

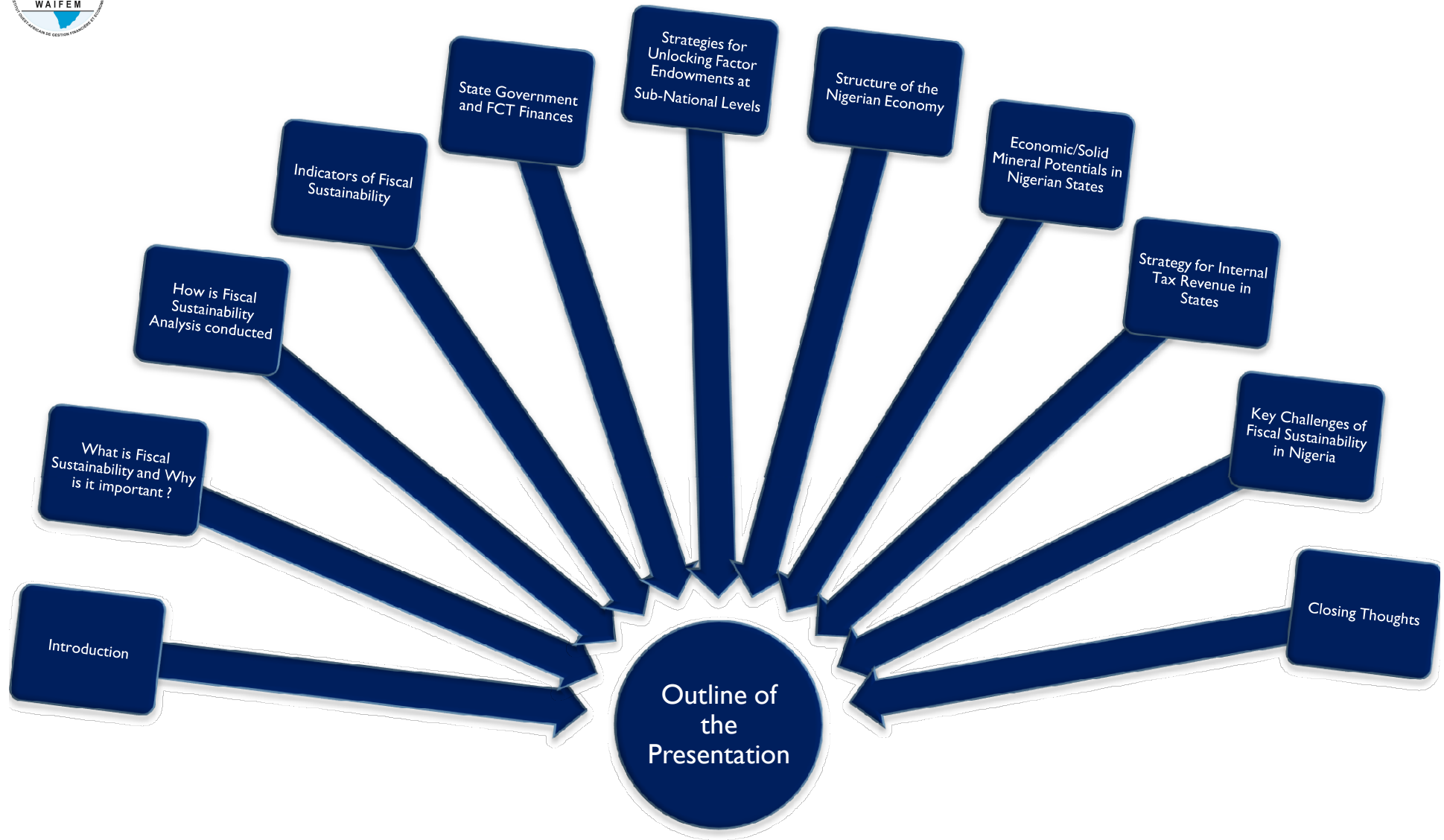
FISCAL SUSTAINABILITY AND STRATEGIES FOR UNLOCKING FACTOR ENDOWMENTS AT SUB-NATIONAL LEVELS

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**The opinions expressed in this paper are entirely those of the author and do not necessarily reflect the views of WAIFEM*



WHAT IS FISCAL SUSTAINABILITY OR SUSTAINABILITY OF PUBLIC FINANCES ?

- **Fiscal sustainability, or public finance sustainability**, is the ability of a government to sustain its current spending, tax and other policies in the long run without threatening government solvency or defaulting on some of its liabilities or promised expenditures.
- **Fiscal sustainability** is generally defined as the government's ability to meet and service its obligations in the short run and in the long run.
- **Fiscal sustainability** is the study of the impact of fiscal policies on public debt to make it sustainable.
- **Fiscal soundness**: the capability of governments to honour their obligations in the short run and in the long run.

**Fiscal soundness
=
Fiscal sustainability**

- Reducing risks for Fiscal Vulnerability



WHAT IS FISCAL SUSTAINABILITY OR SUSTAINABILITY OF PUBLIC FINANCES ?

- From a theoretical standpoint, the condition of sustainability implies that the debt must be repaid within a finite time period. In other words, one cannot die in debt.

i.e theoretical notion of fiscal sustainability means:

“the current fiscal policy is “sustainable” if its continuation in the indefinite future does not violate solvency constraints.”

- **Liquidity: can the State or Sub-national government pay today?**

Liquidity problems, i.e., when a shortage of liquidity affects the ability of an economy to discharge its immediate external obligations, generally, though not necessarily, give rise to concerns about insolvency. Liquidity problems can be triggered, e.g., by a sharp drop in revenues, or an increase in interest rates (foreign and/or domestic), or a rise in the prices for imports, or a tightening in global liquidity conditions. crises;

- **Solvency: is the State likely to be able to pay at all points in future?**

Solvency is defined as the state’s ability to discharge its fiscal obligations on a continuing basis.



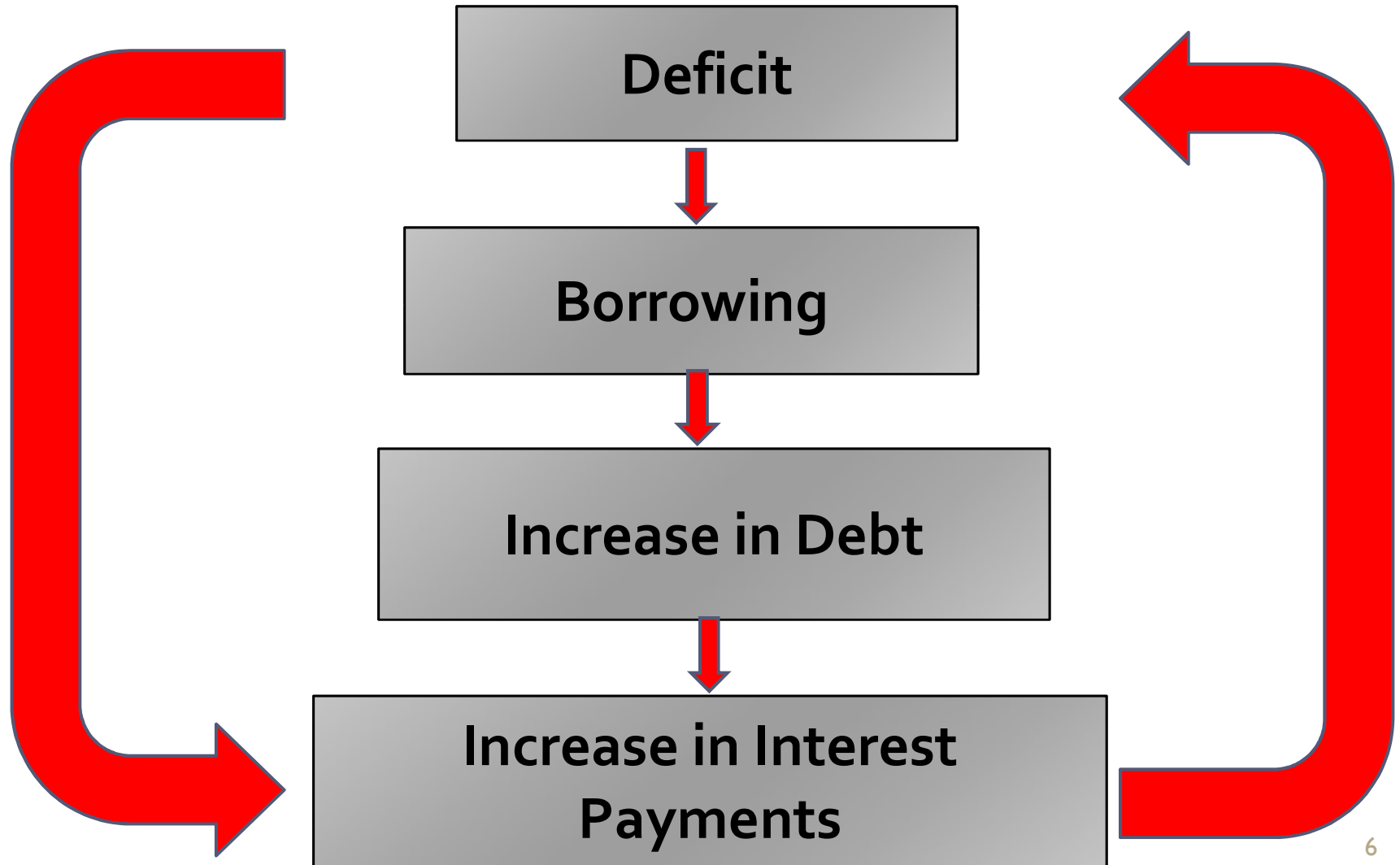
Importance of Sound Public Finances and Fiscal Sustainability

- The preservation of the soundness of public finances is a necessary condition for macroeconomic stability and sustainable growth.
- Unsustainable public finances impose constraints on monetary policy and undermine external viability by resulting in high levels of debt and debt service, creating a risk of insolvency.
- Indicators of fiscal sustainability help to shed light on the following question:
 - “can the current course of fiscal policy be sustained, without exploding debt of the state ?
 - or
 - will the government have to sharply increase taxes, decrease spending, have recourse to monetization, or even repudiation?”



