ECONOMIC AGENDA FOR THE BOLA AHMED TINUBU ADMINISTRATION

CSJ
Centre for Social Justice

actionaid

NLC

TABLE OF CONTENTS

ABBREVIATIONS

BHCPF	Basic Health Care Provisions Fund
CBN	Central Bank of Nigeria
CRF	Consolidated Revenue Fund
FDI	Foreign Direct Investment
FRA	Fiscal Responsibility Act
FRC	Fiscal Responsibility Commission
FGN	Federal Government of Nigeria
HMOs	Health Maintenance Organisations
GOE	Government Owned Enterprise
GDP	Gross Domestic Product
Mbpd	millions of barrels per day
NEITI	Nigeria Extractive Industries Transparency Initiative
NASENI	National Agency for Science and Engineering Infrastructure
NHA	National Health Act
NHIA	National Health Insurance Authority
NHIAA	National Health Insurance Authority Act
NNPC	Nigeria National Petroleum Company
NOCOPO	Nigeria Open Contracting Portal
NPHCDA	National Primary Health Care Development Agency
NSR	National Social Register
OPEC	Organisation of Petroleum Exporting Countries
PIA	Petroleum Industry Act
PMS	Premium Motor Spirit
S.	Section
SCDI	State-Contingent Debt Instruments
SHI	Social Health Insurance
UHC	Universal Health Coverage
USD	United States Dollar
VAT	Value Added Tax
WHO	World Health Organisation

1. INTRODUCTION

This agenda reviews critical issues that will facilitate increased revenue earnings for the Federal Government of Nigeria (FGN) as well cut down wastages in the system. The recommendations assume that insecurity will be drastically reduced while corruption will be fought to a standstill. It is also premised on the assumption that governance and public finance management decisions will be evidence based and anchored on the rule of law and its due process. Furthermore, there will be convergence between fiscal, monetary, trade, labour and other relevant policies.

2. OIL AND GAS INDUSTRY

A. Petrol Subsidy

The Tinubu administration has removed fuel subsidy and it is projected that N3.9trillion will be saved in 2023 and over N21trillion between 2023 and 2025.[1] The Nigeria Extractive Industries Transparency Initiative (NEITI) reports that N13.7trillion has been spent on fuel subsidy in the last 15 years. The reform comes with its downsides and upsides. The World Bank states that over 4million Nigerians were forced into poverty from January to May 2023 and about 7million more will descend into poverty if nothing is done to hedge the free fall.

The price of PMS touches virtually everything including transportation, food, education, health, artisanal services, etc. The National Assembly has approved the President's request in the sum of N500billion for palliatives. Furthermore, NNPC Limited claims it is being owed N2.8trillion in subsidy arrears while other government agencies state that NNPC had shortchanged the Federation Account.

Recommendations

- Engage organized labour, private sector, professionals, women and the public in good faith disclosure and negotiations with relevant information and design a social intervention programme to cushion the hardship in critical sectors like transport, agriculture/food, health, food stamps, utility bill support, etc. Leadership should lead in making sacrifices.

- Further to the above, it is recommended that palliative measures include: (1) To reduce transport costs, consider the introduction and local production of compressed natural gas-powered buses and vehicles for mass transit.

- (2) Review the minimum wage to a wage that takes care of workers' needs, at least not less than N100,000 per month.

- (3) Increase resources to social health insurance to ensure that all persons on the National Social Register (15.7million households and over 60million individuals) have access to healthcare not anchored on payment of premium and reform the Guidelines for the utilization of the Basic Health Care Provision

[1] Nigeria Development Update of the World Bank, June 2023 at page 31.

Fund so that not less than 90% is dedicated to service delivery on the basic minimum package of healthcare for the poorest of the poor.

- (4) Cash transfers to the poorest of the poor on the National Social Register provided the funds are not from borrowed money but from savings.[2] But the transfers must be built around increased transparency and accountability, access to information and monitoring by all interested parties including media and civil society. The NSR must be continually cleaned and criteria for inclusion reviewed, updated to take out deceased persons, previously poor but who have now left that category and include new persons who have recently fallen into the category.

- Take steps to conclude the revitalization of existing refineries and thereafter run them efficiently. Review the value for money in previous revitalization and turn around maintenance contracts of the refineries and possibly recover mismanaged funds.

