THE NIGERIAN ECONOMY
A SHORT HISTORY OF HOW OIL PRICE AND PRODUCTION SWINGS DETERMINE THE FATE OF A NATION
About BudgIT

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A TALE OF LOST CHANCES

On the face of it, there is nothing exceptional about Nigeria's current economic crisis; it is simply the manifestation of years of the State’s dependence on revenue from the volatile commodity that is crude oil; a persistently unhealthy domestic business environment; external trade shocks; wilful dysfunction between fiscal and monetary policies; weak institutions and the lack of a diversified exports policy to boost foreign exchange earnings. What is exceptional is that Nigeria somehow managed to hold out for this long, before the bust.

Most countries whose governments depend on oil have experienced the rollercoaster ride that is trading in Crude, with the most prudent ones such as the United Arab Emirates and Norway proactively building fiscal buffers to manage any accompanying market shocks.

The fate of the Nigerian economy is indefinitely tethered to the inevitable swing in oil prices, given that oil remains a major export commodity. In-country, most manufacturers depend on foreign exchange earnings from the oil sector to acquire spare parts, procure machines and expand capacity.

Prior to the civil war, Nigeria was mainly an agrarian economy, running a regional system of government where regions contributed a percentage of resources to the parliamentary central government. These regional governments, despite relying on external donations for projects, were sustainable; they all had recurrent surpluses (based on internal revenues) to cover their recurrent expenditure.

This meant that there was no such occurrence as is being witnessed today, where 27 of 36 States struggled to pay salaries based on a drastic drop in Federation Account Allocation Committee (FAAC) disbursements. The regions were a creation of the unitary system of government formed in 1966. In that year,
1966

The entire Federation ran a surplus budget of £18mn, with the Federal government and the Northern Region having the highest amount of extra funds in their coffers. The Western region spent almost all its entire revenue on recurrent expenditure, a bellwether of an expansive social policy that prioritised education and health programs. The fiscal dynamics of this period show an even split along economic and social projects, with a focus on building dams, bridges and schools. Capital expenditure was also amply financed from borrowings and internally-saved funds, budget surpluses and transfers from the Federal government.

1970

Just less than half a decade later, in 1970, the dynamics of Nigeria’s economy changed, as average oil production rose to 1.08 million barrels per day, heralding a new era of Crude-driven government earnings. Despite the rise in oil production, Crude prices at $3.407 in 1970; oil revenue was a mere 26.2% of Total federally-collected revenue, which rose from N448.8mn in 1970 to N1.4bn as at 1972.

In 1973, the start of the Arab Oil Crisis made the price of Crude quadruple, from $4.73 in 1973 to $12.21 per barrel in 1975. By the end of 1975, it was evident that Nigeria was willing to let Crude take the lead, with oil accounting for 77.5% of government revenue. The influence of this hitherto relatively insignificant hydrocarbon resource suddenly grew within a decade, as global interest in the oil and gas sector skyrocketed.

A strong case exists for the argument that the seed for Nigeria’s obsession with, and longstanding reliance on Oil started with the price glut of 1973; as Arab nations shut down production, Nigeria’s Sweet Crude blend fast became the toast of the industrialized world.
GOVERNMENT REVENUE PATTERN

Non-Oil Revenue | Oil Revenue

HIGHLIGHTS: THE 1970s

Source: CBN Statistical Bulletin
As Oil flowed out of Nigerian soil and returned as foreign exchange into the country’s purse, in 1972, the government notably expanded its spending with the “Udoji award,” named after the Jerome Udoji Commission report which led to various policies, including a rise in public servants’ salaries. Mainly on the back of Oil, government revenue grew from N631mn in 1970, to N5.5bn in 1975. During this period, Nigeria’s debt also expanded significantly; from N756.4m in 1970 to N3.72bn in 1975, caused by a sudden jump in the value of imported goods and services.

The beginnings of Nigeria’s addiction to Crude revenue likely went up a notch at this time, as the government’s policy thrusts were seemingly based on the assurance of a continuation of the Oil boom. Two things illustrate this point: rather than invest earnings in the diversification of export and public revenues, leaders favoured a bloat in Recurrent Expenditure, which rose from N963mn in 1973 to N2.73bn by the end of 1975 - a 183% increase over just two years.

Secondly; the government also created more States, expanding bureaucracy at all levels and unwittingly establishing the foundations for the ghost-worker syndrome that blights Nigeria’s civil service till date.

This increasing dependence on black gold persisted, and by the time the military government prepared to handover to civilians, Federal government spending ballooned by 196% over a five-year period; from 1974 levels of N2.7bn to N8bn in 1978.

Nevertheless, Nigeria kept up it public spending figures, in tandem with public debt - by 1980, Total government spending topped N14.98bn.

In 1981, Crude prices averaged $35.75 per barrel, as against $14.95 per barrel in 1978. However, Nigeria’s production numbers plummeted to 525.5 million barrels per annum, from 1979 levels of 752.2 million barrels, tilting the economy towards a recession.
In spite of this sag in oil production and a mild Oil price crash in 1982, the Nigerian government continued enlarging its debt profile.

By and large, the government prioritized agriculture and steel projects which were scattered across the country, borrowing heavily to build them. Foreign debt came to N8.8bn in 1982, from N1.25bn in 1978, and Oil revenues which rose to N12.35bn in 1980, sunk to N7.81bn in 1982. This slide persisted, with Oil production figures plummeting in 1986, taking Nigeria down from the peak production levels enjoyed in 1979.

These trends culminated in a lack of confidence in the Nigerian economy and massive capital flight—estimated at US$14bn between 1979 and 1983.
By the mid-1980s, Nigeria’s currency was presumed to be overvalued, and foreign exchange reserves lay in a relatively weak position. The country began to ration foreign exchange, and placed a series of tariffs on imported materials. General Buhari’s government put up tight restrictions on currency control but this did not stop a slump in the economy.

General Ibrahim Babangida seized power via a military coup, and the presumption was this government had the opportunity to confront Nigeria’s worsening economic realities using a more open, pragmatic approach. However, oil prices nosedived in 1986,
reducing by 46.36% from an average of $26.92 per barrel in 1985, to $14.44 per barrel in 1986. Under Babangida, Nigeria adopted measures that included the Structural Adjustment Programme. Yet, increasing levels of corruption, poor economic advisers and unrestrained inflation due to poor monetary policies deprived Nigeria of tangible infrastructure and social development, as well as other gains that should ordinarily come with oil production.

Dual exchange rates created colossal rent-seeking, with many cronies of the ruling elite buying forex at the official rate and reselling at four times the value in the black market. Corruption became institutionalised, and as soon as General Abacha announced himself Commander-in-Chief to the sound of martial music, he brought all the controversial privatisation programs of the Babangida government to a halt. Abacha reduced the inflation rate of 57.165% inherited from the Babangida administration to 9.96%, between 1993 and 1998.
However, General Abacha presided over the illegal transfer of foreign reserves and his human rights record gradually turned Nigeria into a pariah state with a collapsing economy, where rising costs of business shrank the manufacturing components of the country’s revenue base.

Oil, Nigeria’s primary commodity, was priced under Abacha at an average of $17.39 per barrel, yet the country became a perpetual importer of petroleum products, as all her refineries packed up.

Abacha’s death led to the end of military rule, and Olusegun Obasanjo was elected President amid low oil revenue and production, weak public revenue, patchy reserves and huge external debt servicing costs. Though the price of Brent averaged $17.9 per barrel, Obasanjo however confronted the looming crisis of external debt and successfully negotiated a relief package with the Paris Club of creditors, leading Nigeria to make a payment of $12bn.