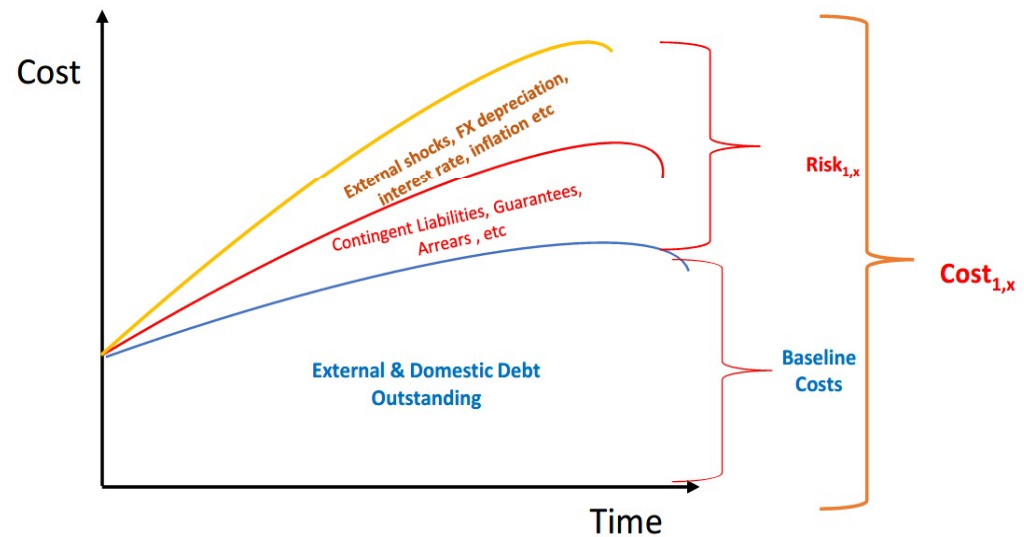
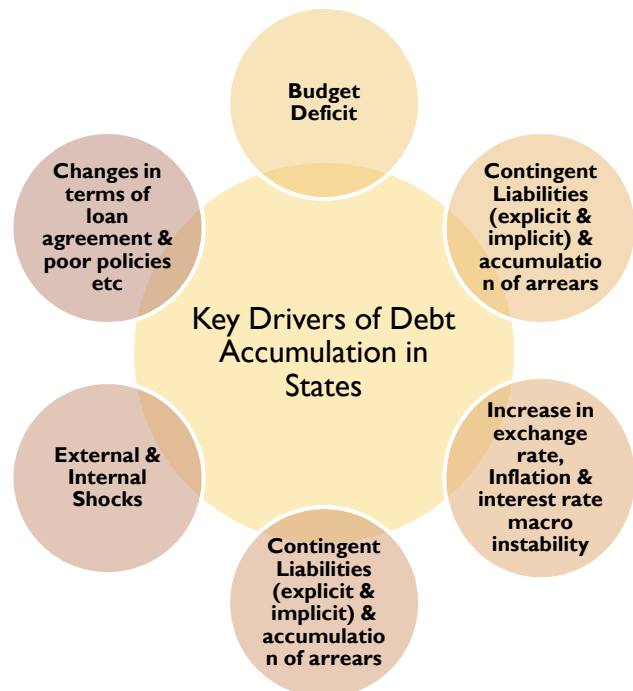
Vicious Circle of Deficit and Debt

Unsustainable public finances impose constraints on a state by resulting in high levels of debt and debt service, creating a risk of insolvency.



Key Messages

- Fiscal vulnerability describes a situation where a government is exposed to the possibility of failure to meet its aggregate fiscal policy objectives;
- There is a link between a fiscal deficit and the accumulation of public debt.



- Preservation of the soundness of public finances is a necessary condition for macroeconomic stability and growth at national and sub-national levels

**How is Fiscal Sustainability Analysis conducted ?
&
What are the indicators of Fiscal Sustainability ?**



How is Fiscal Sustainability Analysis conducted ?

Long term projections of income and expenditure including debt service payments to assess, GDP, Revenue and other macroeconomic and debt dynamics :

It involves the following:

- Forming a view of how outstanding stocks of liabilities are likely to evolve over time – forward looking concept;
- Quantitative elements (Macro variables and initial and future debt conditions, development of repayment capacity, new financing); among others are:
 - ✧ Current Debt (External and Domestic)
 - ✧ Its maturity structure.
 - ✧ If interest rate floating or fixed rate.
 - ✧ If indexed or not (say, to inflation or GDP growth).
 - ✧ By whom it is held.As well as other vulnerability indicators such as:
 - ✧ Interest rates projections, Exchange rate projections, Spreads, Yield curve shape.
 - ✧ Access to new borrowing. (Future Debt)
 - ✧ Total State Revenue and Growth including IGR and FAAC
 - ✧ Total State Expenditure and Growth
 - ✧ GDP, Exchange rate, Inflation,
 - ✧ Primary balance and overall balance etc.

Qualitative (use of judgment).



Indicators of Fiscal and Debt Sustainability Analysis of States in Nigeria

Debt sustainability is assessed on the basis of indicators of the debt stock or debt service (interest payments) relative to various measures of repayment capacity (typically GDP, or government revenues).

The basic equation is:
$$\text{Debt indicator} = \frac{\text{Indebtedness}}{\text{Repayment Capacity}}$$

The various data series that can be used to populate the basic equation to calculate the various debt indicators are described below. Each of the indicators provides a different perspective on debt sustainability, suggesting that they should be used in combination.

Indicators based on debt stocks (e.g., gross external debt position) are used to identify possible solvency problems. Debt stock indicators reflect the capacity of a state or country to generate resources to repay debt.

Indicators based on debt service (interest payments and amortization) are typically used to assess liquidity problems. They represent the share of a state's resources used to repay its debt (and therefore resources not used for other purposes). Debt-service ratios provide the best indication of the claim on resources and the associated risk of payment difficulties and distress. In the same vein, low and stable debt-service ratios are the clearest indication that debt is likely to be sustainable. i.e. comparing debt service to a state's repayment capacity yields the best indicator for analyzing whether a country is likely to face debt-servicing difficulties in the current period.



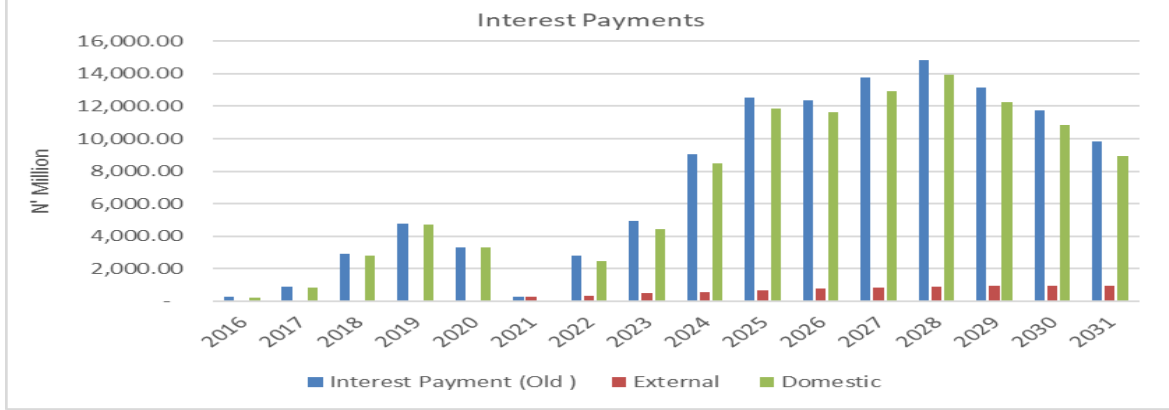
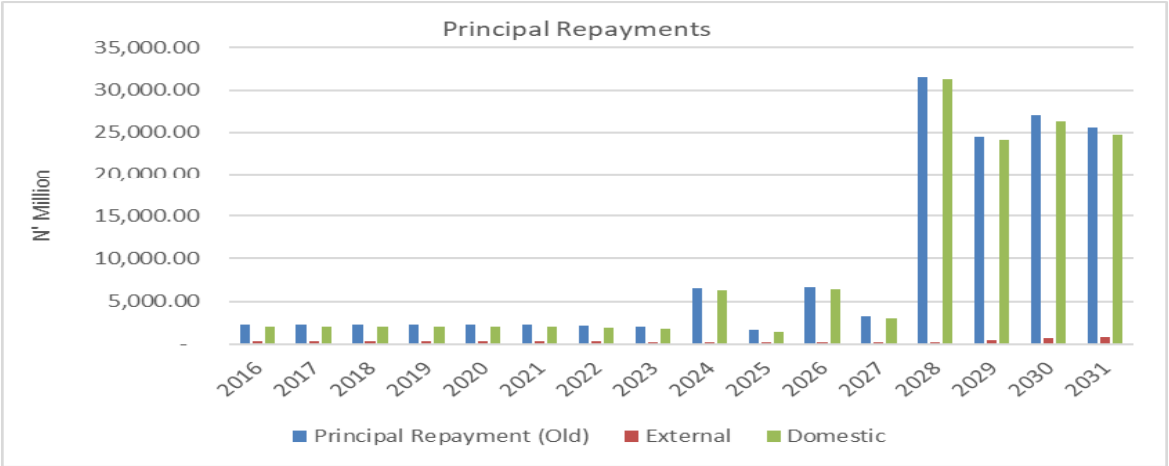
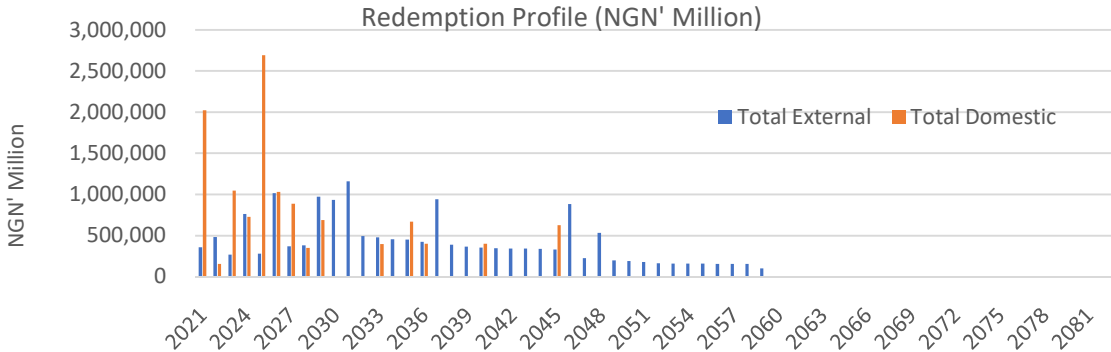
Indicators of Fiscal and Debt Sustainability Analysis of States in Nigeria

1	(a) Total State Debt as % of State GDP	35%
	(b) <i>External as % of State GDP</i>	
	(c) <i>Domestic Debt as % of State GDP</i>	
2	Deficit as % of GDP	
3	(a) Total State Debt as % of Total Revenue	250%
	(b) <i>External Debt as % of Total Revenue</i>	
	(c) <i>Domestic Debt as % of Total Revenue</i>	
4	(a) Total Debt Service as % of Total Revenue	40%
	(b) Total Debt Service as % of FAAC	
	(c) Total Debt Service as % of IGR	
5	(a) External Debt Services % of Total Revenue	
	(b) External Debt Service as % of FAAC	
	(c) External Debt Service as % of IGR	
6	(a) Domestic Debt Services % of Total Revenue	
	(b) Domestic Debt Service as % of FAAC	
	(c) Domestic Debt Service as % of IGR	
7	(a) Interest Payment as % of Total Revenue	
	(b) External Interest Payment as % of Total Revenue	
	(c) Domestic Interest Payment as % of Total Revenue	

8	(a) Total Debt as % of FAAC	
	(b) External Debt as % FAAC	
	(c) Domestic Debt as % FAAC	
9	(a) Total Debt as % of IGR	
	(b) External Debt as % IGR	
	(c) Domestic Debt as % IGR	
10	(a) Total Expenditure as % of Total Revenue	
	(b) Capital Expenditure as % of Total Revenue	
	(c) Recurrent Expenditure (Non-Personnel) as % of Total Revenue	
	(d) Salaries as % of Total Revenue	
11	(a) Total Expenditure as % of FAAC	
	(b) Capital Expenditure as % of FAAC	
	(c) Recurrent Expenditure (Non-Personnel) as % of FAAC	
	(d) Salaries as % of FAAC	
12	(a) Total Expenditure as % of IGR	
	(b) Capital Expenditure as % of IGR	
	(c) Recurrent Expenditure (Non-Personnel) as % of IGR	
	(d) Salaries as % of IGR	
13	(a) FAAC as % of Total Revenue	
	(b) IGR as % of Total Revenue	
14	(a) Growth of Total Revenue	
	(b) Growth of FAAC	
	(c) Growth of IGR	
	(d) Growth of GDP	