- Grant more licenses to firms to engage in local oil refining to avoid creating undue monopoly when the Dangote Refinery comes on stream. Support the Dangote, BUA and other refineries to start production as soon as possible.

- Government should set up a high-level committee or the existing committee should speed up action in reconciling accruals to the Federation Account from NNPC Limited.

B. Oil Theft

NEITI disclosed in a December 2022 statement that about 619.7 million barrels of crude oil, valued at $46.16 billion or N16.25 trillion, have been stolen in the last 12 years. This averages N1.354trillion annually. This sum when brought into account in the books of NNPC Limited will increase its profit and the dividends to be paid to the Federation Account. According to data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Nigeria’s crude oil production dropped to 998,602 barrels per day in April 2023, from its March 2023 1.2mbpd. currently oil production hovers around 1.3mbpd. Although there are other reasons that may have reduced oil production, this may be evidence that the theft may have escalated beyond comprehension. This is against the background of the 2023 budget projection of 1.69million bpd.[3]

Recommendations

[2] Borrowing for transfers is against the spirit and letter of the Fiscal Responsibility Act. It is recurrent, unsustainable and non-regenerative in nature.

[3] According to NUPRC data, Nigeria produced 1,258,150 barrels per day of crude in January 2023, 1,306,304 barrels per day of crude in February 2023, and 1,268,202 barrels per day of crude in March 2023.

- Reduce oil theft and vandalization to a minimum by holding accountable public officers under whose watch industrial-scale oil theft occurs.
- Demand value for money in the Tompolo Pipeline Protect Contract and similar contracts.
- Consider a certification and authentication system – pipeline integrity programme that traces Nigerian crude from the wells to refineries and export terminals as a means of eradicating oil theft. Lessons can be drawn from the experience of "blood diamonds".
- Activate the real-time online monitoring of pipelines and strategic oil and gas resources paid for in federal budgets between the years 2010 – 2014 and in recent years. If this facility is not available, hold to account individuals and institutions that drew down the appropriated votes without delivering any value.

C. Oil Production

In the last couple of years, Nigeria has been struggling to meet its Organization of the Petroleum Exporting Countries *(*OPEC*)* quota and budget benchmark. This is due to aging infrastructure, inadequate investment and security challenges. Nigeria did not meet the 1.8mbpd benchmark of the 2022 federal budget and has not been able to meet the 2023 federal budget benchmark of 1.69mbpd.[4] For the first time, due to a number of factors, including reduced production, Nigeria failed to benefit from the surge in world oil prices since 2021. Nigeria's current reserves stand at 36.9billion barrels and the reserves are declining due to low exploration activities. Beyond oil theft, investments in the sector from oil majors have decreased over the years, as many of them have been divesting and selling off their assets to local investors. Nigeria's total annual upstream capital expenditure decreased by 74% from $27 billion in the year 2014 to less than $6 billion in 2022.[5] Oil is a timebound energy source whose value will continue to diminish over time in the global march to zero carbon emission.

Recommendations

- Nigeria should maximise investments to improve oil reserves and oil production and target not less than 2mbpd within a year and 3-4mbpd in the medium term. NNPC Limited should drive fundraising for investments in the sector including its proposed initial public offer.

[4] Nigeria had 17 active oil rigs in 2019 representing one of the highest counts on the African continent at the time. However, the country's average rig count declined to 11 in 2020, seven in 2021, and 10 in 2022.

[5] Per Engineer Gbenga Komolafe, the chief executive officer of the Nigeria Upstream Petroleum Regulatory Commission (NUPRC) at the Nigerian International Energy Summit 2023.

- The management of the NNPC Limited and other relevant agencies should be revamped to attract world/best in class managers to drive the reforms in the sector.

- Full implementation of the relevant sections of the Petroleum Industry Act (PIA).

D. Gas Investments

Nigeria's associated gas reserves is 102.32 trillion cubic feet, non-associated gas reserves at 106.51 trillion cubic feet, making the total of 208.83 trillion cubic feet of natural gas reserves.[6] Again, this is an energy source that is time bound in the global march to carbon reduction. Nigerian needs to maximize investments in gas gathering processing, local use as well as export.