Noteworthy is that Obasanjo’s government enjoyed an uptake in oil pricing, as well as a series of monetary and fiscal reforms that resulted in Nigeria’s external reserves growing to hit $45bn in 2006. However, civil unrest in the Niger Delta, and post-2007 election violence created an Oil production crisis for Nigeria, with annual crude production dropping from a peak of 918.96 million barrels in 2005 to 768.7 million barrels in 2008. The consequences on the Treasury were further exacerbated when Brent Crude prices dropped from $147 to $43 per barrel in 2009.

The presence of fiscal buffers such as the Excess Crude Account helped the government weather the storm, but a sharp rise in oil prices in 2010 speedily brought the economy to greater viability. Successive President Goodluck Jonathan’s government also witnessed relative oil price growth, as the hydrocarbon sold at $100 for over 42 months.
The hallmark of all governments since Nigeria’s return to democracy was that though the economy grew above 5%, endemic corruption (mostly through public contracts and oil subsidies) meant prosperity eluded the vast majority of the population.

In 2016, under current President Buhari, Nigeria’s economy tipped into recession, largely due to Oil price slumps and a trailing off of production. Despite recent reports that Nigeria is out of recession, the country’s economy continues to suffer from its vulnerability to oil pricing, production swings and endemic corruption, as well as poor visioning that continually subvert sits potential to uplift the living standards of its citizens.
UNLOCKING THE CAUSE OF THE ECONOMIC DOWNTURN OF 2016
The Structure of the Nigerian Economy

Starting out in 1960, with approximately 45 million people and an agro-based economy, Nigeria has evolved over the last 56 years into a relatively service-driven economy, enduring economic recession, civil war, political unrest and social challenges.

About 63.5% of all economic activity in Nigeria was dominated by Crop production, Animal husbandry, Forestry and Fishing in 1960, while Manufacturing was only a fraction of economic activity, at 5%.

Domestic Construction and transportation constituted the primary consumer of products from the Mining and Solid Mineral sectors. In 1960, the Oil and Gas industry, which many see as the driver of Nigeria’s revenue today was just a tiny fraction (0.3%) of the economy.

GDP Composition 1960

- **63.48%** Agriculture
- **13.57%** Services
- **12.70%** Wholesale & Retail Trade
- **4.25%** Building & Construction
- **0.31%** Crude Oil
- **5.69%** Industry (Without Crude Oil & Gas)

Source: CBN Statistical Bulletin
Throughout the 60s, the relevance of the Manufacturing sector ensured it began to dictate the pace and drive government’s policies. This streak was slowed, due to subsequent substantial petroleum shortages amid massive investment in Crude oil exploration and production activities in most Western countries; oil became very profitable, and Nigeria made the shift.

By 1970, the Oil and gas sector gained prominence over the Manufacturing sector in terms of economic relevance and value of output; annual production touched 395.8mn barrels, automatically propelling the oil and gas industry to becoming the mainstay of the economy.

Less than a decade later, Agriculture proved the next casualty, losing traction to Crude. In 1979 the Oil and gas sector’s contribution to GDP was 25.5%, while the Agricultural sector amounted to 22% of GDP, and remains the biggest employer of labour till date.

By the 80s, the Agricultural sector’s contribution to GDP dropped further to 11.8%, before picking up thereafter. Price correction cycles in the global Crude oil market in the 1980s turned the wheels of the Oil and gas sector, and by extension, affected Nigeria’s national revenues. In 1981, Oil and gas contribution to GDP fell below 7%, while economic activities in the Manufacturing sector constituted approximately 18.6% of GDP. Nigeria has a diversified economy though with a low manufacturing base but its exports and public finances are not well diversified.

Today, the Oil and gas sector and the “ailing” Manufacturing sector’s contribution to GDP is approximately 6.36% and 10% respectively, while the Agricultural sector (which was once the dominant sector in the 1960s), contributes 23.11% to the all economic activity in Nigeria.

Wholesale and retail Trade, and the Real Estate sectors have evolved; their contribution to economic activity in Nigeria
amounts to 16.9% and 7.6% respectively. The Financial Services, Communications and Entertainment sectors are equally significant, in terms of the collective volume of revenue and jobs they deliver.
The UN classifies Nigeria, with its estimated 188 million people as a middle-income country, one broadly diversified and increasingly becoming financially sophisticated. However, international trade, credit creation, exchange rates, inflation and its associated passthrough effects are still strongly linked to revenue primarily from crude oil sales, petroleum profit tax and royalties.
THE STRUCTURE OF THE NIGERIAN ECONOMY IN 2016
Agricultural Sector

The Agricultural sector (which includes Crop production, Forestry, Animal husbandry and Fishing) accounts for 24.43% of economic activity in Nigeria. Interestingly, only six firms operating in this sector and providing almost 30% of jobs (Labour Force Statistics, 2010) are listed on the Nigerian Stock Exchange. The tax uptake from Agriculture is equally abysmal, owing partly to its informal nature - approximately 92% of activities in farming are informal, with little or no documentation, making fiscal planning relatively difficult.

Crop Production take up 87.73% of activities in the Agriculture sector. The potential of this sector is undeniably massive, as over 82 million hectares of Nigeria’s total land area of about 91 million hectares is arable (Adesina, A, 2012).

Major crops include: beans; sesame; cashew nuts; cassava; cocoa beans; groundnuts; gum arabic; kolanut; maize (corn); melon; millet; palm kernels; palm oil; plantains; rice; rubber; sorghum; soybeans and yams. The government is now focused on increasing and upscaling the rice, tomato and cassava supply chains, based on their place as staple foods.
Industrial Sector

Over the last decade, the Industrial sector, which comprises the Extractive and the Manufacturing sub-sectors, has dominated economic activities in Nigeria. Analysts believe the sector holds the key to Nigeria achieving her developmental indices, because it accounts for almost 85% of foreign exchange inflows through trade.

The government at national and subnational levels depend on the Industrial sector for revenue, which includes Oil revenue, Company Income Tax and revenue from the ports. Foreign exchange inflow, which drives consumer spending and investment, is also connected to this sector.

The Industrial sector seems to be gaining ground; now accounting for 22.02% of economic activity, and the Crude oil sub-sector constitutes about 29.17% of all Industrial activity.

GDP DISTRIBUTION BY PERCENTAGE
DIVERSITY OF THE INDUSTRIAL SECTOR

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>47.51%</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>29.17%</td>
</tr>
<tr>
<td>Construction</td>
<td>19.21%</td>
</tr>
<tr>
<td>Others</td>
<td>3.52%</td>
</tr>
<tr>
<td>Solid Minerals</td>
<td>0.60%</td>
</tr>
</tbody>
</table>

Source: NBS, 2016

The Manufacturing sub-sector dominates a sizeable 47.51% of activities in the Industrial sector and is primarily formal, based on figures released by the National Bureau of Statistics. Though contributing significantly to the government’s revenue pool, this sub-sector is however facing a series of challenges, including high
lending rates, prohibitive tax rates, and a tight operating environment.

Some 19.21% of activity in the larger Industrial sector is centered around Construction, a sub-sector which is majorly formal. We note that government investment in infrastructure typically fuels activities in this Construction, and revenue outcomes will be better if the cost of mortgage and associated challenges militating against single-family home construction are flattened out.

Major outputs from the Manufacturing subsector include Cement; Oil refining; Construction materials; Food processing; Food products; Beverages; Tobacco; Textiles, and Apparel and footwear.

