



1. FGN'S 11 STRATEGIC PRIORITY AREAS

- Following the 19th – 20th August, 2019 Ministerial Retreat, **11 Priority Areas** were identified under **3 Themes**:
 - A. **Accelerating Economic & Governance Reforms:**
 1. **Macroeconomic Stability through Coordinated Economic, Monetary, Fiscal & Trade Policies**
 2. **Fight Corruption & Improve Governance**
 - B. **Enhanced Investments in Physical Infrastructure, Human Capital Development to spur Job Creation & Economic Growth**
 3. **Improve Health, Education & Productivity of Nigerians**
 4. **Ensure Energy Sufficiency (Power)**
 5. **Ensure Energy Sufficiency (Petroleum Products)**
 6. **Improve Transportation & Other Infrastructure**
 7. **Drive Industrialization, focusing on Micro, Small & Medium-sized Enterprises**
 - C. **Optimize Investments in Physical Security & Food Security to drive Inclusive Socio-economic Development**
 8. **Improve Security for All Citizens**
 9. **Enhance Agriculture Self Sufficiency to Achieve Food Security**
 10. **Enhance Social Inclusion by Scaling-Up Social Investments**
 11. **Improve Access to Mass Housing & Consumer Credit to Enhance Financial Inclusion**

2. FMEBPN'S PRIORITY FOCUS AREAS

- The achievement of strategies under the aforementioned 11 Priority Areas requires significant Revenues as well as the active Management of emerging Fiscal Risks
- In line with these overarching FGN Strategic Priorities, the Fed. Ministry of Finance, Budget & National Planning is keenly focused on **5 Priority Focus Areas**:
 1. **Enhancing Revenue Generation, Collection & Monitoring**
 2. **Accelerating Fiscal Consolidation by Optimizing Priority Capital & Recurrent Expenditure**
 3. **Optimizing Management of both Domestic & Global Fiscal Risks**
 4. **Increased Coordination of Fiscal, Macroeconomic, Monetary & Trade Policies**
 5. **Integrating Annual Budgets & Medium-Term Fiscal Strategies into rolling Medium & Long-term National Plans**

1. ENHANCING REVENUE GENERATION, COLLECTION & MONITORING

- **Strategic Revenue Growth Initiative** launched under oversight of FMFBNP Steering Committee:
 - Achieve sustainable revenue generation
 - Identify new sources & enhance existing revenue streams
 - Improve coordination & cohesion among agencies in the revenue ecosystem using relevant tools
- **Presidential Revenue Monitoring & Reconciliation Committee**
 - Chaired by DG-Budget, the PRMRC comprises 16 FGN revenue collecting & reporting agencies
 - Diligently reconciles & closely monitors revenues on a monthly basis to produce critical information for decision making in-year, as well as quarterly & annual reports
 - 1999 – 2019 data being used to establish baselines, track trends & monitor performance