There are gas fiscal incentives under the PIA – a maximum of 10-year gas tax holiday and benefits under S.39 of the Companies Income Tax Act, and investors in gas pipelines will be granted an additional tax-free period of five years at the expiration of the tax-free period granted in S.39 of the Companies Income Tax Act and S.302 (6) of the PIA. The Nigerian Morocco Gas Pipeline and other gas projects should be implemented for increased earnings from gas.

Recommendations

- Nigeria should maximise investments to improve gas reserves and gas gathering, processing, local utilization and export. NNPC Limited should drive fundraising for investments in the sector.

- The management of the NNPC Limited and other relevant agencies should be revamped to attract world/best in class managers to drive the reforms in the sector.

- Full implementation of the Petroleum Industry Act (PIA) in this regard.

3. DEBT

The outgone Buhari administration inherited a debt profile of N12.118trillion and have left office with debts in excess of N72trillion, an addition of not less than N58trillion under a space of eight years. The bulk of Nigeria's retained revenue is devoted to debt service. In 2021, the retained revenue was N4.64trillion while debt service was N4.221trn. Nigeria's debt service to revenue ratio is reported at 90.9% in 2021 and reached 101.5% in 2022. Debt service is projected to peak at 121% of revenues in 2023.[7] International best practices prescribe debt service to revenue ratio at not more than 20% of export earnings or 30% of revenue for low income countries. Public and publicly guaranteed debts are now in excess of 40% of the GDP and will reach 46%

[6] Gbenga Komolafe, supra.
[7] Nigeria Development Update, June 2023 by the World Bank at page 31.

by the of 2023.[8] With the unification of the exchange rate, Nigeria's foreign debts will increase in value by not less than 40%.

The high-level indebtedness brings to the fore critical governance issues. Evidently, borrowing has been done in defiance of the law. The principal provision in S.41 of the Fiscal Responsibility Act (FRA) is that government at all tiers shall only borrow for capital expenditure and human development, provided that such borrowing shall be on concessional terms with low interest rate and with a reasonably long amortization period subject to the approval of the appropriate legislative body. Furthermore, government shall ensure that the level of public debt as a proportion of national income is held at a sustainable level as prescribed by the National Assembly from time to time on the advice of the Minister. This provision is reinforced by S.48 of the same Act which states that the Federal Government shall ensure that its fiscal and financial affairs are conducted in a transparent manner and accordingly ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications for its finances. Furthermore, by S.44(1) of the FRA, any government in the Federation or its agencies and corporations desirous of borrowing shall, specify the purpose for which the borrowing is intended and present a cost-benefit analysis, detailing the economic and social benefits of the purpose to which the intended borrowing is to be applied.

Recommendations

- A moratorium on new debts, especially foreign debts, except there are exceptional circumstances justifying the new debt and this should be in accordance with the provisions of the FRA.
- Consider state-contingent debt instruments (SCDIs) where repayment obligations are tied to capacity to repay and this should include revenue bonds and payments linked to the price of oil.
- Involve the private sector in more public private partnerships to reduce the need for sovereign debts. For instance, railway tracks can be laid by the government while the wagons will be bought and operated by the private sector.
- Restructure debts to ensure a longer period of amortization in a bid to reduce the percentage of retained revenue committed to debt service. Target not more than 50% of retained revenue for debt service in the medium term of four years.
- Set a debt ceiling in accordance with S.42 of the FRA. This ceiling should be defined inter alia in the relationship of debt to revenue.
- Redefine the purpose of incurring debts in clear terms of debts being for projects that will promote value chain development, improve the macroeconomic framework, develop infrastructure and build strategic human

[8] Nigeria Development Update, June 2023 by the World Bank at page 24 and 32.

capital. This will imply a deletion of the amendment in the 2021 Finance Act which introduced an omnibus new term called "national interest" as a justification for borrowing.

- Stop borrowing for recurrent expenditure (personnel and overheads) and dilatory capital expenditure that adds no value to economic growth, wealth creation and development.
- Establish a public review mechanism through which the cost benefit analysis of loans and their implications are ascertained before the Federal or State Governments enters into loan agreements.
- Establish a comprehensive accessible public record of all debts, period of amortisation, interest, the amounts so far repaid or used for service, outstanding sums, projects where proceeds have been deployed and the state of implementation or access to services, etc.