**Services Sector**

The Services sector is Nigeria’s biggest, and largely diversified. At least 53.55% of economic activity in the country is primarily centered around Services. As at year-end 2016, some 19.14% of service-related activity was directly linked to the Information and Communication sub-sector, one which is projected to dominate activities in the Services sector in the nearest future. The Retail and Wholesale Trade sub-sector, though 55.75% informal, accounts for 33.75% of activities in the Services sector.
Public Administrative Services constitute only 4.54% of service-related activity, while the Financial and Insurance sub-sector, which enjoyed a massive bailout totaling approximately N5.7tn in 2009, is responsible for just 5.87% of activities in the Services sector.
Formal & Informal sector Split

About 41.43% of economic activity in Nigeria occurs informally. The Agricultural sector, which accounts for 24.43% of activity is largely informal, meaning only minimal tax revenue flows to the government from this sector. The Mining and Quarrying sector is formal, partly due to the dominant nature of the more developed oil and gas sub-sector; however, 52.9% of coal mining activity happens informally.

Equally noteworthy is that 76.5% of economic activity in the Metal Ore sector which includes the mining of iron ore and tin, is informal. The government must overcome the challenges posed by greater informality in all sectors, as doing so will shore up the country’s revenue base, which will in turn help close the current infrastructure gap of $200bn, according to government estimates.

The recent World Bank $150mn loan approved in April 2017 for the Ministry of Mines and Steel Development is therefore timely, provided it is utilised for the needs of the sector, as reported by the Minister. These needs include “the gathering of geological data, provision of technological equipment for artisanal and small scale miners.”

Agriculture Sector

91.85% of activity in the Agricultural sector is largely informal (NBS June, 2016)

<table>
<thead>
<tr>
<th>Size of the Informal Sector (Agriculture)</th>
<th>Crop Production</th>
<th>92.5%</th>
<th>Livestock</th>
<th>89.6%</th>
<th>Forestry</th>
<th>72.1%</th>
<th>Fishing</th>
<th>87.4%</th>
</tr>
</thead>
</table>

(NBS June, 2016)
Industrial Sector

Nigeria's Industrial sector is largely formal, dominated especially by Crude oil, which only accounts for 29.17% of all industrial activity, but is distinguished as one sub sector where virtually all activities is formal. In contrast, Manufacturing is a relatively formal sub-sector; only 12.1% of all Manufacturing activities are undertaken informally.

At least 46% of economic activity in the Wood and wood product sub-sector is primarily informal in nature, while within the Textile, Apparel and footwear sub sector, 27.9% of economic activities are informal.

For the Pulp, paper and paper product sub-sector, informal economic activity lies at 14.4%. Finally, no more than 11.6% of economic activity in the Construction sub-sector is delineated as informal.

Services Sector

The Services sector in Nigeria is majorly formal, though activities in the Real Estate sub-sector are mainly carried out informally. The Trade sub-sector, which is widely perceived as primarily informal is gradually moving out of this mould, with informal activities now pegged at 55.7%. The Tourism sub-sector, with activities therein classified under Arts, Entertainment and Recreation, is overwhelmingly (89.1%) informal. About 12.2% of economic activity in the Information and Communication sub-sector is informal, while 52.1% of activities in the Accommodation and Food Services sub-sector are informal.
## SIZE OF INFORMAL SECTOR (SERVICES)

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts, Entertainment &amp; Recreation</td>
<td>89.1%</td>
</tr>
<tr>
<td>Information &amp; Communication</td>
<td>12.2%</td>
</tr>
<tr>
<td>Transportation &amp; Storage</td>
<td>18.1%</td>
</tr>
<tr>
<td>Trade</td>
<td>55.7%</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>52.1%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>64.7%</td>
</tr>
<tr>
<td>Administrative &amp; Support Services</td>
<td>47.1%</td>
</tr>
<tr>
<td>Human Health and Social Services</td>
<td>17.7%</td>
</tr>
</tbody>
</table>

(NBS June, 2015)
<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Source</th>
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</thead>
<tbody>
<tr>
<td>OIL PRICE (BRENT)</td>
<td>$51.59/bbl</td>
<td>Bloomberg</td>
</tr>
<tr>
<td>As of 28, April 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SERVICES AS A PERCENTAGE OF TOTAL GDP</td>
<td>53.55%</td>
<td>NBS, 2016</td>
</tr>
<tr>
<td>FG’s PROJECTED OIL REVENUE</td>
<td>N1.99tn</td>
<td>Budget office</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
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<tr>
<td>OIL REVENUE AS A PERCENTAGE OF TOTAL REVENUE</td>
<td>40.18%</td>
<td>Budget office</td>
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<tr>
<td>(2017 PROJECTIONS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEBT (DOMESTIC)</td>
<td>N11.06tn</td>
<td>DMO</td>
</tr>
<tr>
<td>As at Dec 2016</td>
<td></td>
<td></td>
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<tr>
<td>DEBT (EXTERNAL)</td>
<td>$11.4bn</td>
<td>DMO</td>
</tr>
<tr>
<td>As at December, 2016</td>
<td></td>
<td></td>
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<tr>
<td>BUDGET SIZE</td>
<td>N7.298tn</td>
<td>Budget office</td>
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<tr>
<td>2017 PROPOSED BUDGET</td>
<td></td>
<td></td>
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<tr>
<td>CAPITAL EXPENDITURE AS A PERCENTAGE OF TOTAL</td>
<td>30.69%</td>
<td>Budget office</td>
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<tr>
<td>EXPENDITURE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017 PROPOSED BUDGET</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP SIZE</td>
<td>$486.79bn</td>
<td>World Bank</td>
</tr>
<tr>
<td>2017 PROPOSED BUDGET</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RECURRENT EXPENDITURE AS A PERCENTAGE OF TOTAL</td>
<td>69.31%</td>
<td>Budget office</td>
</tr>
<tr>
<td>EXPENDITURE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017 PROPOSED BUDGET</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEBT SERVICING AS A PERCENTAGE OF REVENUE</td>
<td>33.60%</td>
<td>Budget office</td>
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<tr>
<td>(2017)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OIL AS A PERCENTAGE OF TOTAL EXPORT</td>
<td>92.53%</td>
<td>CBN</td>
</tr>
<tr>
<td>POPULATION</td>
<td>182,201,962</td>
<td>WorldBank</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CURRENT ECONOMIC RECESSION
Nigeria’s Vulnerability to Oil

An unhealthy dependence on Crude severely threatens the prior-mentioned revenue receipts, as breakthroughs in transportation technology including more efficient combustion engines; shale oil and gas; electric cars, long-lasting batteries, supercapacitors and algae-based fuel will increasingly, collectively weaken the backbone of Nigeria’s economy.

Various scenarios that may play out as the country’s precarious relationship with Crude continues are evident, and must be interrogated on two main fronts:

1. **OIL AS A PERCENTAGE OF TOTAL GOVERNMENT REVENUE**

   - 2010: 73.88%
   - 2011: 79.87%
   - 2012: 75.33%
   - 2013: 69.77%
   - 2014: 67.47%
   - 2015: 55.41%

2. **OIL EXPORT AS A PERCENTAGE OF TOTAL EXPORT**

   - 2010: 94.08%
   - 2011: 94.00%
   - 2012: 94.19%
   - 2013: 92.59%
   - 2014: 92.64%
   - 2015: 92.53%

Source: CBN Statistical bulletin
UPON A NOTABLE CRASH OF GLOBAL OIL PRICES, THE FOLLOWING OCCURS IN NIGERIA:

Government Revenue Stalls

Federally-collected revenue dropped from N15.2bn in 1980 to N10.5bn in 1983, and this scenario was repeated again almost three decades later, when the global economic recession unsettled the markets for Crude. As the price of the commodity dropped from a peak of $114 per barrel to $43 per barrel, Nigeria's federally-collected revenue plunged from N7.9tn to N4.8tn in 2009, showing the country's perennial vulnerability.