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- Budget Office & OAGF also enforcing Circulars & Guidelines on remittances of Operating Surpluses from Govt. Owned Enterprises (GOEs / SOEs) pursuant to Executive Order #2 of 2017 on ‘*Submission of Annual Budgetary Estimates by Statutory & Non-Statutory Agencies*’
 - **Tax Laws & other Fiscal Reforms Agenda**
 - Since May, the Reconstituted National Tax Policy Implementation Committee (‘NTPIC’) under the Chairmanship of Executive Chairman (FIRS) & Comptroller-General (Nigerian Customs Service) has been working through a Technical Committee to review various tax laws & produce a single draft Finance Bill 2019 to support the fiscal priorities of the FGN’s 2020 Budget
 - **Various measures & reforms have been considered but these are still under consultation, viz.:**
 1. **Enhancing the Ease of Doing Business, particularly for MSMEs**
 - * Reduce Corporate Rate for MSMEs with N25m turnover from 30% to 20%
 - * Reduce VAT & Corporate Tax filing requirement for MSMEs
 - * 1% Tax Rebate for Early Bird Taxpayers who file tax returns early
 2. **Promoting Fiscal Equity**
 - * Reform the Taxation of Insurance Firms
 - * Modify “Excess Dividends Tax” & Minimum Tax rules to eliminate the inequitable taxation of previously taxed incomes, share capital & net assets
 3. **Aligning Nigerian Domestic Tax Laws with International Tax Developments**
 - * Enhance Domestic Tax Rules in line with OECD’s Base Erosion & Profit Shifting (‘BEPS’) initiative to tax cross-border, E-commerce, Online Transactions
 - * Introduction of Thin Cap Rules to reduce tax evasion from excessive interest repatriation on Foreign Debts owed by Nigerian Companies to Foreign Firms
 4. **Incentivising Investments in Infrastructure & Spur Capital Markets Activities**
 - * Introduce Targeted Tax Incentives to encourage Multi-million US\$ Private Sector Investments in Commercial Real Estate Development, Shopping Malls, Logistics Parks, , Airports / Seaports, etc. through Real Estate Investment Trusts (REITs)
 - * Introduce Tax Rules to complement existing SEC Regulations for Securities Lending Transactions on The Nigerian Stock Exchange
 5. **Raising Revenues for Socio-economic Development & Public Sector Investment**
 - * Moderate Rise in VAT to 7.5% (still well below W. African average of 16%)
 - * Curtail arbitrage opportunities for Corporate Tax evasion
 - * Harmonising Incentives for Business Combinations / Mergers & Acquisitions
 - * Legislating Excise Parity for Imported vs. Locally Manufactured Goods (vis-à-vis African Continental Free Trade Agreement – AfCFTA)
 - * Moderate increases in penalties for non-compliance to deter tax evasion
2. **ACCELERATING FISCAL CONSOLIDATION BY OPTIMIZING PRIORITY CAPITAL & RECURRENT EXPENDITURE**
 - Revenues for Government spending have increased largely fiscal reforms & prioritizing non-oil revenue generation. Capital spending now is prioritised (at least 30% of FGN Budget spending)
 - Gains from the ongoing Fiscal Reforms are being consolidated:
 - TSA Implementation;
 - IPPIS roll-out to more MDAs;
 - Efficiency Unit in FMF;



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- Fiscal Sustainability Plans & Bail-out Loans to support the States at the sub-national level
- Presidential Initiative on Continuous Audit;
- Project Lighthouse Project to mine data on Taxpayers derived from VAIDS Tax Amnesty Programme & FIRS Corporate Tax Amnesty
- **Social Inclusion** is prioritized through the N500bn Social Investment Program that has been implemented through the 2016, 2017, 2018 & 2019 Budgets; to be continued under the 2020 Budget
- **Human Capital Investments continue to be prioritized:** Health & Education spending are being optimized at both the FGN & sub-national levels
- **Competitiveness:**
 - Moving up 24 paces in World Bank Ease of Doing Biz Rankings (achieved in October 2017)
 - Increased investment Critical Infrastructure: Rail, Airports, Power, Roads, National Housing program, etc. to build a better foundation for future growth than what was laid in the past
 - * **Presidential Infrastructure Development Fund (PIDF)** has invested over N71bn* of targeted of N2.5tr in:
 - * Lagos-Ibadan Expressway*
 - * Second Niger Bridge Project*
 - * Abuja-Kano Expressway*
 - * Mambila Hydro-Power Project
 - * **Road Infrastructure Tax Credit Scheme (RITCS):**
 - * In January 2019, pursuant to Executive Order #7 of 2019, Mr. President approved Tax Credits ('TCs') incentives for private sector investment of over N205bn in 19 Nigerian roads & bridges of 794.4km in 11 States
 - * Initially, only 2 Investors that have reached advanced stages of work are being processed, as both Dangote Cement Plc & Nigeria LNG Ltd have:
 - ✓ Significantly advanced construction & rehabilitation works on their relevant Eligible Roads Projects
 - ✓ Signed the Memoranda of Understanding ('MOU') Agreements (attached as 2nd Schedule to Executive Order #7) with the HMF, on behalf of the FGN
 - ✓ Submitted MOUs, Invoices, TCs Claims & other relevant documentation to FMF
 - * **Family Homes Fund Ltd:**
 - ✓ FGN deploying N20bn to invest in up to 500,000 homes & create 1.5m jobs
 - ✓ Active engagement with Fed. Ministry of Works & Housing, State Governments, Nigeria Mortgage Refinance Company Plc
 - ✓ Expand existing stock of low-to-medium cost homes nationwide

3. OPTIMIZING MANAGEMENT OF BOTH DOMESTIC & GLOBAL FISCAL RISKS

- **Debt Management Reforms:**
 - The FGN has borrowed, given the relatively low levels of Non-Oil & Oil Revenue generation since 2015, but to finance critical infrastructure, meet priority expenditure & augment revenues
 - The FGN's borrowing is fiscally sustainable & guided by the Debt Management Strategy to:
 - ✓ Reduce Debt Service Ratio by increasing Oil & Non-Oil Revenue