4. WAYS AND MEANS

FGN has accumulated Ways and Means expenditure in excess of N23trillion in violation of the CBN Act that pegs ways and means to not more than 5% of previous years actual revenue. Furthermore, FGN has not been able to pay back the advances within the financial year as stipulated by law. Ways and means repayment are expensive as it attracts monetary policy rate plus 3 percent. However, the Executive and National Assembly have worked out a 40year repayment plan on 9% interest per annum for servicing about 92% of the Ways and Means debt. Ways and Means accounted for 58% of total FGN financing in 2022. It is partly responsible for the increased inflationary pressure on the economy as it increases the growth of money supply.

The National Assembly recently amended the CBN Act to increase allowable ways and means to 15% of the actual expenditure of the previous year.

Recommendations

- The President should not assent to the amended CBN Act.
- Meticulously and scrupulously observe the provisions of the CBN Act in relation to ways and means.

5. INCREASING TAX REVENUE

FGN states:[9]

> "*In addition, the tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the*

[9] Presentation of the 2022 Federal Budget by the Minister of Finance, Budget and National Planning.

business practices of revenue agencies as well as employing appropriate technology"

There is the need to plug leakages in the system especially in taxes like VAT which is not automatically swept into government coffers.

Recommendation

- Introduce appropriate technology to ensure that all payments of VAT, especially at the retail end are automatically swept into the coffers of government while reconciliations will come either monthly or quarterly.

- Facilitate the assessment and collection of property taxes at the federal and state levels adopting modern valuation methods.

- Broaden the tax base without increasing the tax rate, block leakages and bring in high net worth individuals into the tax net.

- Create new rules or amend existing legislation to effectively tax intangible online transaction that generate billions of naira across borders.

- Put mechanisms in place to tackle increasing tax evasion

6. TAX EXPENDITURE

Table 1 shows the foregone revenue for the years 2020, 2021, 2022, and projections for 2023 and 2024.

FORGONE TAX REVENUE & ACTUAL REVENUE COLLECTED					
Tax Expenditures (₦ Billion)	**2020**	**2021**	**2022**	**2023**	**2024**
Companies Income Tax	457.00	548.40	658.08	789.70	947.64
Value Added Tax	4,300.00	3,870.00	3,483.00	3,134.70	2,821.20
Custom Duties	600.00	720.00	792.00	871.20	958.32
Petroleum Profits Tax (PPT)	307.00	337.70	371.47	408.62	449.48
Total Forgone Tax Revenue	**5,664.00**	**5,476.10**	**5,304.55**	**5,204.22**	**5,176.64**
Non-Oil Revenue	3,861.81				
Oil Revenue	3,804.96				
Total Actual Revenue	**7,666.77**				

Source: MTEF 2023-2025

Note: This excludes tax credits under the Road Infrastructure Tax Credit Scheme.

Between 2020 to 2022, a total of N16.4trillion was foregone as tax expenditure while FGN and the states continued to pile up debts.

The proposal in 2023 to give away N5.204trillion against a projected revenue of N8.46trillion, while incurring N10.782trillion deficit is difficult to reconcile under fiscal responsibility rules.

S.29 (1) of the Fiscal Responsibility Act (FRA) is titled restriction on the grant of tax relief. It states:

> *Any proposed tax expenditure shall be accompanied by an evaluation of its budgetary and financial implications in the year it becomes effective and in the three subsequent years, and shall only be approved by the Minister, if it does not adversely impair the revenue estimates in the annual budget or if it is accompanied by countervailing measures during the period mentioned in this subsection through revenue increasing measures such as tax rate raises and expansion of the tax base.*

There is no documentation showing evidence of compliance with the provisions of the FRA on these tax expenditures. There is no evidence of an evaluation of their budgetary and financial implications in the years they were granted and in the three subsequent years. These expenditures adversely impaired the revenue estimates and there were no countervailing measures through revenue increases, etc.