GOVERNMENT REVENUE

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Oil Revenue</th>
<th>Oil Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>N8.56bn</td>
<td>N4.73bn</td>
</tr>
<tr>
<td>1982</td>
<td>N7.81bn</td>
<td>N3.62bn</td>
</tr>
<tr>
<td>1983</td>
<td>N7.25bn</td>
<td>N3.26bn</td>
</tr>
</tbody>
</table>

Source: CBN Statistical bulletin
GOVERNMENT REVENUE

Oil Revenue ■ Non-Oil Revenue

2008

N6.53tn

N1.34tn

2009

N3.19tn

N1.65tn

Source: Budget Office

2013

N6.81tn

N2.95tn

2014

N6.79tn

N3.28tn

2015

N3.83tn

N3.08tn

Source: Budget Office
Debt Spirals

Whenever revenues dip suddenly, Nigeria has either taken from its savings, or expanded debt with great audacity. This habit is fraught with major challenges; External Debt service to revenue was nearly 92% in 1999, where a sizeable amount of the debts being serviced were those taken during the Shagari regime.

Nigeria has also kept piling up debts to fund steel entities which are currently mostly non-functional. In 2009, a worldwide Crude oil price collapse saw government revenue also crash, but because Nigeria had robust foreign exchange reserves and the fiscal buffer of the Excess Crude Account, the country was able to use these savings alongside other macro-economic tools to correct the decline in revenue, without overly debilitating consequences on the economy.

But a propensity to save is yet to become routine; by the time Oil prices fell again in 2014, Nigeria’s debt profile had ballooned from N7.6tn to N11.24tn as at December 2016, and Domestic Debts accounted for 76% of Nigeria’s fiscal exposure. In late 2016, President Buhari made a request for the approval of $30bn in external loans.

Balance of Trade Negative-bound

Nigeria’s balance of trade has mostly been in positive territory, as the country makes more money from Crude oil sales than it spends on imports for goods and services. Any reduction in Oil prices however pushes Nigeria to a negative balance; since 1983 the country has had a trade surplus, but entered into negative territory in 2015.
BALANCE OF TRADE (1981-1983)

1981: N1.8bn
1982: N2.6bn
1983: N1.4bn

BALANCE OF TRADE (2008-2009)

2008: N4.795tn
2009: N3.126tn

BALANCE OF TRADE (2013-2015)

2013: N5.8tn
2014: N2.4tn
2015: N2.2tn

Source: NBS, CBN
Currency takes a hit

Wherever oil goes, the worth of Nigeria’s currency is always sure to follow; the Naira will often immediately lose its value against the Dollar, in times of uncertainty. Since foreign exchange receipts from Oil are responsible for 90% of export earnings, it is impossible for Nigeria to keep a strong currency, considering that its imports bill remains sizeable.

Nigeria’s earliest, major currency adjustment came after a dip in oil prices in 1981; the result was that a currency once stronger than the USD (NGN0.6 to USD1), lost significant value to the extent that at the end of the century, USD1 was exchanging for NGN8.

Despite savings that put Nigeria’s foreign reserves at $60bn at the time of the global recession, rising imports meant the Naira was still devalued by 24%, from 2008 to 2009.

OFFICIAL EXCHANGE RATE
US DOLLAR/NAIRA

<table>
<thead>
<tr>
<th>Year</th>
<th>Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
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<tr>
<td>2015</td>
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Source: CBN Statistical Bulletin, Budget office
Capital Expenditure in Crisis

When oil prices crash, Capital Expenditure becomes an obstruction of sorts to development, because Recurrent Expenditure is made somewhat sacrosanct via legislation. Therefore, salaries, debt services and transfers to statutory organizations will have to be disbursed, and expended, even if at lower amounts, due to lack of funds. In the latest slowdown of Oil prices brought on by global market pressures and lesser production figures, the Federal Government’s capital expenditure in 2015 fell to ₦324bn as projected, with actual expenditure down to ₦175bn.

CAPITAL EXPENDITURE AS A PERCENTAGE OF TOTAL EXPENDITURE

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Expenditure as a Percentage of Total Expenditure</th>
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<td>2015</td>
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Source: CBN Statistical Bulletin, Budget office, BudgIT Research
Sub-national governments fail

As at 1983 when oil prices tanked, 19 Nigerian States were submerged in financial crises, and most States owed workers wages, because federal allocations dwindled. Some 35 years later, Nigeria faces the same scenario, where a dip in Oil prices has seen 35 out of 36 States with varying degrees of challenges, and firmly on a Federal Government fiscal support scheme. The government has thus far provided at least N1.75tn to States, in the form of bond restructuring or loans for salary and/or pension payments for civil servants. Presently, most of the States still face challenges in meeting the basest of obligations to their constituents.
WHY WAS 2009 DIFFERENT AND WHAT DID WE MISS NOW?
After the shutdown of Lehman Brothers and the subprime mortgage crisis, the US economy tipped into recession, leading to a cascade of consequences around the world. Weak demand for Crude was one such consequences, and prices took a sudden plunge over a three-month period from $147, to $43 per barrel. Nigeria’s economy faced some severe challenges, including rapid capital outflow, but was able to weather the storm due to three major things:

► **The Presence of Fiscal Buffers**

With foreign reserves of $62bn around the period the global recession occurred, Nigeria’s government was able to shore up declining oil revenues through a routine sharing of the Excess Crude Account (monetized in Naira), giving the CBN more impetus to defend the Naira from further devaluation. But by 2015, these fiscal buffers did not exist, as Nigeria refused to build reserves. Poor oil production and bogus importation bills - mainly through petroleum products that were nothing more than sleazy venture for the wealthy and connected - have ensured Nigeria is still struggling financially.

Also, despite having four refineries, Nigeria siphoned revenues for turnaround maintenance over the years, and was unable to mobilize private capital to build new refineries. The rise in food and industrial imports was an added strain on Nigeria’s forex inflows, while the country continued burning funds on crude exports and petroleum imports. The larger challenge is that since the events circa 2009, Nigeria has not tangibly expanded its export portfolio beyond Oil, hence undermining its own chances at diversifying its revenue base and creating significant fiscal buffers.

► **A Short-lived Cycle with Bright Forecasts**

The election of former US President Barack Obama was a factor that ensured America’s economic crisis in 2009 was short-lived.
Obama unpacked a long list of stimulus and monetary measures through the US Federal Reserve Bank, stabilizing the markets and setting Oil on a sudden price jump. The current forecast shows the era of oil is changing, due to the presence of alternative energy sources such as Shale Oil and an attendant rise in new technology to make energy cheaper. It is not far-fetched to project that the good times of a $100 per barrel of Crude might be gone forever. Beginning a detailed process backed by empirical and legislative might, one which sees Nigeria markedly wean its economy off a fixation on Crude and strengthen internal competitiveness will be the country’s best chances of emerging unscathed by the vagaries of oil.

The Absence of Political Transition Risks

Despite the health challenges faced by late President Umaru Musa Yar’Adua, there was no lag in the response to the fiscal challenges Nigeria faced in 2009-10. With relatively significant savings, that government was able to mitigate the crisis. With 2015, Nigeria faced huge political risks that nevertheless saw a peaceful transition of power from one elected official to another. While there was a need for speed, to gain traction and arrest the pernicious effects of an ongoing oil price decline, President Buhari stalled economic progress when he oversaw a delay in the appointment of ministers and failed to enforce transparency within the nation’s foreign exchange regime.

