019. An average cost of creating a sustainable job is put at N2Million. Convincing lenders to issue loans to business with little or no record will require a lot of political will with potential 65% failure rate among SMEs. The Nigerian Government might end up assuming debts in the region of N6.5tn.

2. National Identification Scheme

N100bn
Take-off fund needed

According to INEC, it takes about N1,300 to produce and distribute Biometric Voters card. To give every Nigerians a national Identity card, An investment of N100bn is needed.

3. Regional Growth Fund

N300bn
Take-off fund needed

To balance the Nigerian economy across regions by the creation of 6 Regional Economic Development Agencies (REDAs) to act as sub regional hubs in order to promote healthy regional competitiveness, will put in place a N300bn Regional Growth Fund with an average of N50bn in each geopolitical region; to be managed by the REDAs, to encourage private sector enterprise and to support places currently reliant on only on the public sector, to migrate to a private sector reality.

4. National Mortgage -Single digit Interest Rate

N16tn
Take-off fund needed

To create additional middle class of at least 4 million new homeowners by 2019 by enacting national mortgage single digit interest rates for purchase of owner occupier houses as well as review the collateral qualification to make funding for home ownership easier, with 15 to 30 year mortgage terms. This will equally help the banking system migrate from short to long term perspective of their role in sustaining the economy. At a cost of N4m as take off fund per house, N16tn is needed.

N1.25tn/yr
Take-off fund needed

5. **Conditional Social Welfare program**

Create a Social Welfare Program of at least Five Thousand Naira (N5000) that will cater for the 25 million poorest and most vulnerable citizens upon the demonstration of children's enrolment in school and evidence of immunisation to help promote family stability.

N65bn/yr
Take-off fund needed

6. **Unemployment allowance**

Provide allowances to the discharged but unemployed Youth Corps members for Twelve (12) months while in the skills and entrepreneurial development programmes.

N250bn
Needed as take off fund

7. **Agricultural Commodity Trade board**

Guarantee a minimum price for all cash crops and facilitate storage of agricultural products to overcome seasonal shortages of selected food crops.

N18tn
Take-off fund needed

8. **National infrastructural Development programme**

N8tn for the 5000 km superhighway, N10tn for the 6800km modern railway embark on a National Infrastructural Development Programme as a Public Private Partnership that will (a) ensure 5,000km of Superhighway including service trunks and (b) building of up to 6,800km of modern railway completed by 2019.

N100bn
Take-off fund needed

9. **Petroleum refinery**

Revive and reactivate the minimally performing Refineries to optimum capacity;

N438bn/yr
Take-off fund needed

10. **One Meal per Day**

Provide one meal daily for all Primary School pupils. That will create jobs in Agriculture, Catering, and Delivery Services, at a cost of N50 per day for 24 million primary school pupils.

N120bn Take-off fund needed	11.	**Six new Universities & various Satellite campuses** Establish at least six new Science and Technology universities, with satellite campuses in various States. The six universities will be fully equipped with ICT technologies, in order to attract and encourage graduates to become small and medium scale ICT entrepreneurs upon conclusion of their university education.
N36bn Take-off fund needed	12.	**New technical colleges and Vocational centres**
N6bn Take-off fund needed	13.	**Special Educational needs: Centres of excellence** Establish six centers of excellence to address the administrative and infrastructural needs of Nigeria's special education needs sector.
N8.8tn/yr Take-off fund needed	14.	**National health expenditure** Increase the number of physicians from 19 per 1000 population to 50 per 1000, through deliberate medication education, as epitomized by other nations, including Ghana. To increase national health expenditure per person per annum to about N50,000 (from current estimates of less than N10,000).
N500bn Take-off fund needed	15.	**World class hospitals** Increase the quality of all federal government owned hospitals to world class standard by 2019
N20bn Take-off fund needed	16.	**The Great Green wall** Create shelter belts in States bordering the Sahara Desert, to mitigate and reverse the effects of the expanding desert.
N5.4tn Take-off fund needed	17.	**Electricity (generate, transmit and distribute 20,000MW)** Generate, transmit and distribute 20,000MW of electricity on a 24/7 basis, whilst simultaneously ensuring the development of sustainable/renewable energy by 2019

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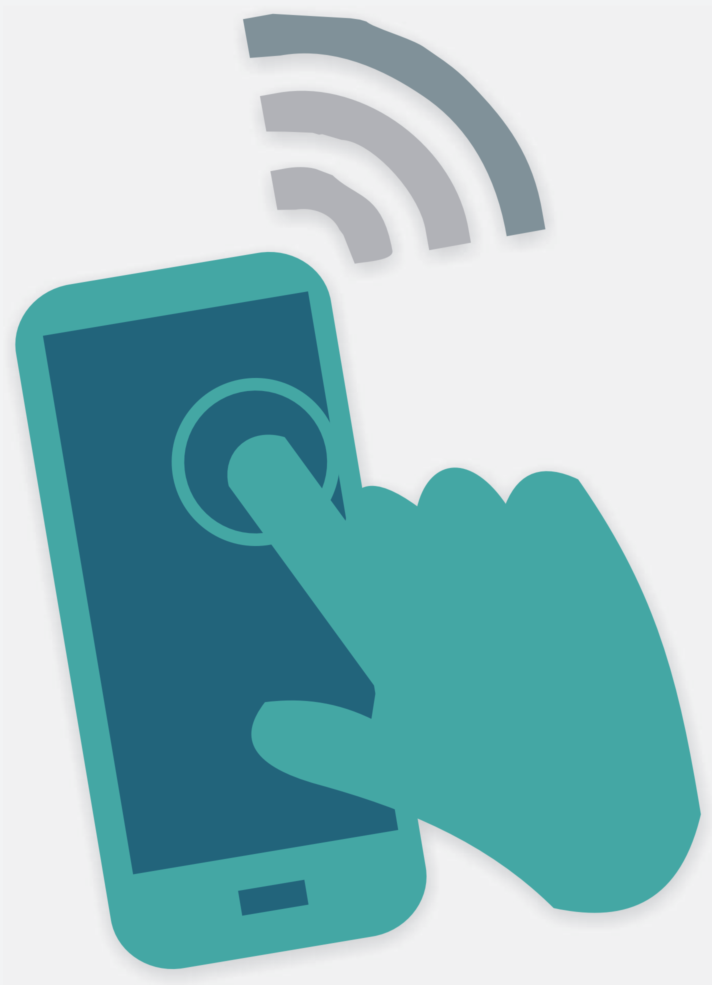

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