Recommendations

- Amend the FRA in the Finance Act 2022 to remove the power to grant tax expenditures from the Minister or the Executive and only place a duty on the Executive to document the recommendations, proposals and justification for tax expenditure subject to the approval of the legislature.
- Cap tax expenditures to not more than 10% of projected revenue every year or within the medium term.
- Enhance transparency, accountability and popular participation in tax expenditure management through making accessible on a public electronic portal, evidence-based data justifying tax expenditures before their approval.
- Establish milestones on the benefits/gains accruing to the economy from tax expenditures and conduct annual surveys on the beneficiaries meeting the milestones.
- Set up a dedicated tax expenditure monitoring unit in the Ministry of Finance.

7. INDEPENDENT REVENUE

It is stated in the 2023 approved budget presentation:[10]

[10] Presentation of the 2022 Federal Budget by the Minister of Finance, Budget and National Planning

Additionally, there will be tighter enforcement of the performance management framework for GOEs that will significantly increase operating surplus/dividend remittances in 2023

Government's investments over the years in GOEs have not been compensated with adequate operating surpluses by the GOEs. Evidence emanating from Auditor-General's reports and legislative hearings by the Public Accounts Committee (PAC) and other committees indicate that revenues accruing from operating surplus of GOEs can be doubled.

Recommendations

- The mandatory use of a Treasury Single Account for all GOE financial transactions. Strengthen the administration and management of TSA to ensure that no expenditure and income is recorded outside its system.
- Immediate reversal of the exclusion of the Ministry of Finance Incorporated from the TSA.
- Monthly remittance of interim operating surplus and reconciliation of cumulative remittances after year end should be converted to a monthly deduction by the Accountant General. FGN need not wait for GOEs to remit but the platform should be set up in such a manner that facilitates automatic deduction thereby ensuring that the sums due to FGN are not under any circumstance available for GOE expenditure.
- Strengthen the Fiscal Responsibility Commission to ensure greater oversight over the calculation, deduction and collection of operating surpluses.
- Prosecution and administrative sanctions for unauthorized use of funds due to FGN as operating surplus. This should start from an automatic suspension process for the accounting officer of the GOE.

8. AUDITOR GENERAL FOR THE FEDERATION

The office of the Auditor General for the Federation is the foremost anti-corruption institution. Beyond general constitutional provisions, the office lacks functions and powers necessary for the operation of a modern audit office; it lacks financial and operational autonomy; appointment, tenure and immunity provisions are insufficient. There are challenges with reporting, follow-up, financing and oversight. Several attempts to enact a new and modern Audit Act has been frustrated by the refusal of presidents to grant assent to bills enacted by the National Assembly. The states have already reformed their Audit Laws, FGN can adapt extant state provisions.

Recommendations

Enact a new audit legislation that provides inter alia:

- Financial, organisational and operational autonomy for the Auditor General including funding from a first line charge.
- Clear mandate and adequate powers and functions including power to sanction, recover misappropriated public resources and follow-up on audit recommendations.
- An Audit Court/Tribunal to resolve matters arising from audit after Public Accounts Committee proceedings in a timely manner if a party is convinced it did not get justice.
- Strengthened audit standards. The Legislation should provide that the Auditor-General should use appropriate work and audit standards and a Code of Ethics based on official documents issued by recognised standard-setting bodies such as the International Organisation of Supreme Audit Institutions (INTOSAI), International Federation of Accountants (IFAC), International Public Sector Accounting Standards Board (IPSASB), Financial Reporting Council of Nigeria (FRC) or others
- A clear line of reporting to the legislature, the public and enhanced transparency and accountability of audit work.
- Independent Auditor to audit the Auditor General.
- Full implementation of the new audit regime

9. FISCAL RESPONSIBILITY

The Fiscal Responsibility Act (FRA) made unambiguous provisions for the management of public finances including process, accountability and transparency issues. Its provisions include debt management, preparation of budgets and the medium-term expenditure framework, reporting on budget implementation as well as tax expenditure and savings in excess of the budget benchmark price of the oil, etc. However, its provisions are more honoured in the breach. Debts are procured and managed without adherence to the FRA, the Excess Crude Account is depleted despite high oil price, budget implementation reports are not timely, etc. Unfortunately, the FRA did not provide for sanctions or enable the Fiscal Responsibility Commission (FRC) to impose administrative sanctions.

Recommendations

- Amend the FRA to strengthen the FRC with administrative sanctions and enforcement powers.
- Provide penalties for violation of the law in accordance with international best practices.

- Improve the funding of the Commission through the incentivized minimal cost of collection approach.