Sub-national Challenges

Before Crude oil prices tumbled in April 2016, BudgIT had warned two years earlier in its “Falling Oil Prices” publication that pricing would set off existing and new vulnerabilities in the Nigerian economy. This is now evident in the current budget deficit, spike in debt figures, dwindling external reserves at $27bn, a stagnation in oil savings that now rest at a meager $2.3bn and most importantly, the dire fiscal situation in States, where pensions
and salaries are being owed to past and working civil servants respectively, while developmental projects continue to take a backseat. With the lack of flexibility at the exchange markets, Nigeria has seen its lowest numbers since 2009; capital importation has dipped by 40% and inflation figures have soared to 18.72% year-on-year.

Nigeria’s 36 States, entirely the creation of a military class with scant interest in economics, increasingly appear to be no more than the product of convenient geographical perimeters and the personal wishes of the ruling class. Most of the States have remained unable to develop their internal resources due to constitutional hurdles that limit their powers to explore natural resources (solid and liquid minerals); a pervasive appetite for easy oil rent, as well as poor visionary approaches and a literal term-based mindset to governance.

Apart from Lagos State, which generates over 65% of its revenue from internally-generated taxes, other States depend on the Federal government in varying degrees.

At the sub-national level, poor accountability exists, complemented by a glaring absence of coherent data with which to assess, monitor and project the fiscal direction and eventual viability of Nigeria’s States.

In sum, the current financial crisis is expected to place multiple strains on Nigeria’s medium-term fiscal position, and will also continue to have an impact on socio-economic indicators and capital spending on key budget components including health, education, infrastructure and agriculture. States have not helped matters by becoming, and remaining bulwarks of inefficiency characterised by large bureaucracies, bloated workforces, investments in unsustainable projects and a widespread appetite for highly-priced debts.
These debilitating problems will only be resolved when States are incentivized towards internal fiscal restructuring; the continuous push to receive funds from the Federation Account Allocation Committee (FAAC) is not sustainable. States must be both assisted and coerced, as much as is legally possible, towards the path to viability through peculiar structural adjustment that reduces duplication of functions, enhancing public sector efficiency, transparency and accountability.
SETTING THE FRAMEWORK FOR SOLUTIONS
**Vision**

Nigeria, and Nigerians will need to fashion a long-term vision that envisages global/local trends and encapsulates strategies to speedily transform the country via widely consultative solutions and policies. The basis of this vision should be directed at facilitating the discovery and development of human resources; promoting transparency; creating a conducive climate for innovation; developing manufacturing and service clusters; spearheading economic redevelopement; maintaining international competitiveness and reducing businesses’ vulnerability to market shocks.

**Strong Institutions**

Nigeria must build strong institutions across its different tiers of government, as current electoral cycles and leaders’ penchant for passing time without recording solid growth must be met with strong institutions that foster long-term leadership and curates budget implementation and performance using empirical audits. Culture of “evaluation by merit”

Citizens, government and businesses must begin to make decisions based on merit, rather than using discriminatory metrics such as ethnicity, age or religion. A system that does not emphasize merit but tends towards political expediency based on bias, is destined to repeatedly fail.

**System that rewards innovation**

The ease of doing business should remain a priority, and business owners must be encouraged to turn their attention to innovation, including the discovery of cures and therapies for diseases, solving engineering challenges, ending hunger and other peculiar societal ills. Financial risk must come with rewards; there has to be a strong incentive system for Nigerians to develop technologies or ideas that will improve Nigeria.
Reworking the Incentives

Reworking the operation of governments at sub-national level is non-negotiable. Today, Nigeria’s States employs over two million people directly, yet the economy tends to slide into recession any time States’ finances are grossly affected.

Even though they are entrusted with revenue from Value Added Tax (VAT) - a form of consumption tax, State government and State-controlled entities (local government) are largely able to neglect the welfare of citizens. States and State-controlled entities presently receive 85% of VAT in Nigeria, and are always guaranteed a minimum amount of funds in their coffers.

In addition, approximately 48% of Company Income Tax is also shared among States, irrespective of the location where these taxes are collected from. This entitlement mentality creates a situation where most States have scant motivation to attract investment; the vast majority seemingly prefer to sit back and wait on, or agitate for disbursements from the federal government.

Politicians persistently take advantage of the short political calendar and election cycle to negotiate huge loans for projects that impress unsuspecting electorates yet never attain completion when political office terms are over. The practice of investing vast amounts of money in long-term, sustainable solutions is absent in Nigeria, as States do not prioritise projects that directly create jobs, expand the tax net and solve the scourge of intergenerational poverty.

Rather, politicians replicate the culture of borrowing and checkered transparency, preferring to go to Abuja monthly and institutionalise the entitlement mentality as contained in Nigeria’s revenue-sharing formula, one which favours accumulation by the ruling elite solely for political gain. The current fiscal structure of Nigeria, where revenue-sharing
formulas and waivers can be likened to handouts, will remain a boon for corrupt individuals seeking to live off politics, unless the status quo changes.
DEFINING THE NEXT STEPS
Rein in Food Imports

Spending over $3bn every year importing food-related products is unsustainable, considering Nigeria has arable land and the requisite human capital to deliver food security. Nigeria must elevate food sufficiency to a matter of national emergency, improving access to land and farm mechanization levels, given that a vibrant agricultural sector also presents an opportunity to increase export revenue.

Expanding each region’s strengths in the cultivation of cocoa, palm oil, coffee, horticultural plants and other products is key to economic diversification. Another route to earning foreign income for the country is effectively targeting Nigerians abroad as a viable market for professionally-packaged agricultural/household products.

Invest in Human Capacity, for Technical expansion

A universal distinction within advanced economies is their unrelenting investment in education and technical training to purposely advance their industrial clout. Nigeria must follow suit and revamp its education system, by embracing research and technical education that propels the use of competitive local technology. Exploring technology in the petrochemical industry, refining, agro-allied, mining and other areas where Nigeria has a natural advantage, is critical to achieving this goal.

Ease export procedures with full-blown incentive for Non-oil exports

Export procedures, particularly with respect to access to ports, the standardization of goods, offshore marketing, finance and repatriation of funds are critical in Nigeria’s push to confer bite to its economic diversification strategies. Easing these procedures, with benefits for Non-oil exports is pivotal to pushing
entrepreneurs to deliver higher volumes and greater revenue for companies and government alike.

► **Solid Minerals in Medium Term**

Nigeria has at least 30 solid minerals in commercial quantity but these have not contributed more than N1bn annually to the Treasury. It is unfortunate that the country has not prioritized the management of these resources, which possess the potential to immediately improve Nigeria's fiscal balance. The commodities markets remain volatile, but Nigeria must nevertheless seek investments that professionalise the mining, refining and exportation of its solid mineral deposits.

► **Strengthen the case for investment in Nigeria**

Nigeria has an abysmal place on the World Bank Ease of Doing Business Index 2017, ranked 169th of 190 countries and scored low across indices such as trading across borders, payment of taxes, getting electricity, resolving insolvency, registration of property and getting credit.

The necessity of regional, continental and international competitiveness calls for a prioritisation of increased power supply, access to credit, human capital development and access to markets. We applaud the existence of a Presidential Committee on Ease of Doing Business, and call for a full implementation of the National Action Plan on Ease of Doing Business and all reform areas identified by the newly-established Enabling Business Environment Secretariat.
Competitiveness & Growth Poles

Nigeria is left with scant choice but to diversify its revenue streams, because this is the biggest vehicle to promptly raising national income, distributing wealth and strengthening tax collection within States. A competitive profiling of all national resources is mandatory, to ensure officials are charging and taking the highest possible rent off these.