Portfolio Review











Fiscal Sustainability of Nigerian States



Fiscal and Debt Sustainability Analysis of States in Nigeria

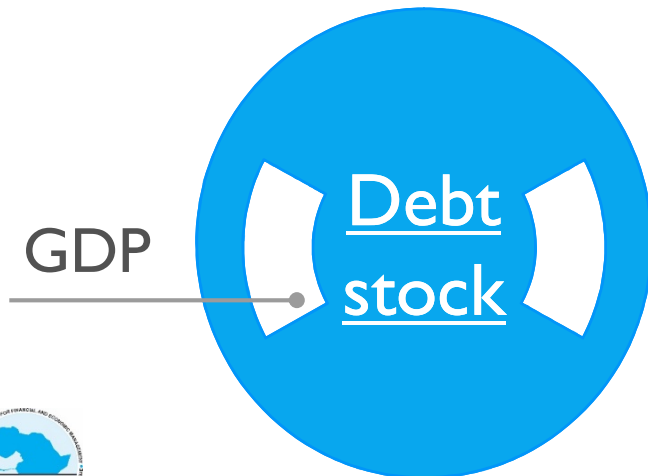
$$\text{Debt burden indicator} = \text{ratio} = \frac{X}{Y}$$



$$\text{Debt indicator} = \frac{\text{Indebtedness}}{\text{Denominator}}$$

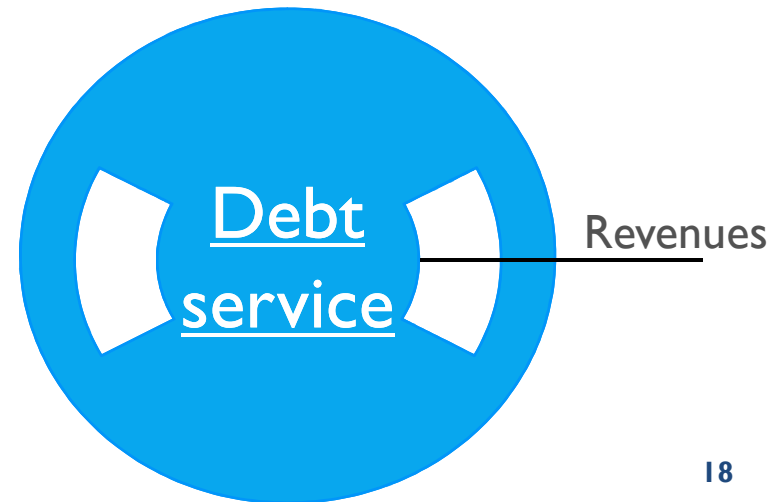
Solvency

Do you have enough assets to pay off that loan?



Liquidity

Do you have the ability to service your debt?



Public Debt Profile of States in Nigeria

NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT DECEMBER 31, 2020

	Debt Category	Amount Outstanding (US\$'M)	Amount Outstanding (₦'M)	% of Total
A.	Total External Debt	33,348.08	12,705,618.48	38.60%
	FGN Only	28,574.45	10,886,865.45	33.08%
	States & FCT	4,773.63	1,818,753.03	5.53%
B.	Total Domestic Debt	53,044.46	20,209,896.37	61.40%
	FGN Only	42,057.55	16,023,885.38	48.68%
	States & FCT	10,986.91	4,186,010.99	12.72%
C.	Total Public Debt(A+B)	86,392.54	32,915,514.85	100%

Source: DMO

Notes:

i. Domestic Debt Stock for Thirty-four (34) States, (Abia, Adamawa, Akwa-Ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Cross-River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kebbi, Kogi, Kwara, Lagos, Nassarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Taraba, Yobe, Zamfara and the FCT) were as at December 31, 2020.

Domestic Debt Stock figures for Katsina State was as at September 30, 2020, while Domestic Debt Stock for Rivers State was as at December 31, 2018.

ii. CBN Official Exchange Rate of US\$1 to NGN381 as at December 31, 2020 was used for conversion.

NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT DECEMBER 31, 2019

	Debt Category	Amount Outstanding (US\$'M)	Amount Outstanding	% of Total
A.	Total External Debt	27,676.14	9,022,421.64	32.93%
	FGN Only	23,111.27	7,534,274.02	27.50%
	States & FCT	4,564.87	1,488,147.62	5.43%
B.	Total Domestic Debt	56,377.18	18,378,959.65	67.07%
	FGN Only	43,781.12	14,272,644.79	52.09%
	States & FCT	12,596.06	4,106,314.86	14.99%
C.	Total Public Debt(A+B)	84,053.32	27,401,381.29	100%

Notes:

- i. Domestic Debt Stock for Thirty-Three (33) States, (Abia, Adamawa, Anambra, Akwa-Ibom, Bauchi, Bayelsa, Benue, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Kebbi, Kogi, Kwara, Lagos, Nassarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Taraba, Yobe, Zamfara and FCT) are as at December 31, 2019, while, Domestic Debt Stock Figures for Borno State was as at September 30, 2019, Katsina State was at June 30, 2019, and for Rivers State was at December 31, 2018.
- ii. CBN Official Exchange Rate of US\$1 to NGN326 as at December 31, 2019 was used in converting the Domestic Debts to USD.



Public Debt Profile of States and FCT

States, FCT and Federal Governments' External Debt Stock as at December 31, 2020

S/No	States and FGN	Multilateral USD	Bilateral (AFD) USD	Bilateral (CHINA EXIM BANK, JICA, INDIA, KFW USD)	Commercial Eurobonds & Diaspora Bonds USD and Local Contractors	Total USD
1	Lagos	1,262,654,824.30	143,830,000.00	-	-	1,406,484,824.30
2	Kaduna	551,949,178.01	-	15,535,692.17	-	567,484,870.18
3	Edo	280,299,984.40	-	-	-	280,299,984.40
4	Cross River	127,112,266.43	43,900,000.00	21,464,442.18	-	192,476,708.61
5	Gombe	192,476,708.61	-	-	-	192,476,708.61
6	Bauchi	134,910,555.23	-	-	-	134,910,555.23
7	Enugu	117,738,597.23	6,500,000.00	-	-	124,238,597.23
8	Adamawa	102,920,356.20	6,500,000.00	-	-	109,420,356.20
9	Anambra	108,086,817.30	-	-	-	108,086,817.30
10	Osun	95,194,080.62	12,245,989.00	-	-	107,440,069.62
11	Ogun	95,195,922.67	8,294,600.00	-	-	103,490,522.67
12	Ekiti	103,033,894.97	-	-	-	103,033,894.97
13	Abia	96,792,227.14	-	-	-	96,792,227.14
14	Rivers	96,696,928.15	-	-	-	96,696,928.15
15	Imo	68,205,020.87	27,911,517.88	-	-	96,116,538.75
16	Ondo	82,433,982.30	5,000,000.00	-	-	87,433,982.30
17	Oyo	83,700,232.50	-	-	-	83,700,232.50
18	Niger	58,450,310.54	12,500,000.00	-	-	70,950,310.54
19	Kano	65,032,715.69	3,369,600.00	-	-	68,402,315.69
20	Ebonyi	65,949,828.67	-	-	-	65,949,828.67
21	Bayelsa	62,971,785.96	-	-	-	62,971,785.96
22	Delta	62,056,418.73	-	-	-	62,056,418.73
23	Nassarawa	58,590,484.12	-	-	-	58,590,484.12
24	Katsina	56,176,014.33	-	-	-	56,176,014.33
25	Akwa Ibom	47,926,202.83	-	-	-	47,926,202.83
26	Kwara	47,063,330.19	-	-	-	47,063,330.19
27	Kebbi	43,608,960.77	-	-	-	43,608,960.77
28	Plateau	32,923,856.78	5,000,000.00	-	-	37,923,856.78
29	Sokoto	37,512,923.17	-	-	-	37,512,923.17
30	Benue	32,500,093.87	-	-	-	32,500,093.87
31	Zamfara	32,084,664.68	-	-	-	32,084,664.68
32	Jigawa	30,918,542.26	-	-	-	30,918,542.26
33	Kogi	30,157,822.27	-	-	-	30,157,822.27
34	FCT	30,099,692.77	-	-	-	30,099,692.77
35	Yobe	26,553,798.34	-	-	-	26,553,798.34
36	Borno	20,806,178.11	-	-	-	20,806,178.11
37	Taraba	20,794,912.81	-	-	-	20,794,912.81
	Sub-Total State & FCT	4,461,580,113.83	275,051,706.88	37,000,134.35		4,773,631,955.06
	FGN	13,472,068,716.67	218,656,035.92	3,528,680,161.35	11,355,049,053.90	28,574,453,967.84
	Grand Total	17,933,648,830.50	493,707,742.80	3,565,680,295.70	11,355,049,053.90	33,348,085,922.90
	Percentage of States &FCT Stock to the Grand Total					14%
	Percentage of FGN Stock to the Grand Total					86%

Source: Debt Management Office, (DMO).
Same notes apply in tables on page 21

STATES & FCT DOMESTIC AS AT 31 DECEMBER 2020

SN	STATE	DEBT STOCK (N)
1	LAGOS	508,778,694,537.59
2	RIVERS**	266,936,225,793.65
3	DELTA	248,450,746,202.26
4	AKWA IBOM	230,807,337,366.86
5	CROSS-RIVER	163,162,001,533.98
6	OGUN	153,490,666,025.15
7	IMO	150,197,089,834.65
8	BAYELSA	144,128,506,240.46
9	PLATEAU	137,779,659,849.27
10	OSUN	134,110,843,534.87
11	BENUE	126,125,643,793.76
12	KANO	116,934,604,599.62
13	TARABA	106,045,259,062.53
14	BAUCHI	102,817,667,316.63
15	ADAMAWA	98,900,403,446.84
16	ZAMFARA	98,017,526,123.86
17	OYO	94,496,184,529.59
18	ABIA	89,139,250,722.85
19	BORNO	89,049,423,818.67
20	GOMBE	84,968,849,358.76
21	EKITI	84,723,128,108.48
22	EDO	80,788,643,633.19
23	ONDO	74,663,201,245.73
24	FCT	69,532,417,465.77
25	KADUNA	68,754,361,083.75
26	KOGI	68,092,548,068.84
27	ENUGU	68,088,637,239.01
28	NIGER	66,777,350,647.40
29	KWARA	63,632,954,679.34
30	ANAMBRA	59,976,318,422.97
31	NASARAWA	59,390,353,151.52
32	KEBBI	56,810,548,829.06
33	YOBE	54,866,197,722.68
34	KATSINA *	48,031,272,843.42
35	EBONYI	44,213,730,467.15
36	SOKOTO	42,363,236,701.97
37	JIGAWA	30,969,503,288.70
Total		4,186,010,987,690.82