10. PUBLIC PROCUREMENT

The Public Procurement Act 2007 was enacted to enhance value for money, introduce due process and best practices in public procurement in Nigeria. The National Council on Public Procurement, the policy arm of procurement management is yet to be established, so many cases of procurement fraud, inflation of prices, etc., have been reported. Procurement transparency has slightly improved through inter alia the use of the Nigeria Open Contracting Portal (NOCOPO) but still falls short of the intendments of the PPA.

Recommendations

- Establish the National Council on Public Procurement.
- Ensure the mandatory and timely use of NOCOPO by all MDAs of government.
- Amend the PPA to provide for graduated penalties, well drafted and defined in accordance with best practices of legal drafting.
- Activate the link between public procurement and the Beneficial Owner's Initiative

11. STATUTORY TRANSFERS

A number of agencies enjoy statutory transfer, as a first line charge on the Consolidated Revenue Fund of the Federal Government. They are the National Assembly, National Judicial Council, Niger Delta Development Commission, Independent National Electoral Commission, Universal Basic Education Commission, National Human Rights Commission, Basic Health Care Provision Fund, Public Complaints Commission, North East Development Commission and National Agency for Science and Engineering Infrastructure (NASENI).

Statutory transfers have been appropriated and presented to the public as bulk sums without details and disaggregation. There is no legal or policy provision in support of this opaque budgeting as no MDA has a right in a constitutional democracy to spend tax payers money in a way and manner unknown to the tax payer.

Furthermore, while each of these agencies have clear mandates for the investment of the statutory transfers, it is imperative for the fiscal authorities to define the deliverables and public expectations from NASENI to justify the transfer and the huge sums invested in it on a yearly basis.

Recommendations

- Disaggregate and publish the details of all lump sums in statutory transfers.

- NASENI's investment should be targeted to deliver technology and innovations in critical fields such as electricity including renewable energy, electronics, automobiles, etc.

12. EXCHANGE RATE

FGN has unified the exchange rate and this has positives and downsides. In the positives, more money will be available for sharing by the three tiers of government from foreign currency proceeds like the sale of crude oil. Nigerian exporters will earn more and will be encouraged to repatriate their proceeds and this will boost export proceeds. Foreign direct investment as well as portfolio investment will receive a boost considering that investors can now more easily repatriate their profits. On the downside will be increase in the naira value of foreign debts which will require more public funds for servicing and repayment. Considering that we are an import dependent economy, inflation may increase from the price of goods and services imported into the country. There will be an immediate increased demand for foreign exchange supply considering the backlog of unmet foreign exchange demands and associated obligations as well as estimates of future foreign exchange demand for the years ahead. Therefore, there is the danger of the market facilitating a free fall of the naira, that will depreciate the currency to unexpected levels, fuel aggravated price instability, inflation and uncertainty in the economy.

The challenge is to take steps to increase the positives while minimizing the downside effects.

Recommendations

- The lowest hanging fruits are from the oil sector. Essentially, it is to increase foreign exchange earnings from the sector and reduce foreign exchange dedicated to imports from the sector. FGN should take steps to ramp up production of crude oil to not less than 2mbpd in the next six months as well as targets for not less than 3-4mbpd in the medium term. Furthermore, stopping crude oil theft will release oil for export.

- Considering that refined petroleum products take up to 25% of foreign exchange earnings, facilitating the commencement of production in Dangote Refinery should be a matter of urgent national importance.

- Take steps to increase foreign exchange earnings; strategic steps should be taken inter alia to engage the Nigerian Diaspora, not just for welfare remittances but for focused investments in the key areas of electric power, gas collection and processing, production of not less than 3mbpd and infrastructure including railways and tolled roads.

- Getting more investors whether foreign or Diaspora into Nigeria will require not just road shows stating that things have changed and no longer business as usual, but practical, visible and irreversible steps which the investors themselves can see and understand. This is in terms of new policies or existing favourable policies and their implementation. Transparency and accountability in government has to increase geometrically.

- Ultimately, increasing productivity and local value addition leading to economic growth and increased exports will shore up the value of the Naira.