A deliberate, strategic choosing of specific industries that Nigeria seeks to be competitive in, should be matched with financial and legislative focus and support over the next few years. The repatriation of the country’s intellectual capital from the diaspora to advance its education system must remain a priority, and the capital spend for each University must climb higher than N1bn. If Nigeria aims to achieve visibility in the global knowledge economy, then the identification and honing of these key competitive levers will accelerate socio-economic growth.
BRIEF HISTORY OF THE NIGERIAN ECONOMY (1960-2016)
1 July 1959
The Central Bank of Nigeria commences operations

1 October 1960
Nigeria gained Independence from British colonial rule

1961
A total of 16.5 million barrels of Oil was produced, with Brent Crude prices averaging $2.91 per barrel. With a population of approximately 45.2 million people, Nigeria’s economy totalled $4.2bn, and the Oil and gas sector accounted for just 1.1% of GDP

1966
Nigeria’s first major recession occurs, with the $6.7bn economy declining by 4.3%, despite Crude prices reaching a historical average high of $3.01 per barrel, and domestic production of the hydrocarbon hitting new record levels of 152.4 million barrels.

1967
Civil War breaks out, and the economy suffers its biggest annual decline till date, contracting by 15.7%. Annual Crude oil production also dropped from 1966 levels to 116.6 million barrels, touching 51.9 million barrels by 1968.

1970
The United States, Canada, Japan, Australia, New Zealand and most Western European countries face substantial petroleum shortages, leading to massive investments in exploration activities. Annual Crude oil production in Nigeria reach 395.8 million barrels in 1970. The economy expands rapidly, with GDP growth hitting 25%, and government revenue follows this trajectory, hitting N630mn, with income from Oil accounting for 26% of government’s Total Revenue.
1 January 1973
The Naira is introduced, replacing the Pound, at a rate of N2/1 Pound (66 kobo = $1). Oil revenue now accounts for 60% of Total government Revenue. Crude prices remain on an upward swing, averaging $9.4/barrel (a 350% increase over 1973 levels). Government revenue from Oil more than triple in value, reaching N3.72bn - approximately 82% of all government revenue.

1975
General Yakubu Gowon is overthrown in a military coup, on the anniversary of his 9th year in office.

5.2% decline in the Nigerian Economy.
Domestic annual Crude oil production and the overall economy decline for the first time after the civil war, dropping to 651.5 million barrels and 5.2% respectively. The Economic Community of West African States is created.

1976
Nigeria’s $36.3bn economy expands by about 9.04%, overtaking South Africa’s to become the largest economy in Africa. Between 1975 and 1976, the inflation rate reached 23%.

9.04% expansion in Nigerian economy.

1977
Nigeria hosts FESTAC, the Festival of Arts and Culture. Government’s revenue from taxation supersedes revenue from the Oil sector, accounting for 52.8% of Total government Revenue. Crude oil price lie at an average of $13.1 per barrel, with annual domestic production standing at 758 million barrels. South Africa however reclaims her spot as Africa’s largest economy.

1978
Nigeria suffers an economic recession, with her $36.53bn economy contracting by approximately 5.8%, primarily due to a sharp decline in annual domestic oil production. Annual Crude oil production tumbles from the 766 million barrels in 1977 to 692 million barrels. Government revenue jumps from N3.7bn a year to N7.4bn in 1978; revenue from the Oil sector accounts for 61.8% of Total government Revenue.
1979

Crude oil pricing experiences another boom, averaging $25.1 per barrel, with annual production at 841 million barrels. The economy responds accordingly, growing by 6.8%. Government revenue from oil doubles, rising from N4.56bn in 1978 to N8.88bn. Total government Revenue lies at N10.9bn, with the Oil sector constituting 81% of Total Revenue.

1981

Nigeria’s $61.08bn economy contracts by 13.1%, culminating in the worst economic recession since the 1967 civil war. A dollar ($1) continues to exchange for 61 kobo, despite Nigerian importing more goods and services than it was exporting; balance of trade deficit goes negative, at -N1.8bn.

1982

On the back of massive expansionary fiscal policies from 1981, the government continues with significant fiscal injections totalling N11.92bn. A deficit of N6.1bn is recorded, amid spending N6.42bn on capital items and another N5.51bn of recurrent expenditure. Economic conditions degenerate further in 1982, with economic output contracting by another 1.1%. Oil production increases by approximately 10% over 1981 levels to 470.6 million barrel per annum.

The balance of trade deficit remains at a negative point of -N2.6bn. However, government’s control mechanism to stem the tide effectively cuts down the value of Non-oil imports from N12.7bn in 1981 to N10.5bn by the end of 1982.
**1984**

Domestic oil production improves significantly to 507.9 million barrels per annum, while the prices dropped to $28.7 per barrel, from $29.6 per barrel in 1983.

Government pumps N9.93bn into the economy, with Recurrent Expenditure (N5.83bn) taking the lion share of government spending for the first time in contemporary history. At least N4.1bn is spent on Capital items, the lowest since the economic downturn.

A series of import controls are introduced, as well as capital rationing policies that include the prohibition of borrowing by State governments and a temporary ban on recruitment into the civil service. Prime lending rates are increased from 10% per annum to 12.5%, while Maximum lending rates lie at 10%.

Balance of payment turns positive at the end of 1984, due to an aggressive clampdown on foreign trade. Importation (non-oil sector) plunges to N6.9bn at the end of the year, from the N12.7bn peak seen in 1981. However, the economic downturn intensifies, with economic output contracting by 2.02%.

**1985**

Crude oil production went on a negative trajectory, with annual production numbers falling to 504.0 million barrels per year. Oil prices however tank at a yearly average of $27.5 per barrel. The Naira is also devalued by approximately 13 kobo, with $1 exchanging for 89.4kobo.

Total spending by the Federal Government assumes a record of N13.04bn, and Recurrent items amount to N7.58bn, or 58.1% of spending.

Oil revenue tops N10bn, or 72.6% of Total revenue of the Federation, the economy finally emerges from its depression, with GDP expanding by 8.3%. The country’s balance of trade also tilts positively, hitting N4.7bn.

On the 27 August, another coup sees General Ibrahim Babangida emerge military ruler of Nigeria.
1986: Structural Adjustment Programme (SAP)

The Babangida administration introduces what is regarded as its own home-grown programme, one similar to a IMF-World Bank economic policy package targeting structural adjustment. This policy marks the beginning of economic deregulation, and has its primary objectives as: restructuring and diversifying Nigeria’s economic base; reducing the country’s dependence on Oil, achieving fiscal balance and reducing the deficit in balance of payments in the medium term, while laying the foundation for non-inflationary growth in the medium to long term.

One obvious change amid various is the devaluation of the Naira from 89.4kobo to N2.02/$1. The value of Non-oil related imports drops to N5.1bn, from N7bn a year prior. Balance of trade remains positive at N2.9bn, despite Crude oil production dropping to 535 million barrels per annum, while prices collapse from 1985 level of $27.5 per barrel to $14.4 per barrel in 1986.

On the back of an hydrocarbon price downturn, GDP contracts by 8.75%, pushing Total spending to an unprecedented N16.22bn. Recurrent items take a sizeable chunk of government expenditure, amounting to N7.70bn, or 47.4% of Total spending.

Oil revenue is pegged at N8.11bn, or 64.4% of Total revenue for the federation.