**Summary of State Government and FCT Finances: State-By-State, 2019 1/
(Naira Billion)**

S/N	STATES	REVENUE & OTHER RECEIPTS										IGR % Total Revenue
		Gross Statutory Allocation 2/	Excess Oil Revenue	Exchange Gain and FOREX Equalisation Account	Non-oil Excess	VAT	Internally Gen. Rev. (IGR)	Grants	Stabilization Fund & Others	Others	TOTAL	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1	Abia	45.2	0.2	0.8	0.6	11.5	18.2	0.0	0.0	0.0	76.6	24%
2	Adamawa	41.0	0.1	0.7	0.5	12.0	7.7	8.1	0.0	1.6	71.6	11%
3	Akwa Ibom	159.9	0.8	3.9	2.2	13.4	22.3	0.0	0.0	0.0	202.5	11%
4	Anambra	40.9	0.1	0.7	0.5	13.5	8.9	6.8	0.0	2.9	74.3	12%
5	Bauchi	49.3	0.2	0.8	0.6	13.8	4.2	16.0	0.0	0.0	84.8	5%
6	Bayelsa	137.2	0.7	3.1	1.7	10.3	7.2	1.7	0.0	2.0	163.9	4%
7	Benue	46.2	0.2	0.7	0.6	13.2	15.3	0.1	0.1	0.0	76.4	20%
8	Borno	51.2	0.2	0.8	0.6	13.1	3.9	0.0	0.0	0.0	69.8	6%
9	Cross River	41.4	0.1	0.7	0.5	11.6	13.1	0.0	0.0	0.0	67.4	19%
10	Delta	203.3	1.1	5.0	2.9	14.7	28.8	0.0	0.0	0.0	255.8	11%
11	Ebonyi	36.8	0.1	0.6	0.5	10.9	3.9	0.0	0.0	0.0	52.8	7%
12	Edo	56.4	0.2	1.1	0.7	12.9	22.8	0.0	0.1	0.2	94.5	24%
13	Ekiti	36.8	0.1	0.6	0.5	11.0	5.0	1.2	0.0	0.0	55.3	9%
14	Enugu	41.4	0.1	0.7	0.5	12.7	7.6	0.0	0.0	0.0	63.0	12%
15	Gombe	38.8	0.1	0.6	0.5	10.9	17.4	2.6	0.0	0.0	71.0	25%
16	Imo	52.1	0.2	1.0	0.7	13.0	9.6	0.0	0.0	0.0	76.6	13%
17	Jigawa	46.0	0.2	0.7	0.6	13.7	4.4	0.1	0.0	5.3	71.0	6%
18	Kaduna	54.0	0.2	0.9	0.7	16.4	17.1	0.6	0.0	0.0	89.7	19%
19	Kano	65.3	0.2	1.1	0.8	21.4	22.5	0.0	0.0	0.0	111.3	20%
20	Katsina	50.6	0.2	0.8	0.6	15.1	5.9	0.2	0.0	0.0	73.6	8%
21	Kebbi	43.5	0.1	0.7	0.5	12.0	7.0	0.0	0.0	0.0	63.8	11%
22	Kogi	45.5	0.2	0.7	0.6	12.1	6.1	1.0	0.0	0.0	66.2	9%
23	Kwara	36.7	0.1	0.6	0.5	11.0	20.7	0.9	0.1	0.4	70.9	29%
24	Lagos	55.2	0.2	0.9	0.7	107.9	270.8	0.0	0.0	0.0	435.6	62%
25	Nassarawa	38.0	0.1	0.6	0.5	10.4	4.4	0.0	0.0	0.0	54.0	8%
26	Niger	48.8	0.2	0.8	0.6	13.0	5.8	0.0	0.1	0.8	70.1	8%
27	Ogun	38.3	0.1	0.6	0.5	13.5	20.6	0.0	0.0	1.9	75.5	27%
28	Ondo	51.7	0.2	1.0	0.7	12.4	7.0	0.0	0.0	0.0	73.0	10%
29	Osun	37.6	0.1	0.6	0.5	12.2	10.0	0.0	0.0	0.0	61.0	16%
30	Oyo	46.2	0.2	0.7	0.6	18.8	21.8	0.0	0.0	2.3	90.6	24%
31	Plateau	43.0	0.1	0.7	0.5	12.0	6.6	0.0	0.0	0.0	63.0	10%
32	Rivers	141.3	0.7	3.2	1.8	17.8	107.6	0.0	0.5	0.0	272.9	39%
33	Sokoto	45.4	0.2	0.7	0.6	12.5	5.8	0.0	0.1	0.8	66.1	9%
34	Taraba	39.7	0.1	0.6	0.5	10.8	6.1	2.1	0.0	0.2	60.1	10%
35	Yobe	40.9	0.1	0.7	0.5	11.1	3.3	0.0	0.0	0.0	56.6	6%
36	Zamfara	41.0	0.1	0.7	0.5	11.9	5.4	0.0	0.0	18.4	77.9	7%
37	FCT	58.4	0.2	0.1	0.6	11.3	18.9	0.0	0.0	0.0	89.5	21%
38	Escrow (Disputed Fund)						0.0	0.0	0.0	0.0	0.0	
TOTAL		2,144.9	8.6	39.1	27.4	575.7	773.8	41.4	1.0	36.7	3,648.7	

1/ Provisional
2/ Gross
allocation.
3/ Positive (+)
sign connotes
decrease while
(-) sign
connotes
increase in
funds

Sources: State
Governments'
and FCT Abuja
Accountants-
General's
Reports.

**Summary of State Government and FCT Finances: State-By-State, 2019 1/
(Naira Billion)**

S/N	STATES	EXPENDITURE & TRANSFERS							BALANCE		FINANCING			
		RECURRENT				SUB-TOTAL	CAPITAL	TOTAL EXPENDITURE	Current = Rev - Rec Exp	Overall	LOANS			OTHER FUNDS 3/
		Personnel Cost	Overhead Cost	Transfers	Others						Internal	External	Sub-Total	
(7)	(8)		(9)	(10)	(11)	(13)	(14)	(15)	(17)	(18)		(19)		
1	Abia	9.7	0.7	27.3	0.0	37.7	19.9	57.5	38.9	19.1	20.4	0.9	21.3	-40.4
2	Adamawa	21.7	39.3	2.0	49.7	112.7	27.4	140.1	-41.1	-68.5	24.0	2.2	26.2	42.3
3	Akwa Ibom	33.4	8.2	4.6	0.0	46.2	146.5	192.7	156.3	9.8	0.0	1.8	1.8	-11.6
4	Anambra	6.9	10.2	9.0	0.0	26.1	27.9	54.0	48.2	20.3	0.0	2.7	2.7	-23.0
5	Bauchi	15.2	29.0	10.5	44.5	99.2	34.1	133.3	-14.4	-48.5	3.4	7.4	10.8	37.7
6	Bayelsa	40.0	24.3	34.1	0.0	98.4	31.9	130.3	65.5	33.6	186.7	0.9	187.6	-221.2
7	Benue	27.7	17.0	2.8	69.2	116.8	23.0	139.7	-40.4	-63.3	0.0	0.0	0.0	63.3
8	Borno	24.4	16.3	5.4	0.0	46.0	21.8	67.8	23.8	2.0	0.0	-0.9	-0.9	-1.1
9	Cross River	22.8	18.1	6.9	0.0	47.8	21.6	69.3	19.7	-1.9	0.0	6.2	6.2	-4.3
10	Delta	35.5	33.9	63.0	0.0	132.4	46.8	179.1	123.4	76.7	0.0	-2.1	-2.1	-74.6
11	Ebonyi	13.1	6.8	2.8	0.0	22.7	25.3	48.0	30.1	4.8	2.0	1.6	3.5	-8.4
12	Edo	31.8	36.4	8.3	0.0	76.5	22.3	98.7	18.0	-4.2	0.0	-0.6	-0.6	4.8
13	Ekiti	21.2	4.6	20.5	0.0	46.3	17.2	63.5	9.0	-8.3	17.2	0.3	17.5	-9.2
14	Enugu	19.9	13.0	2.8	1.6	37.4	16.0	53.4	25.7	9.7	19.2	2.7	21.8	-31.5
15	Gombe	13.9	29.3	7.3	59.6	110.0	22.3	132.3	-39.0	-61.3	15.5	3.3	18.7	42.5
16	Imo	12.6	23.1	13.9	112.4	162.0	3.0	165.0	-85.4	-88.4	21.5	0.2	21.7	66.7
17	Jigawa	3.1	11.3	3.3	82.4	100.1	43.8	143.9	-29.1	-73.0	0.8	2.5	3.3	69.7
18	Kaduna	22.6	27.8	9.3	0.0	59.7	24.8	84.5	30.0	5.3	0.0	14.7	14.8	-20.0
19	Kano	121.8	42.0	2.6	0.0	166.4	11.5	177.9	-55.2	-66.6	0.0	6.6	6.6	60.0
20	Katsina	31.0	10.3	3.0	0.0	44.3	26.8	71.1	29.3	2.5	0.0	1.6	1.6	-4.1
21	Kebbi	8.5	10.6	11.7	0.0	30.7	33.1	63.9	33.1	0.0	2.4	0.6	3.0	-3.0
22	Kogi	17.1	6.1	4.7	15.5	43.4	19.3	62.7	22.8	3.5	7.1	0.8	7.9	-11.4
23	Kwara	11.4	25.2	10.4	0.0	47.0	22.7	69.7	23.9	1.2	0.0	9.1	9.1	-10.3
24	Lagos	60.8	75.7	13.4	185.3	335.2	143.4	478.6	100.4	-43.0	97.4	36.0	133.4	-90.5
25	Nassarawa	10.6	26.0	18.3	0.0	55.0	9.9	64.9	-1.0	-10.9	10.3	3.0	13.3	-2.4
26	Niger	33.6	11.8	0.9	0.0	46.2	5.7	51.9	23.9	18.2	0.0	1.5	1.5	-19.6
27	Ogun	24.5	19.3	1.6	0.0	45.4	7.7	53.1	30.1	22.4	0.0	9.4	9.4	-31.8
28	Ondo	26.7	55.2	2.1	0.0	84.1	16.0	100.0	-11.0	-27.0	0.0	5.2	5.2	21.8
29	Osun	26.5	54.9	3.5	13.7	98.6	11.5	110.1	-37.7	-49.1	0.0	-1.5	-1.5	50.6
30	Oyo	20.8	11.2	5.6	41.0	78.6	24.0	102.6	12.0	-12.0	0.0	-8.8	-8.8	20.8
31	Plateau	22.9	29.9	9.1	0.0	62.0	22.5	84.5	1.0	-21.5	9.3	-3.3	6.0	15.5
32	Rivers	67.9	28.6	8.2	77.2	181.9	206.9	388.8	90.9	-116.0	71.3	1.2	72.5	43.4
33	Sokoto	33.6	11.8	0.9	0.0	46.2	5.7	51.9	19.9	14.2	0.0	1.6	1.6	-15.8
34	Taraba	19.8	10.0	8.2	0.0	38.0	23.8	61.8	22.2	-1.6	17.8	0.2	18.0	-16.4
35	Yobe	15.8	7.6	3.0	73.8	100.1	18.7	118.8	-43.5	-62.2	0.0	0.8	0.8	61.4
36	Zamfara	27.5	3.2	25.4	168.9	225.0	9.4	234.4	-147.1	-156.5	10.6	0.7	11.3	145.3
37	FCT	20.9	7.7	7.2	141.4	177.2	26.2	203.4	-87.6	-113.8	0.0	4.2	4.2	109.6
38	Escrow (Disputed Fund)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL		977.1	796.2	373.7	1,136.1	3,283.1	1,220.2	4,503.3	365.6	-854.6	536.9	112.9	649.7	204.8

**As at Dec. 2019,
13 states cannot finance
their recurrent
expenditure without
borrowing**

And

**21 states cannot finance
their total expenditure
without borrowing**

1/ Provisional
2/ Gross allocation.
3/ Positive (+) sign connotes
decrease while (-) sign connotes
increase in funds

Sources: State Governments' and
FCT Abuja Accountants-General's
Reports.