13. FOREIGN DIRECT INVESTMENT

FDI with its resource transfer effects introduces new finances, technologies, skills, and knowledge to the host country, enhancing its productivity, competitiveness, and innovation capacity; create direct and indirect jobs, increase wages, generate tax revenues for the host country, and contribute to its economic growth and social welfare. FDI provides an alternative investment framework to soverign debts and can be used for the provision of infrstricture and critical human security needs. Although, it has its drawbacks, but the positives clearly outweigh these drawbacks at Nigeria's level of development.

The critical challenge for poor FDI inflow has been the poor business environment. Nigeria has become notorious for insecurity as well as poor infrastructure that increases the cost of doing businnes – inaccessible roads, access to electricity as an example. Furthermore, the old exchange rate regime that led to the scarcity of foreign exchange and a situation where investors encounter extreme difficulty in repatriating their profits.

Table 2 shows the FDI net inflows.

Table 2: FDI, Net Inflows, 2015-2021

Year	Foreign Direct Investment (FDI)-Nigeria ($bn)[11]
2015	3.06
2016	3.45
2017	2.41
2018	0.78
2019	2.31
2020	2.39
2021	3.31
2022	-
TOTAL	**17.71**

[11] https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=NG

The net inflow of USD 17.71 is paltry and needs to be improved. Nigeria's foreign direct investment inflow as a percentage of GDP stood at 0.8% in 2021.

Recommendations

- Continue on the track of maintaining a single market determined/liberalised exchange rate regime.
- Improve security across the federation, especially improve intelligence gathering and management, enhance collaboration among the security agencies and deploy state and community policing.
- Deploy innovative ways to improve infrastructure without undue sovereign debts.
- Improve the quality of human capital in critical industrial and tradeable competencies.

14. DIASPORA RESOURCES

Nigeria's large Diaspora community is an asset waiting to be tapped as a source of investments that will grow the economy, create jobs and shore up the value of the naira. Diaspora remittances in 2020 were $17.21billion and rose by 11.2% to $19.2billion in 2021. The bulk of the remittance is for welfare and to support families back home which is distinct from capital investments. Table 3 shows the trend from the year 2015.

Table 3: Diaspora Remittances to Nigeria 2015-2022

Year	Diaspora Remittances to Nigeria ($bn)[12]
2015	20.63
2016	19.7
2017	22.04
2018	24.31
2019	28.81
2020	17.21
2021	19.48
2022	20.95
TOTAL	**173.13**

Nigeria is in dire need of investments (foreign or local) for its critical sectors in energy, infrastructure, etc. Whilst pursuing foreign investors, Nigeria needs to target its highly skilled and top-earning migrants as sources of investment funding. This may reduce the quantum of resources that FGN and states need to borrow.

[12] https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?locations=NG

Recommendations

- Design a coherent policy framework for the harnessing of Diaspora remittances for investment.
- Create transparent platforms and special purpose vehicles to harness the resources of the Diaspora community for investments at home.
- Create Special Purpose Vehicles for pooling funds where funds to be contributed by interested members of the Diaspora may be a bit lower than the minimum acceptable to international investing firms.
- Facilitate investments in medium and small-scale enterprises from Diaspora funds.

15. HEALTH

The poor public funding of the health sector, population increase that outpaces economic growth, and the fiscal crisis have all combined to guarantee poor health indicators and out-of-pocket health expenditure of 70.52%, the highest in Sub Saharan Africa. Full implementation of the National Health Insurance Authority Act 2022 (NHIAA) to reduce the high-level out-of-pocket health expenditure in Nigeria while moving towards Universal Health Coverage (UHC) is imperative. The high out-of-pocket expenditure (in a country with 63% of the population in multi-dimensional poverty) has hindered the attainment of the goals of UHC - to ensure that all people have access to quality health services, to safeguard all people from public health risks, and to protect all people from impoverishment due to illness, whether from out-of-pocket payments for health care or loss of income when a household member falls sick. The contradiction in all these is that the Federal Ministry of Health has clear capital budget absorptive capacity challenge.

The NHIAA has made health insurance mandatory for every resident of Nigeria and seeks to pool funds for the realization of UHC. It also provides for social health insurance (SHI) scheme including the Vulnerable Group Fund (VGF). Implementing the NHIA Act will create a large pool of funds for the realization of the right to the highest attainable standard of physical and mental health. Nigeria has produced a National Social Register documenting the poor and vulnerable households. All persons on this register should access SHI not linked to payment of premiums. The NHIA acts as a Health Maintenance Organisation (HMO) for the federal civil service thereby making the NHIA both a regulator and a player in the same industry.