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- ✓ Lengthen the Maturity Profile of the National Debt
- ✓ Rebalance the Debt Portfolio by shifting from shorter dated / high cost Domestic Debt to longer tenured / concessional & lower cost External Debt
- ✓ Diversify borrowing instruments (by introducing Sukuk, Green Bonds & Diaspora Bonds)
- The FGN's is committed to achieving an Optimal Debt Balance:
 - ✓ Although Debt Service Costs have increased, these are being managed down
 - ✓ External Debt is primarily focused on Concessional Borrowing
 - ✓ The Government is on track to shift Domestic Debt Portfolio to Long Term Maturities
 - ✓ Resources from Borrowing are being targeted at Capital Spending priorities
- **Litigious Fiscal Risks Management**
 - FMF is closely coordinating with Federal Ministry of Justice, CBN & other key MDAs to manage fiscal risks arising from International & Domestic Litigations & Arbitrations against the FGN
 - ✓ **P & ID US\$9.6bn Arbitral Award:**
 - * 2010 Gas Supply & Processing Agreement's terms required Claimant to build Plant in Cross River State to process 'wet / associated gas' into 'dry gas' for power generation
 - * Active risk management is well underway as FGN is exploring & pursuing various available options (i.e. setting aside Award based on proof of fraud, etc; filing fresh actions against Claimants; Negotiations & Out of Court Settlements as normally, awards are not given for loss of future profits as Claimants are expected to mitigate their losses, etc.)
 - ✓ **Other ongoing Arbitration & Litigations:** also under active risk management, with measures & protocols in place to protect Foreign Reserves, Debt Repayment Tranches & FGN Real Estate Assets abroad

4. INCREASED COORDINATION OF FISCAL, MACROECONOMIC, MONETARY & TRADE POLICIES

- **Economic Growth:**
 - Real GDP has recovered from a -1.6% contraction in 2016
 - We have had **9 successive quarters of growth** since the exit from recession:
 - ✓ Annual GDP growth increased from **0.82%** in 2017 to **1.93%** in 2018 (Full Year) & 2.10% in Q1: 2019 (note the upward revision from 2.01% previously printed due to higher oil output)
 - ✓ Q2: 2019 GDP growth at **1.94%** due to growth moderation in Agriculture, Manufacturing, Real Estate & Trade
 - Inflation has moderated to **11.02%** August 2019 from **11.08%** in July 2019 and **11.22%** in June 2019 (January 2019 was **11.37%**)
- **Coordination of Macroeconomic & Monetary Policy:**
 - FX Reserves have recovered from **\$23bn** in Sept 2016 to **\$45.8bn** (Gross External Reserves as at 31 Aug 2018). Since the Investors & Exporters FX Window opened in April 2017, the FX Market has been stabilizing as NIFEX & NAFEX rates have converged from July 2017 to date
 - The Trade Balance remained positive in Q2 2019, at about **N588.7 billion** compared to **N831.6 billion** in Q1 2019. The decline in the trade balance is due to a faster growth in imports over exports during the period. While exports grew by 1.34% between Q1 2019 and Q2 2019 from



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N4.5 trillion to N4.59 trillion, imports grew by 8.20% from N3.7 trillion in Q1 2019 to N4.0 trillion in Q2 2019. The growth in imports in Q2 2019 over Q1 2019 was driven by petroleum products.

- The second quarter of 2019 saw continuous strong inflows in total Capital Importation into Nigeria. The total value of capital imported into Nigeria stood at \$ 5,82 billion in the second quarter of 2018. This was a decrease of 31.4% compared to Q1 2019, but a 5.5% increase compared to the second quarter of 2018. For the half year 2019 however, capital importation at \$14.30 billion was 21.06% higher than the amount imported by half year in 2018 which was \$11.81 billion. Capital importation in Q2 2019 was driven largely by portfolio investment which grew by 4.21% year on year.