S/N	STATES	TOTAL REVENUE AND GRANTS (Naira Billion)						TOTAL EXPENDITURE (Naira Billion)					
		2015	2016	2017	2018	2019	2020 - HALF YEAR	2015	2016	2017	2018	2019	2020 - HALF YEAR
1	Abia	61.95	51.76	62.4	78.79	76.60	30.66	88.39	44.7	48.1	54.7	57.5	27.96
2	Adamawa	44.36	44.19	57.9	71.45	71.64	27.82	71.59	103.2	111.9	139.9	140.1	36.92
3	Akwa Ibom	177.72	137.73	178.7	239.42	202.49	87.29	218.51	157.7	167.9	190.6	192.7	105.26
4	Anambra	50.01	46.65	60.4	74.15	74.29	30.53	40.36	42.8	46.6	52.8	54.0	23.47
5	Bauchi	74.40	47.65	67.5	83.59	84.80	33.14	62.92	96.6	105.5	132.2	133.3	45.32
6	Bayelsa	117.11	92.36	134.7	180.42	163.90	83.47	133.04	115.9	114.0	126.6	130.3	51.64
7	Benue	50.84	57.19	62.3	77.13	76.35	45.73	84.42	100.5	106.6	139.6	139.7	62.88
8	Borno	50.71	44.18	54.5	71.06	69.80	35.96	49.54	56.2	60.8	66.9	67.8	25.34
9	Cross River	51.89	46.06	54.9	68.21	67.44	29.86	77.45	58.9	61.9	68.3	69.3	42.28
10	Delta	171.60	121.75	167.9	264.49	255.80	98.25	148.97	143.5	153.3	172.6	179.1	86.54
11	Ebonyi	43.50	37.26	41.6	53.68	52.83	36.63	54.37	41.7	42.4	47.4	48.0	50.51
12	Edo	67.47	60.34	71.9	97.89	94.47	38.64	71.23	82.5	88.6	97.5	98.7	13.20
13	Ekiti	46.30	35.44	43.7	55.81	55.25	27.37	93.67	50.8	55.2	61.4	63.5	32.58
14	Enugu	94.16	41.39	50.3	63.66	63.04	29.41	69.28	44.7	47.7	52.9	53.4	28.30
15	Gombe	41.72	48.87	58.8	71.21	71.02	28.80	58.88	92.1	101.2	131.8	132.3	31.85
16	Imo	51.26	47.19	58.1	74.24	76.61	38.06	45.15	107.9	115.9	164.5	165.0	39.00
17	Jigawa	53.26	45.97	56.6	72.19	70.97	34.81	68.25	95.9	104.2	143.8	143.9	31.18
18	Kaduna	65.94	60.54	73.1	90.76	89.74	48.08	108.26	70.1	75.0	83.2	84.5	28.91
19	Kano	96.30	76.39	93.8	112.23	111.25	51.57	40.74	157.5	166.8	177.0	177.9	50.82
20	Katsina	54.00	47.45	58.1	74.83	73.58	37.48	56.66	61.2	64.3	70.4	71.1	28.23
21	Kebbi	49.52	41.60	50.7	64.94	63.84	30.94	46.53	52.3	55.0	62.4	63.9	31.71
22	Kogi	47.10	42.67	52.4	67.05	66.16	29.93	43.08	49.0	51.7	62.1	62.7	29.70
23	Kwara	39.98	50.93	59.5	71.37	70.87	27.08	14.91	54.8	61.0	68.3	69.7	60.64
24	Lagos	369.43	367.57	391.1	423.26	435.63	77.35	464.32	346.5	374.0	477.0	478.6	110.29
25	Nassarawa	42.31	34.61	42.6	54.82	53.99	29.04	81.75	50.4	56.2	63.0	64.9	19.86
26	Niger	50.77	46.22	55.5	71.26	70.06	40.81	48.49	48.7	48.4	51.6	51.9	26.02
27	Ogun	77.39	53.73	62.9	76.26	75.52	28.35	116.93	45.0	48.7	52.8	53.1	32.40
28	Ondo	64.00	53.41	65.5	80.23	73.04	40.67	90.78	81.7	90.5	99.4	100.0	67.80
29	Osun	45.04	42.07	49.3	61.71	60.98	33.82	157.87	86.1	95.7	109.5	110.1	83.21
30	Oyo	69.11	63.11	76.0	90.89	90.59	33.05	95.77	75.9	80.3	102.1	102.6	59.32
31	Plateau	44.19	41.32	50.1	64.03	63.02	27.09	38.76	69.5	75.2	83.2	84.5	38.38
32	Rivers	215.65	206.92	246.0	295.36	272.86	151.66	340.20	299.3	321.7	386.2	388.8	46.74
33	Sokoto	59.58	47.48	52.4	67.02	66.06	31.90	29.67	45.7	48.4	51.6	51.9	32.34
34	Taraba	53.89	38.50	48.1	60.92	60.15	20.40	72.42	50.5	54.7	60.7	61.8	30.28
35	Yobe	40.80	35.85	44.3	57.60	56.59	26.42	29.01	79.3	86.0	118.9	118.8	13.11
36	Zamfara	42.98	52.60	64.8	78.90	77.90	22.11	33.08	148.5	161.9	233.3	234.4	12.60
37	FCT	65.80	62.89	74.0	92.53	89.54	38.11	123.91	131.64	142.68	203.53	203.37	41.01
		2,842.04	2,471.84	2,992.5	3,753.4	3,648.7	1,562.27	3,469.16	3,439.2	3,690.1	4,459.6	4,503.3	1,577.60

As at Dec. 2019, 17 States run deficit concurrently in 3 years

1/ Provisional
2/ Gross allocation.
3/ Positive (+) sign connotes decrease while (-) sign connotes increase in funds
Sources: State Governments' and FCT Abuja Accountants-General's Reports.



Fiscal Sustainability of States & FCT

S/N	STATES	IGR % Total Revenue 2017	IGR % Total Revenue 2018	IGR % Total Revenue 2019	IGR % Total Revenue 3 yr Avr.
1	Bayelsa	5.3%	3.9%	4.4%	4.5%
2	Bauchi	6.1%	4.9%	4.9%	5.3%
3	Borno	7.1%	5.4%	5.6%	6.0%
4	Yobe	7.4%	5.7%	5.9%	6.3%
5	Jigawa	7.6%	5.9%	6.1%	6.5%
6	Zamfara	8.2%	6.7%	6.9%	7.3%
7	Ebonyi	9.2%	7.0%	7.3%	7.9%
8	Katsina	10.1%	7.8%	8.1%	8.7%
9	Nassarawa	10.3%	7.9%	8.2%	8.8%
10	Niger	10.3%	7.9%	8.3%	8.8%
11	Sokoto	10.9%	8.4%	8.8%	9.4%
12	Ondo	10.6%	8.6%	9.6%	9.6%
13	Ekiti	11.3%	8.7%	9.0%	9.7%
14	Kogi	11.6%	8.9%	9.3%	9.9%
15	Akwa Ibom	12.3%	9.1%	11.0%	10.8%
16	Taraba	12.6%	9.8%	10.2%	10.9%
17	Plateau	13.0%	10.0%	10.4%	11.2%
18	Adamawa	13.1%	10.5%	10.7%	11.5%
19	Kebbi	13.6%	10.5%	10.9%	11.7%
20	Anambra	14.5%	11.7%	11.9%	12.7%
21	Enugu	15.0%	11.7%	12.1%	12.9%
22	Delta	16.9%	10.6%	11.3%	12.9%
23	Imo	16.4%	12.7%	12.6%	13.9%
24	Osun	20.0%	15.8%	16.4%	17.4%
25	Kaduna	23.1%	18.4%	19.0%	20.2%
26	Cross River	23.6%	18.8%	19.5%	20.6%
27	Kano	23.7%	19.6%	20.2%	21.1%
28	Benue	24.3%	19.4%	20.1%	21.3%
29	FCT	25.3%	20.0%	21.1%	22.1%
30	Abia	28.9%	22.6%	23.8%	25.1%
31	Oyo	28.4%	23.4%	24.1%	25.3%
32	Gombe	29.3%	23.9%	24.6%	25.9%
33	Edo	31.4%	22.7%	24.1%	26.1%
34	Ogun	32.4%	26.4%	27.3%	28.7%
35	Kwara	34.4%	28.3%	29.2%	30.7%
36	Rivers	43.3%	35.6%	39.4%	39.4%
37	Lagos	68.4%	62.5%	62.2%	64.4%

Nigeria Specific Benchmark

Weight is assigned based on the Internal Revenue Generation (IGR) Contributions to Total Revenue of the State, IGR % of Total Revenue has been classified into three categories 3 year moving average

Low	Below < 10%
Medium	Above >10% - <20%
Strong	Above > 20%

14 States are Low performers
10 States Medium Performers
13 States are strong performers

International Benchmark

Weight is assigned based on the Internal Revenue Generation (IGR) Contributions to Total Revenue of the State, IGR % of Total Revenue has been classified into three categories 3 year moving average

Low	Below < 15%
Medium	Above >15% - <30%
Strong	Above > 30%

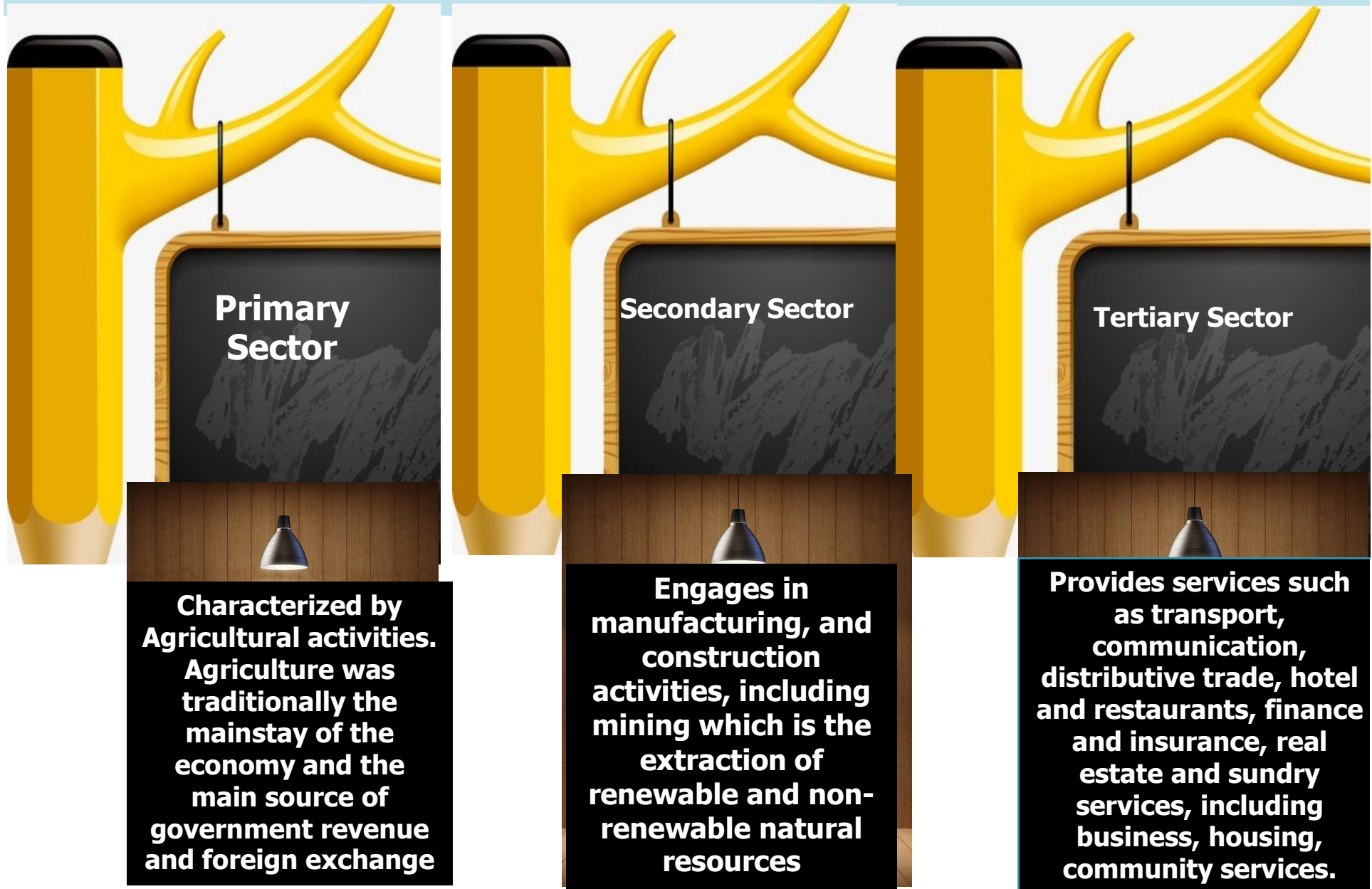
23 States are Low performers
11 States Medium Performers
3 States are strong performers

Sources: State Governments' and FCT Abuja Accountants-General's Reports.