1987

Crude oil prices reach an average of $18.44 per barrel, as against the $14.4 per barrel pricing a year earlier. However, the effect of Crude price corrections a year earlier trigger a N2 devaluation of the Naira. The Naira itself exchanges for N4.01 to $1, due to this crude price bust and accompanying production shortfalls.

Throughout the year, production dwindles to 482 million barrels in total, as against the 535 million barrels pumped a year before; one consequence is that the economy contracts by 10.75%. Nigeria however exports more goods and services than what it imports, ensuring the Balance of Trade remains positive, at N12.5bn.

The Federal Government records a Total spend of N22.02bn; Recurrent items account for 71.1% (N15.65bn) of this figure.

Oil revenue attains N19.03bn or 74.9% of Total Revenue for the federation, which stands at N25.38bn, an increase of approximately N12.78bn from 1986 figures.
1990
A slight increase in oil production to 630 million barrels from the preceding year’s figure of 626 million barrels occurs, despite political unrest brought on by the unsuccessful Gideon Orkar coup. Crude prices also climb to an average of $23.8 per barrel, from $18.2 per barrel.

The economy expands by 12.77%, a boost of about 6%, with a positive Balance of Trade at N64.2bn. Total spending achieves levels of N60.27bn; Recurrent items take N36.22bn (66.1%) of this sum. Simultaneously, oil revenue tops N71.98bn, or 73.4% of Total Revenue for the federation, which stands at N98.10bn (a N44.23bn increase from the previous year).

CRUDE OIL PRODUCTION INCREASED

1991
Crude production shoots up to 690 million barrels per annum from 630 million barrels recorded in 1990; with regards to pricing, a barrel costs an average of $20.1 per barrel.

Despite this growth in oil production, Nigeria suffers another economic recession, with annual GDP contracting by 0.62%, However, Balance of Trade stays, positive at N32bn.

Total government spending is pushed to N66.58bn, with Recurrent items constituting 57.4% (N38.24bn) of all expenditure. Oil revenue tops N82.6bn, accounting for 81.8% of Total Revenue accruing to the Federation.

1992
The Federal government’s income from all sectors rises from N32.2bn in 1991 to N63.6bn in 1992, with Total Expenditure going from N67.53bn in 1991 to N107.72bn in 1992, exceeding prior budget provisions by N55.69bn. Eventually, the government’s fiscal operations result in a deficit of N44.16bn - an increase of N8.4bn, as against the projected surplus of N2.1bn in 1992.
1993

General Abacha becomes Head of State, following the “resignation” of Chief Ernest Shonekan.

Under military rule, annual Crude oil production stands at 695 million barrels, while government enacts laws to improve revenue from Non-Oil related sectors; notable policies include the introduction of Value Added Tax (VAT). Non-oil revenue for the Federation rises to N135.44bn by the end of 1995, from N30.67bn in 1993. Oil revenue rises from N162.1bn in 1993 to N324.55bn in the same period. The famous 13% derivation for oil-producing areas zones is introduced, but the gap between official exchange rates (N22/$1) and the Parallel market rate (N80/$1) reinstates the “black market” operations that still benefit the moneyed elite till date.

Upon the sudden death of Abacha, General Abdulsalami Abubakar is sworn in as President on 9 June 1998.

1999

The Abdulsalami Abubakar regime announces an upward review of the national minimum wage, from N250 to N5,200.

This swells the Federal government’s tab, making Recurrent expenditure jump from N178bn in 1998, to N449bn in 1999. However, the prior increase in the minimum wage exerts sufficient pressure on Nigeria’s purse strings that the government is forced to reduce the minimum wage to N 3,500 for Federal civil servants and N 3,000 for State workers.

The official exchange rate for the Naira is also reviewed downwards, from N21.88/$1 to N92.7/$1. The effect of this on government’s dollar-based revenue is exponential. Oil revenue accruing to the government rises from N324.3bn in 1998 to N724.4bn by 1999, despite a fall in oil production from 806 million (1998) barrels to 774 million barrels (1999).

On the whole, Oil prices grow marginally over the year, averaging $17.9 per barrel in 1999, as against $12.8 per barrel in 1998.

On 29 May, Chief Olusegun Obasanjo assumes office as the first elected and civilian Head of State in Nigeria after 16 years of military rule.
2000

The Nigerian economy appears to improve, as real GDP growth rate rises to 5.3%, compared to 0.47% in 1999 and 2.7% in 1998. This improved growth performance in 2000 can be connected to oil price increases; average prices rose from $17.9 per barrel in 1999 to $28.4 per barrel in 2000.

Oil production also improves significantly, standing at 828 million barrels in 2000, as against 774.7 million barrels a year earlier. The Naira is also further devalued, to N102/$1. Generally, government revenue responds positively, rising from N724bn in 1999 to N1.59tn in 2000; non-oil revenue also rises to N314bn in 2000 from N224bn in 1999.

2004

The Real GDP growth of 33.73% witnessed in this year is the highest ever in Nigeria’s contemporary history. The adoption of a comprehensive strategic plan that includes banking reforms, high prices for Crude (averaging $38.1 per barrel) and increased oil production of 910 million barrels, as well as a relatively stable exchange rate regime, all contribute to this boost in GDP.

Government revenue tops N3.92tn in 2004, with the Oil sector contributing N3.3tn. However, N351bn is expended by the Federal government on Capital items, while N1.03tn is spent on Recurrent items.

2006

Nigeria successfully negotiates and closes a debt relief package deal worth $18bn on 21 April. Oil production falls from an historical high of 918 million barrels (2005) to 869 million barrels (2006) but Oil prices rise, to $65.14 per barrel.

Total government Revenue moves up from N5.55tn in 2005, to N5.97tn in 2006. The Naira also records its first major appreciation, moving from N132.1/$1 to N128.7/$1.
2007

On 29 May, Alhaji Umaru Musa Yar’Adua is sworn in as President.

2008

The Fiscal Responsibility Act is signed into law, and aims to drive the institutionalization of disciplinary measures in budget implementation. By 2008, most States are expected to domesticate this law, enforcing it to guide their financial dealings. Oil prices average $96.99 per barrel, while production stands at 768 million barrels for the year.

2009

Oil prices collapse, averaging $61.51 per barrel, compared to $96.99 per barrel in 2008, as the global economy comes under intense pressure. The Naira is devalued from N118/$1 to N150/$1, to avert a fiscal catastrophe and preserve reserves, while the Nigerian Stock Exchange suffers massive losses. Asset price correction results in a system-wide banking crisis, forcing a mark-down of Collateral for most banks.

Capital Adequacy Ratio for banks drops to 4.03%, below the global average of 10%.

At least N620bn is injected into the banks, to reinforce the reserves of nine banks most in need of urgent help. Other reforms are a strengthening of the coordination of processes and payments undertaken by the Asset Management Corporation of Nigeria (AMCON).

Government’s revenue (federation) from the oil sector drops by a whopping 42.52%, from N6.5tn in 2008 to N3.2tn at the end of 2009. Non-Oil revenue however increases to N1.6tn, from the 1.34tn level of 2008.

2010

After the death of Umaru Yar’Adua, his Vice President Dr Goodluck Jonathan becomes President.

The Goodluck administration introduces reforms to government’s spending systems and processes, that notably include the introduction of an Integrated Payroll and Personnel Information System (IPPIS); the Government Integrated Financial Management and Information System (GIFMIS) and the Treasury Single Account (TSA).