5. INTEGRATING ANNUAL BUDGETS & MEDIUM-TERM FISCAL STRATEGIES INTO ROLLING MEDIUM & LONG-TERM NATIONAL PLANS

- **2020 Budget Preparations:** the 2020 Budget preparations are at an advanced stage
 - FEC has approved 2020-2022 Medium-Term Expenditure Framework & Fiscal Strategy Paper (MTEF), which is being forwarded to the National Assembly for approval in line with the Fiscal Responsibility Act 2007. Key parameters (compared to 2019 Projections & 2018 Actuals) are:
 - * Oil Benchmark Price: US\$55/b (2019B: US\$60/b; 2018A:
 - * Oil Production: 2.18mbpd (2019B: 2.3mbpd; 2018A: 1.96mbpd incl. repayment arrears)
 - * Exchange Rate: US\$:N305 (retained from 2019; 2018A: N305.95)
 - * Inflation: 10.81% (2019B: 9.98%; 2018A: 11.44%)
 - * GDP Growth Rate: 2.93% (3.01%; 2018A: 1.93%)
 - Budget Bilateral Discussions will commence on an Exception Basis for relevant MDAs this week
 - Budget Collation online through GIFMIS & preparation of Budget Speech well underway
 - Expectation is that the 2020 Executive Budget Proposal will be ready by the end of September & Mr. President will deliver his 2020 Budget Proposals to National Assembly in early October
 - Given the excellent working relationship with the Leadership of both Houses of the National Assembly, the prospects for returning to a January – December Fiscal Cycle are very good
- **Economic Recovery & Growth Plan – transition to successive Long-term Vision 2040 Plan:** Nigeria's 2017 – 2020 Economic Recovery & Growth Plan targets investments in Critical Infrastructure & Human Capital Development, as well as enhance Food Security, foster Industrialization, create Jobs & facilitate the Ease of Doing Business. Key economic policies include:
 - **Restoring Growth:**
 - ✓ Macroeconomic Stability; &
 - ✓ Economic Diversification (Agriculture & Food Security; Mining & Minerals).
 - **Investing in our People:**
 - ✓ Social Inclusion & Job Creation;
 - ✓ Youth Empowerment; &
 - ✓ Improved Human Capital Development (Qualitative & Affordable Healthcare; Reformed Education System)



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- **Building a Globally Competitive Economy:**
 - ✓ Investing in Transportation & other Critical Infrastructure (Roads, Rail, Ports & ICT / Broadband Networks);
 - ✓ Energy & Power Sufficiency
 - ✓ Drive industrialization focused on SMEs
 - ✓ Improve Ease of Doing Business
 - ✓ Improving the Business Environment; &
 - ✓ Promoting Digital-led Growth.
- Working with Hon. Minister of State, Budget & National Planning, the FMBNP is working to:
 - Undertake Visioning Exercise for Long-term Vision 2040 Plan
 - Prepare Medium-Term Economic Growth Acceleration Plan for 2021-2024 as successor to ERGP
- **Learning from the Lessons of the Recent Oil Price Boom & Bust:**
 - Nigeria's Failure to Plan & Execute for Sustainable, Diversified & Inclusive Economic Growth & Development led to an inevitable Recession precipitated by external shocks (oil price collapse) & other factors
 - The Government remains committed to executing the ERGP's priorities & programs
 - ✓ Developing the Investment Driven Non-Oil Sector **NOT** dependent on Oil Earnings
 - ✓ Using Oil & Non Revenues to get out of the past dependence on the Oil Sector
 - ✓ Learning from the mistakes of the past to build a stronger foundation for Sustainable, Diversified & Inclusive Economic Growth & Development in the future
 - The Government remains mindful of current & prospective Economic Headwinds:
 - ✓ Slower GDP growth & recovery (due to challenges in the Agriculture (e.g. security, floods, etc.) & Oil Sector (e.g. technical issues, underinvestment in production, etc.)
 - ✓ Impact of politics & 2019 elections on investor sentiment, economic recovery & growth
 - ✓ Revenue challenges as economy recovers: e.g. tax revenues to rise in tandem with economic recovery, although with a 1 year time lag for corporate & trade related taxes
 - ✓ Debt service: revenue sustainability issues
 - The Government remains committed to accelerating Economic Recovery & Growth to deliver on this Administrations Socio-Economic & Developmental Agenda
 - ✓ Current & proposed Economic Plans have factored in scenarios for lower growth & recovery due to politics & other headwinds
 - ✓ The Federal Cabinet, Economic Advisory Council, National Economic Council and the MDAs that they direct & coordinate, remain resolutely focused on Executing the ERGP irrespective of politics etc.