**Strategies for Unlocking
Factor Endowments at
Sub-National Levels**

Nigerian Economy – classified into three main sector





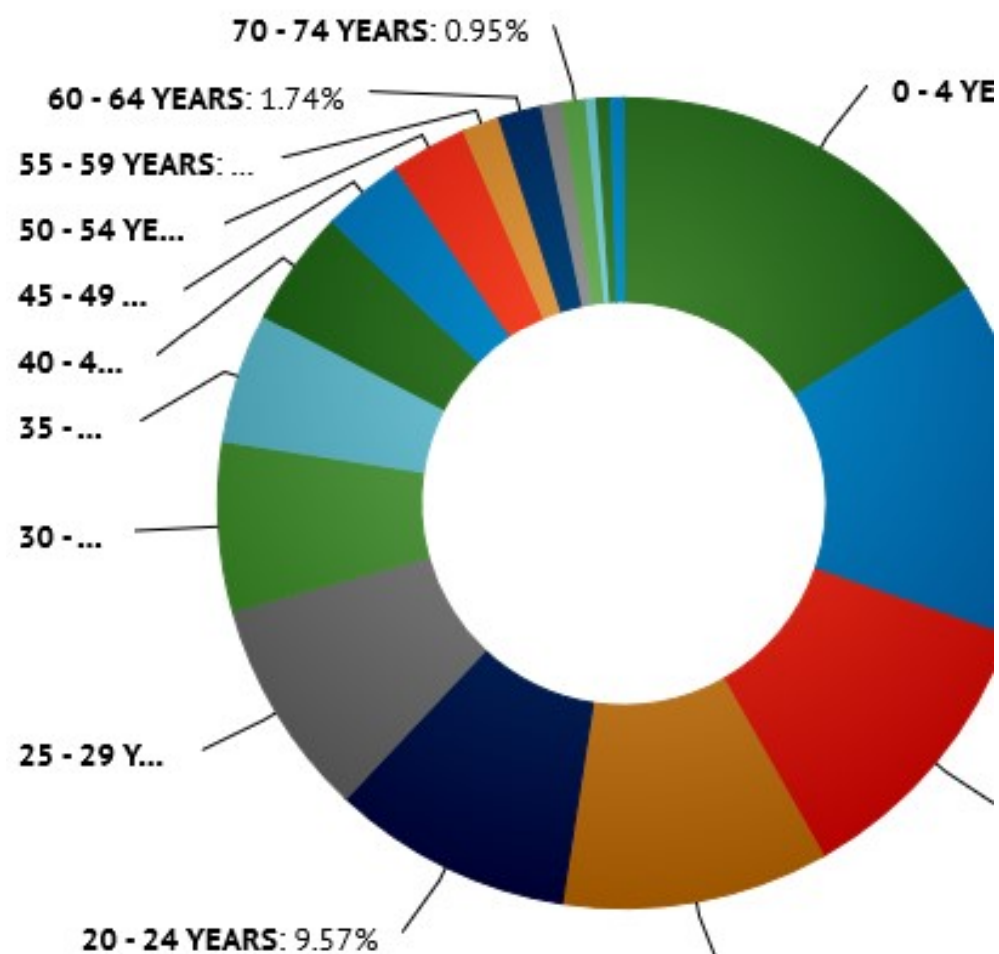
Structure of the Nigerian Economy

Demographics

Human Resources

STATE	POPULATION (2006)	ANNUAL	2016
ABIA	2,845,380	2.7	3,727,347
ADAMAWA	3,178,950	2.9	4,248,436
AKWA/IBOM	3,902,051	3.4	5,482,177
ANAMBRA	4,177,828	2.8	5,527,809
BAUCHI	4,653,066	3.4	6,537,314
BAYELSA	1,704,515	2.9	2,277,961
BENUE	4,253,641	3.0	5,741,815
BORNO	4,171,104	3.4	5,860,183
CROSS RIVER	2,892,988	2.9	3,866,269
DELTA	4,112,445	3.2	5,663,362
EBONYI	2,176,947	2.8	2,880,383
EDO	3,233,366	2.7	4,235,595
EKITI	2,398,957	3.1	3,270,798
ENUGU	3,267,837	3.0	4,411,119
GOMBE	2,365,040	3.2	3,256,962
IMO	3,927,563	3.2	5,408,756
JIGAWA	4,361,002	2.9	5,828,163
KADUNA	6,113,503	3.0	8,252,366
KANO	9,401,288	3.3	13,076,892
KATSINA	5,801,584	3.0	7,831,319
KEBBI	3,256,541	3.1	4,440,050
KOGI	3,314,043	3.0	4,473,490
KWARA	2,365,353	3.0	3,192,893
LAGOS	9,113,605	3.2	12,550,598
NASARAWA	1,869,377	3.0	2,523,395
NIGER	3,954,772	3.4	5,556,247
OGUN	3,751,140	3.3	5,217,716
ONDO	3,460,877	3.0	4,671,695
OSUN	3,416,959	3.2	4,705,589
OYO	5,580,894	3.4	7,840,864
PLATEAU	3,206,531	2.7	4,200,442
RIVERS	5,198,716	3.4	7,303,924
SOKOTO	3,702,676	3.0	4,998,090
TARABA	2,294,800	2.9	3,066,834
YOBE	2,321,339	3.5	3,294,137
ZAMFARA	3,278,873	3.2	4,515,427
FCT ABUJA	1,406,239	9.3	3,564,126
NIGERIA	140,431,790	3.2	193,392,517

Figure 2a



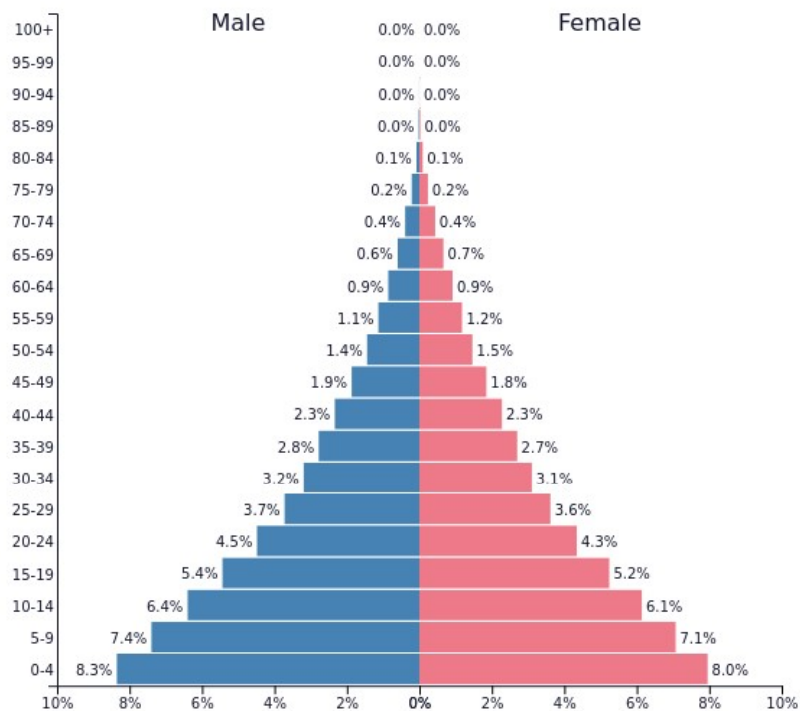
Source: National Bureau of Statistics, Nigeria

Structure of the Nigerian Economy

Demographics

Human Resources

Figure 2a - 1



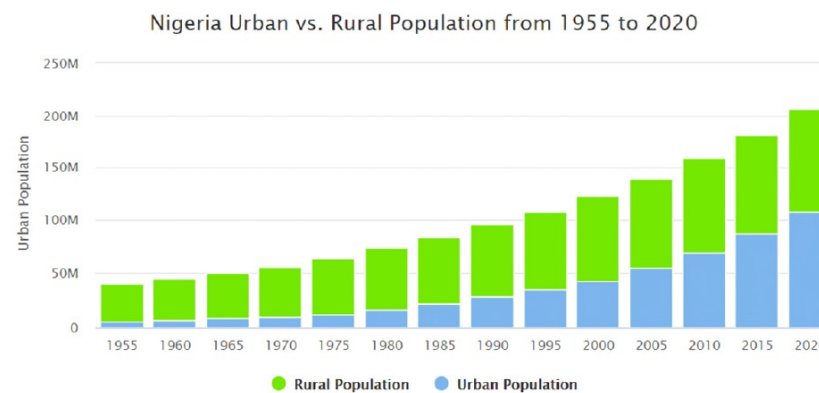
PopulationPyramid.net

Nigeria - 2021
Population: **211,400,704**

Figure 2a - 2

Nigeria Urban Population

Currently, **51.2%** of the population of Nigeria is **urban** (102,805,995 people in 2019)



Source: National Bureau of Statistics, Nigeria

Structure of the Nigerian Economy

Human Resources

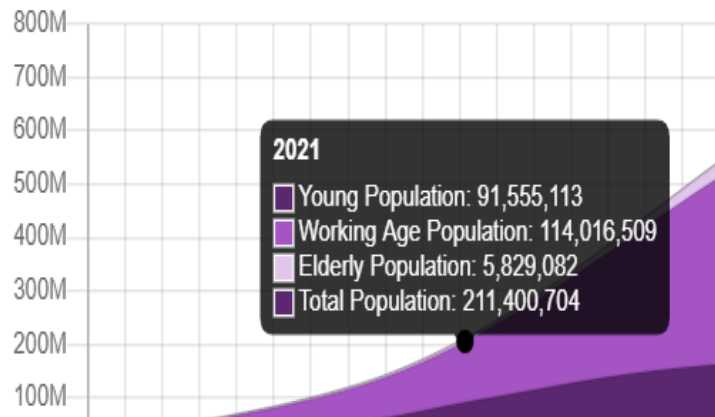
Figure 2b -1

At year 2021, population distribution of Nigeria is:

Total Population	211,400,704	100%
Young Population	91,555,113	43.31%
Working Age Population	114,016,509	53.93%
Elderly Population	5,829,082	2.76%