By the current BHCPF under the National Health Act, 45% of the fund goes for primary healthcare through the National Primary Health Care Development Agency (NPHCDA) via the “NPHCDA Gateway”.[13] And the NHIAA collaborating with state

[13] This is for the provision of essential drugs, vaccines and consumables for eligible primary health care facilities (20%), the provision and maintenance of facilities, laboratory, equipment and transport for

health insurance/contributory health agencies has started implementing the SHI programme across the states of the Federation. Furthermore, the implementation of the entire BHCPF is shrouded in secrecy without publication of allocations to states (unlike the Universal Basic Education scheme) and public audits showing how funds have been disbursed and managed.

Health infrastructure funding and upgrades are suboptimal and Nigeria is reported to lose up to $1billion annually in health tourism to advanced counties. Nigeria is exporting health professionals while health tourism is facilitated by inadequate domestic health equipment, facilities and infrastructure. There have been recommendations for public private partnerships, viability gap funding, interventions by Nigerian Sovereign Investment Authority, Bank of Industry, Development Bank of Nigeria, etc. While these are good as interim measures, they may not provide long term solutions to the equipment and infrastructure crisis in the sector.

Recommendations

- The President should constitute the Governing Council of the Board of National Health Insurance Authority.

- The Governing Council should take policy steps to ensure that the mandatory health insurance scheme is activated viz, policy frameworks, implementation strategies, sensitization, education and awareness creation.

- The NHIA Act should be amended to provide sanctions for non-compliance. In the interim, the Governing Council should enact subsidiary legislation to impose penalties for non-compliance.

- NHIA and State Health Insurance/Contributory Health schemes should liaise with the relevant stakeholders including licensing and tax authorities to devise and activate enforcement mechanisms at the next stage of the campaign for universal health insurance coverage. The yearly premiums could be collected as a tax from formal sector workers while strategies are devised for engaging the informal sector.

- FGN should immediately activate the Vulnerable Group Fund.

- Considering that the increased taxes on Cigarettes, Tobacco and Alcoholic beverages and the Sugar tax are justified by reference to the health dangers of (over) consumption, it is pertinent that the accruing revenue be targeted to the

---

eligible primary health care facilities (15%) and the development of Human Resources for Primary Health Care (10%).

health sector especially, the Vulnerable Group Fund to be used in paying the premiums of the poorest of the poor and vulnerable.

- It is imperative over the medium term to increase taxes on alcohol and tobacco to the West African average of 50%. It is projected that alcohol, tobacco and sugar taxes can yield up to 1% of the GDP to be dedicated to the health sector.[14]

- Public procurement capacity building for the Federal Ministry of Health to ensure improvements in absorptive capacity of the Ministry to fully utilize all released funds through the procurement process. Apply administrative and criminal sanctions where clear cases of deliberate default/mischief are established.

- To further provide funds for SHI to cover all on the National Social Register, two options are (1) increase the BHCPF to 2 percent of the Consolidated Revenue Fund of the Federal Government and (2) to set aside 2% of Federation Account revenues for social health insurance. The first option puts more pressure on the fiscal resources of FGN while the second is preferred because the current BHCPF is a grant from FGN to the states. It is therefore important that befitting states join FGN and begin to make contributions to the health security of their people. This second option will guarantee greater funding for SHI schemes because most states who have provided for 1% (or more) of their CRF for SHI have not been releasing the funds as required by their respective laws.

- NHIA should focus on its core role of regulating the sector and the federal civil service should set up its own HMO or in the alternative use the services of existing private sector HMOs.

- Introduce transparency into the management of the BHCPF through regular publications and public access to information on approved institutions rendering service, disbursements, expenditure, outputs and results and public audit of the fund at the federal and state levels.

- The NHA should be amended to guarantee that not les than 90% of the BHCPF is channeled to service delivery for the poorest of the poor.

- Establish a Health Development Bank of Nigeria with a clear mandate of health infrastructure and equipment funding at single digit interest medium- and long-term funding.

[14] Report of the Presidential Heath Reform Committee at page 27.