The average price of Crude oil lies at $79.47 per barrel, while annual oil production is 896 million barrels; Total oil revenue also rises to N5.4tn in 2010.
N8.9tn
FG REVENUE
highest ever (till date)

Revenue for the Federation from the oil sector peaks, reaching historic highs (till date) of N8.9tn. Crude Oil sells for $111.27 per barrel in this year, while production stands at 866.2 million barrels for 2011.

2012
An initial increase in the price of petrol from N65 to N141 per litre (caused by the removal of fuel subsidies), results in nationwide protests, with citizens demanding fiscal adjustments, transparency in matters of public finance and improved living conditions. President Jonathan reaches an agreement with the Nigerian Labour Congress, reducing the pump price to N97 per litre.

Nigeria records External Debts estimated at $5.9bn and N5.6tn locally. A net inflow of US$85.73bn of foreign direct investment is received from Nigerians overseas, with a major part of this going to the banking and energy sectors. Real GDP growth rate is 4.3%, while the GDP-per-capita comes to 1.5%.

Crude oil averages a cost of $111.63 per barrel, as opposed to $111.27 per barrel in 2011, while annual oil production for this year is recorded as 852 million barrels.

Government Revenue from the oil sector slips to N8.03tn, due to production shortfalls and depressed global appetite for the commodity.

2013
The Nigeria Sovereign Investment Authority (NSIA) is created to manage the country’s Sovereign Wealth Fund (SWF) - a fund conceptualised to ensure that government has legal mechanisms that enable it speedily withstand unforeseen economic shocks.

Crude Oil prices come to an average of $108.56 per barrel, while annual production slips further to 800.5 million barrels. The result is that Oil revenue for the federation is approximately N6.8tn, falling from 2012 levels of N8tn. The effect of Shale Oil producers also begins to significantly reshape the oil market and global finance industry.

N8.03tn
FG REVENUE
from crude oil

Nigerian Sovereign
Investment Authority
(NSIA) is created
2014
Pricing for oil attains an average of $99.03 per barrel for the year. Production is amounts to 798 million barrels. At the tail end of the year, Shale Oil projects begin to come onstream, and growth in production of this hydrocarbon begin to outpace demand, resulting in a glut; oil revenue for Nigeria consequently falls to N6.8tn.

At this point, the price of Crude also falls sharply (below $60 per barrel), forcing Nigeria’s fiscal authorities to officially adopt an austerity budget for the 2015 financial year.

2015
As Nigeria battles the implications of volatility in the Crude oil markets, this year is also a transition period in which elections are conducted, and President Muhammadu Buhari is sworn into office.

The new government fails to communicate its economic policies, neither does it speedily fine-tune and adjust its campaign promises to the country’s reality. The lackluster management of the foreign exchange rates aggravates Nigeria’s woes; GDP trails off the grid.

The vacuum created -as the President also neglects to announce his cabinet for months- results in a situation where the monetary authority (Central Bank of Nigeria) introduces foreign exchange restrictions, banning at a list of 41 items.

The outcomes prove devastating, as businesses begin to shed workers for fear of bankruptcy, and investors adopt a more cautious position. While the Petroleum Industry Bill languishes in the legislative chambers, Revenue from the oil sector plummets to N3.8tn (2015), from N6.8tn (2014), while Non-oil revenue for 2015 also falls for the first time since 2006, to N3.1tn.

The Naira trades below N240/$1 in the parallel market, while the Central Bank of Nigeria continues to sell $1 at N193.

2016
The Nigerian economy officially slides into recession in the second quarter of 2016, contracting by 1.5% on an annual basis. The country begins consultations on the Nigerian Economic Growth and Recovery Plan.
MINT
(MEXICO, INDONESIA, NIGERIA, AND TURKEY)
Turkey

Turkey’s grain production was pegged at approximately 33.2 million tons in 2015. This includes wheat (19.5 million tons); maize (5.8 million tons) and barley (7.4 million tons). A major exporter of flour, Turkey sent out 3.975 million tonnes in 2015-16, according to the International Grains Council.

The country also imported some 4.9 million tons of grain (in 2015). Despite these huge production numbers; most of Turkey’s grain productions and imports feed into its grain processing industry. Juxtaposed with the 3.4 million tons of grain exported, Turkey, with a population of 78.6 million people is a net importer of grains.

These imports are however part of a larger picture, as the grains are converted into feeds, boosting the local poultry and meat industry; Turkey produced 17.2 billion eggs in 2015. Other top exports for the country are Cars ($7.95bn); Vehicle Parts ($4.73bn); Raw Iron Bars ($4.28bn); Delivery Trucks ($4.15bn); and Jewellery ($4.06bn).

The top export destinations for Turkey are Germany ($16.9bn); Iraq ($10.8bn); the United Kingdom ($10.3bn); France ($7.87bn); and Italy ($7.58bn). Its top import origins are China ($24.6bn); Germany ($23.5bn); Russia ($14.7bn); Italy ($12.3bn) and the United States ($11.8bn).

Indonesia

Oil palm exports are an important foreign exchange earner for Indonesia; the country earned approximately $18.6bn in 2015 exporting 26.4 million tons of oil palm. A total output of 32.5 million tons of produce emerged from the eight million hectares of land presently under palm oil cultivation.

Indonesia’s estimated total revenue from exports came to $148.4bn in 2015; its main exports are Coal Briquettes ($20bn);
Palm Oil ($18.6bn); Petroleum Gas ($17bn); Crude Petroleum ($9.7bn) and Rubber ($5.42bn).

► **Mexico**

Mexico is the world’s 12th largest export economy, with a total export value of $381bn in 2015. The country mainly exports Crude Petroleum ($37B); Cars ($33bn); Vehicle Parts ($23bn); Delivery Trucks ($22.7bn) and Computers ($18.6B). Top export destinations for Mexico are the United States ($291bn); Canada ($24.5bn); China ($7.89bn); Spain ($6.18bn) and Brazil ($5.35bn).

► **Nigeria**

In stark contrast, Nigeria depends on Crude oil as her major source of trade income. Africa’s most populous nation with a workforce of approximately 76 million people, perches precariously on foreign exchange gleaned from Oil prices, and has done so for decades.

A third (75%) of the country’s foreign exchange from trade comes directly from oil, while only 30.5% of Nigeria’s working population is engaged in the largely informal Agricultural sector. Nigeria can however take notes from Mexico, which built its manufacturing base and trade policies around the production of automobile and parts. In the far east, Oil Palm nets at least $18.6bn into Indonesia’s economy every year.

Nigeria should emulate this, placing eight million hectares of land into the revenue mix, to reap significant income from the same global Oil Palm industry it once dominated pre-Independence.

Also worth leveraging are Nigeria-Turkey relations, to facilitate rapid knowledge transfer that sees Nigeria also build a manufacturing base around its own agricultural products, rather than exporting unprocessed produce whilst remaining in a perennial struggle with staggering food import bills.
Nigeria’s future as a viable nation-State will depend on efficient financial systems, an optimal manufacturing base complemented by vibrant power supply and world-class infrastructure. Trade, monetary and fiscal policies will have to be deliberately fashioned to achieve truly inclusive socio-economic growth, which has eluded Nigeria for far too long.

To fail to adapt to the realities of a global economic order that is moving away from the basic model of rent-for-resources towards technological advancement and self sufficiency, is to remain in the 60s. Nigeria cannot afford to remain the same nation that wilfully exchanged its rubber plantations, cocoa farms and groundnut pyramids for a life on the dole, dictated by Crude.

Only a purposeful stop to decades of Nigeria’s rigmarole in this maze of oil booms, oil price busts, recessions and loan-mongering can stop the ongoing mortgage of the future of generations unborn.
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