Figure 2b -3

Total Population



Source: <https://population-pyramid.net/en/pp/nigeria>

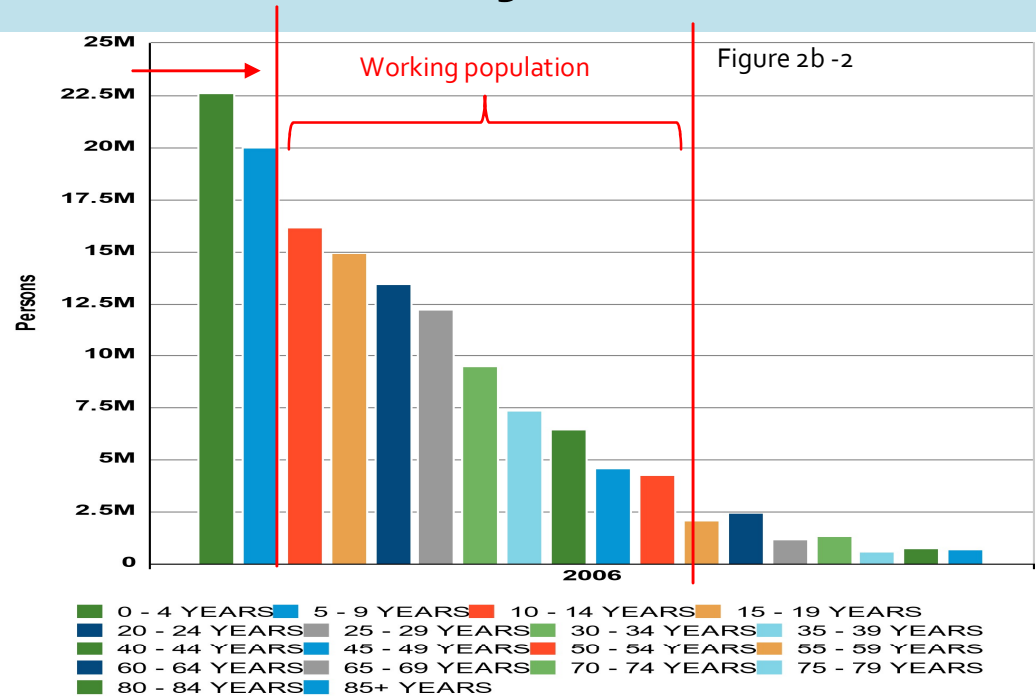
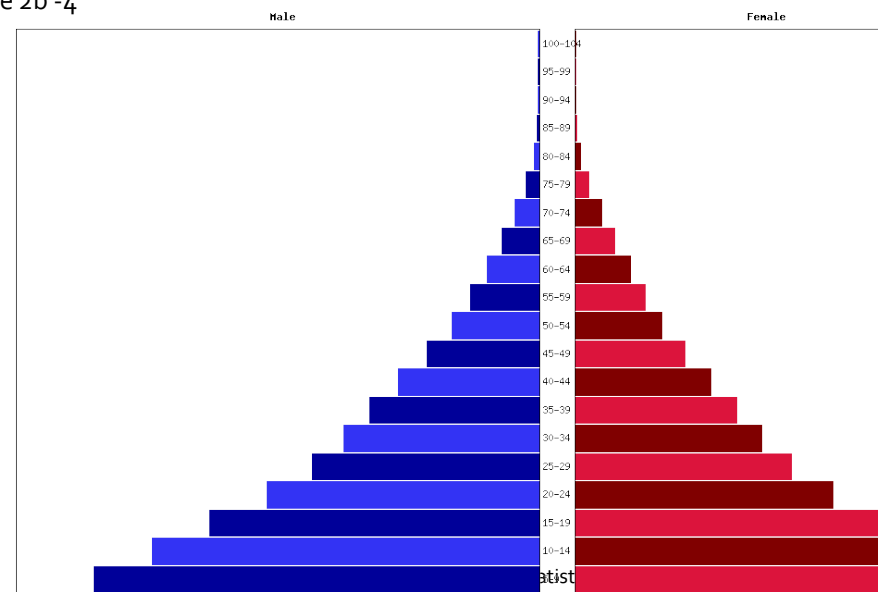


Figure 2b -4

Demographic Pyramid (persons)

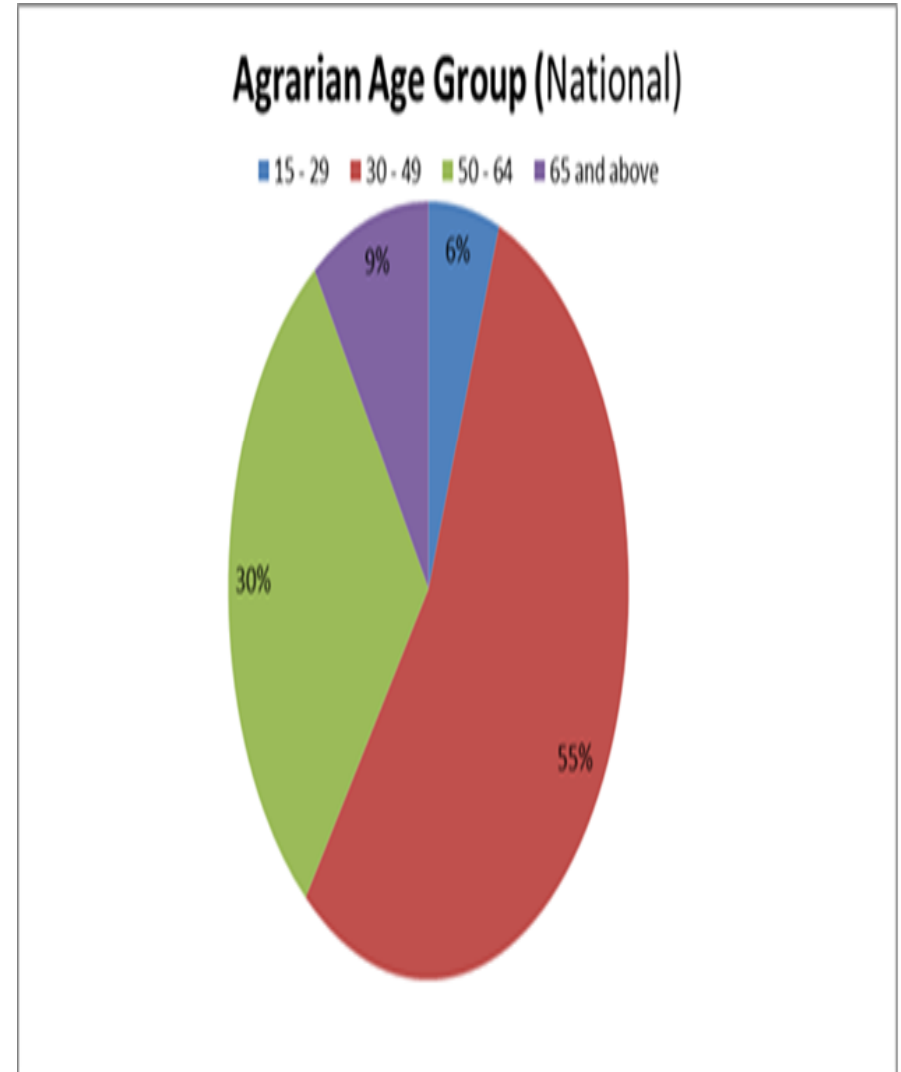


(2) <https://www.worldometers.info/demographics/nigeria-demographics/>

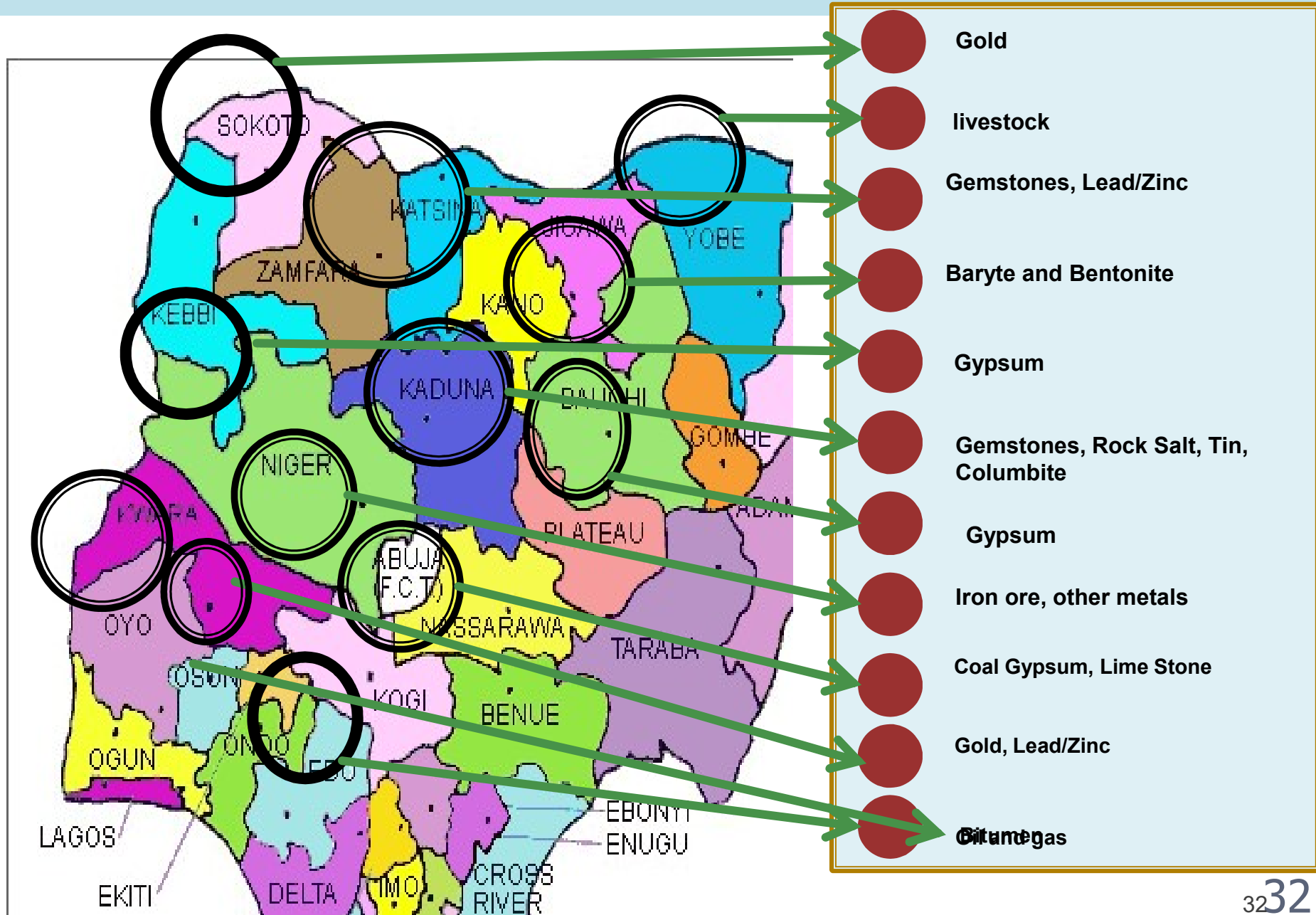
Opportunities/Potential in Nigeria

Human Resources

- Capacity and Skill: Government investment in education/training and capacity building has reduced the level of the uneducated and increase the capacity of about 60 percent of Nigerian citizens which can translate to economic growth and development.
- Nigeria has the second largest remittances after Japan. This has a way of increasing economic agents' confidence, which can later translate to exchange rate stability and increase in output thought increased investment.
- Large population = large market size, with immense benefits for economic and commercial activities provided there is a strong purchasing power among the citizenry.
 - **Education**
 - **healthcare, real estate**
 - **consumer goods,**
 - **financial services**
 - **information and communication**
 - **power and energy**
- All sectors above are amongst the sectors that should benefit from the large population



Economic/Solid Mineral Potentials in Nigerian States





Investment Opportunities in Nigeria

SOLID MINERAL	LOCATION	RESERVES	PRODUCTION CAPACITY
IRON ORE	Kogi, Enugu, Niger, Zamfara and Kaduna	Nigeria currently has the 12th largest iron ore reserves in the world	Less than 10 percent
GOLD	Northwest (Maru, Anka, Malele, Tsohon Birnin, Gwari-kwaga, Gurmana, Bin Yauri, Okolom-Dogondaj) and Southwest (Iperindo areas) of Nigeria	10 million tonnes of lead/zinc veins are spread over eight States in Nigeria	Less than 10 percent
BITUMEN		42 billion tonnes almost as twice the amount of existing reserves of crude petroleum	Less than 10 percent
LEAD/ZINC	All over the country.	10 million tonnes of lead/zinc veins are spread over eight States in Nigeria	Less than 10 percent
BARYTE AND BENTONITE	Benue, Nassarawa, Plateau and Cross River, Taraba and Bauchi States	estimated reserve of over two million {2,000,000} metric tonnes of barite ore. Similarly, over 7.5 million tons of baryte have been identified in Taraba and Bauchi States	Less than 10 percent
COAL	Enugu, Benue	3 billion tonnes of indicated reserves in 17 identified coalfields and over 600 million tonnes of proven reserves	Less than 10 percent

Investment Opportunities in Nigeria

SOLID MINERAL	LOCATION	RESERVES	PRODUCTION CAPACITY
LIMESTONE	Available in almost all the 36 States of the Federation with extensive deposits in Sokoto, Gombe, Benue, Kogi, Edo, Oyo, Ogun and Cross River States	Resource base of the known limestone deposits is about 2.3 trillion metric tonnes with 568 million tonnes of proven reserves.	As at year 2014, cement production capacity of the country was between an estimated 26 million tonnes and 28 million tonnes per annum, given that all the cement plants are operating at their full capacities
ROCK SALT	Awe (Plateau State), Abakaliki (Ebonyi State) and Uburu (Imo State), while rock salt is available in Benue State.	Total reserve of 1.5 billion tonnes	Less than 10 percent
GYPSUM	Gypsum deposits are spread over many States in Nigeria.	About one billion tonnes.	Less than 10 percent
GEMSTONES	Plateau, Kaduna and Bauchi States	Good prospects exist for Sapphire, Ruby, Aquamarine, Emerald, Tourmaline, Topaz, Garnet, Amethyst, Zircon and Flourspar	Less than 10 percent
KAOLIN:	Ogun, Edo, Plateau and Nasarawa States.	estimated reserve of 3 billion tonnes of kaolin deposit	Less than 10 percent
TANTALITE	Nasarawa, Gombe and Kogi States as well as the Federal Capital Territory (FCT).	Grades of well over 50% Tantalum Oxide (Ta ₂ O ₅) are found in the identified locations in Nigeria	Less than 10 percent

Investment Opportunities in Nigeria

Method or study	Promising sectors for merchandise trade
Main products with RCA>1 (based on 2012 data)	Tobacco. Crude, inedible materials such as rubber, sesame seeds, cotton and fuel wood. Food products such as cocoa, nuts and milk. Transport equipment such as vessels. Manufactured goods such as different types of leather, and mineral fuels.
Hausmann – parsimonious strategy (own calculations, based on 2012 data)	Chemicals and related products. Manufactured goods classified chiefly by material. Machinery and transport equipment. Miscellaneous manufactured articles. Hausmann's product space analysis suggests Nigeria would also benefit from diversifying its production to 1) industrial machinery such as textile yarn machinery, and 2) specific chemicals (e.g. sulphur compounds or epoxide resins).
Lin and Treichel (2011)	Food processing (including fruit juices, meat and poultry, noodles and spaghetti and tomato paste). Construction. Motorcycle, tractor and TV assembly. Computer assembly. Tyre industry. Metal industry (cast irons and manganese steel).
Firm-level productivity analysis	Electronics and metals have the highest productivity in Nigeria and compared with Kenya and Indonesia.
Multiplier analysis	Sectors with the greatest multiplier (if demand for that product went up by 1, by how much GDP would need to increase) based on Nigerian Eora data: Maintenance and repair. Textiles and wearing apparel. Retail trade. Education, health and other services. Recycling. Public administration. Post and telecommunications. Food and beverages wholesale trade. Transport equipment. Construction. Electricity, gas and water. Wood and paper. Transport hotels and restaurants. Financial intermediation and business activities. Petroleum. Chemical and non-metallic mineral products. Electrical and machinery. Metal products. Fishing, agriculture, mining and quarrying.
NPC (2009)	North-east: agriculture and solid minerals e.g. gypsum, biomass, ethanol, biodiesel, tropical fruits, etc. North-west: gum, livestock and meat processing, tanneries, biofuel etc. North-central: fruit processing, cotton, quarries, furniture and minerals, boards. Plastic processing, leather goods, garments etc. South-east: palm oil refining and palm tree processing into biomass particle boards, plastic processing, leather goods and garments. South-west: manufacturing (especially garments, methanol, etc.), distributive trade, general goods, plastic, etc. South-south: petrochemicals, manufacturing (plastic, fertiliser, and fabrications, etc.), oil services and distributive trade (Tinapa).
13 strategic exports (Allafrica, 2015)	Agro-industrial (palm oil, cocoa, cashew, sugar and rice). Mining related (cement, iron ore/metals; auto parts/cars, aluminium and oil and gas industrial products). Petroleum products (fertiliser, petrochemical and methanol).
Chete et al. (2014)	A range of clusters around 1) a computer village in Otigba (Lagos), 2) auto and industrial spare parts fabricators (Newi), 3) leather tannery (Kano) and 4) footwear, leatherworks and garment cluster in Aba.



Strategy for Internal Tax Revenue in States

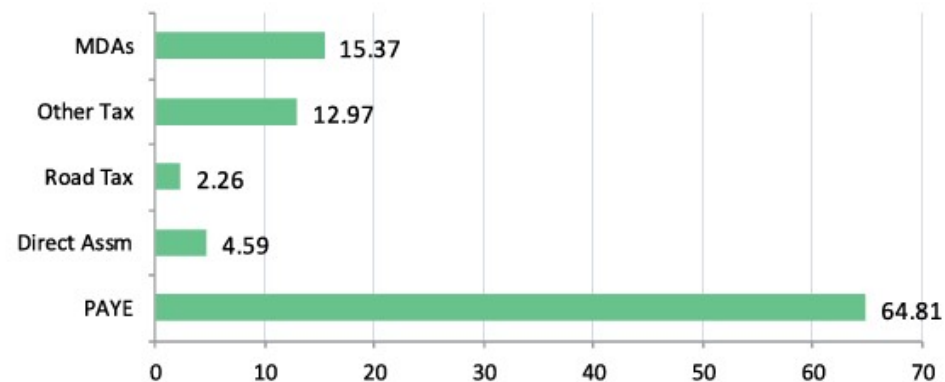
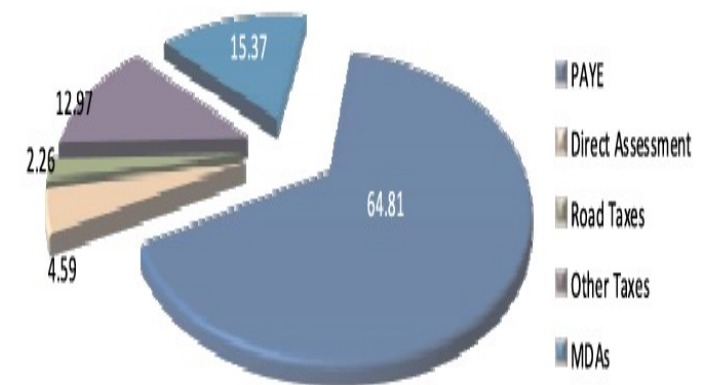
Increasing Tax Revenue

One of the major hindrance to improved internal revenue in the states is the political will to enforce taxes.

1. Personal Income Tax: - Most States depend on PAYE (especially from public sector employees), while Direct Assessment is almost 0%. **Enforce Direct Assessment and private sector PAYE.**

2019 Q1 revenue head contribution to subnational IGR performance

Source	2018		2019	
	Actual (N Billion)	Contribution (%)	Actual (N Billion)	Contribution (%)
PAYE	156.885	52.08	194.502	64.81
Direct Assessment	15.256	5.06	13.785	4.59
Road Taxes	5.976	1.98	6.780	2.26
Other Taxes	33.410	11.09	38.913	12.97
MDAs	52.208	17.33	46.136	15.37
Unclassified	37.476	12.44	-	-
Total	301.213	100.00	300.118	100.00



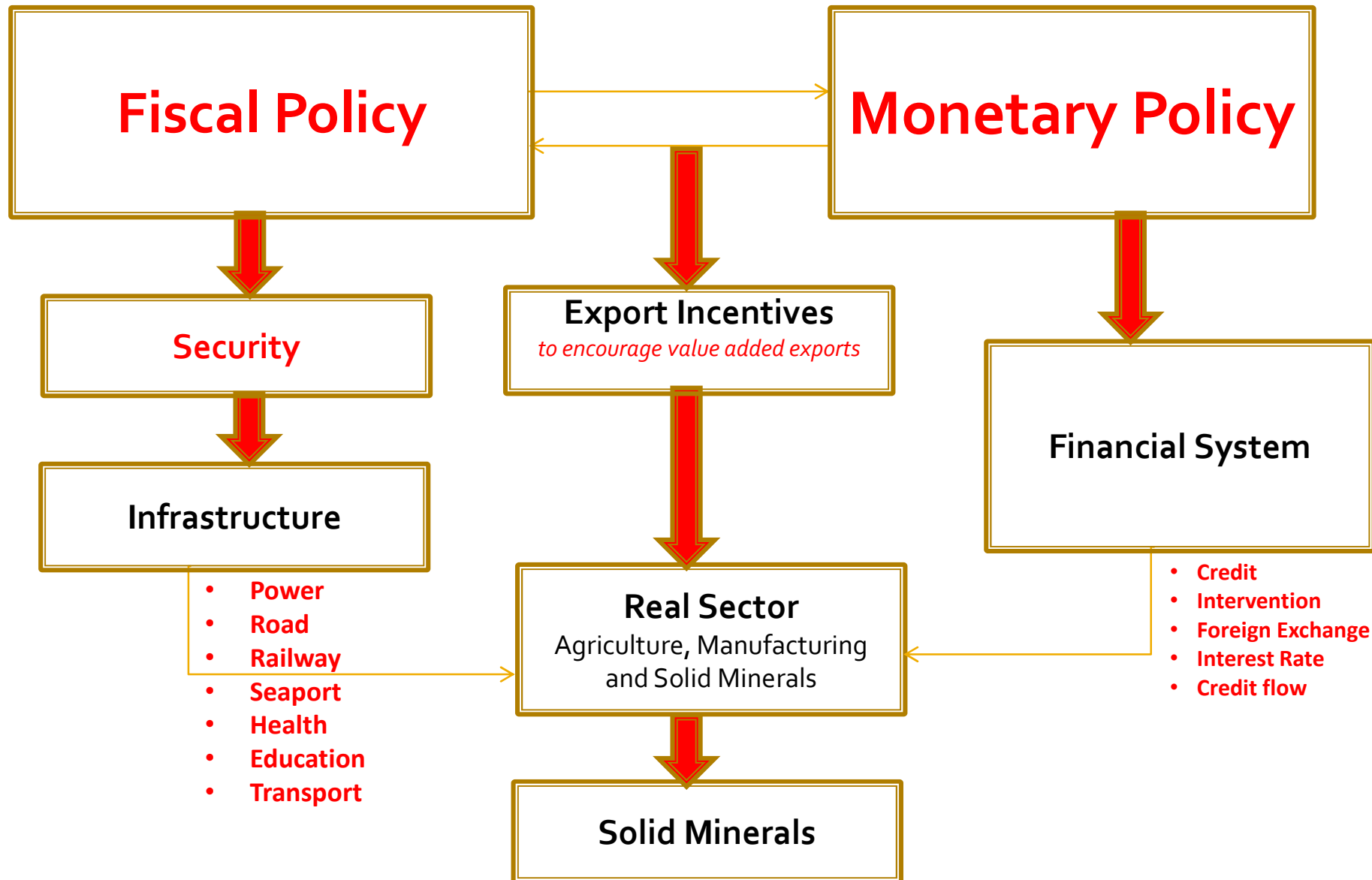
Increasing Tax Revenue

- 2). Land Use Taxes:- Ground Rent and other land related taxes on urban lands is a potential goldmine if properly harnessed.
- 3). Property Tax:- This is another goldmine that has been largely left untapped by most states.
- 4). Withholding Tax on interest and dividends:- Carry out audit in this area if it has not been done (from banks and company registrars).
- 5). Automation of collection processes to improve efficiency and meet up with changing operational procedures of taxpayers.
- 6). Improve operational structure of the SIRS, grant more autonomy to the Service.
- 7). Construction of modern markets and parks.
- 8). Engagement and enlightenment of taxpayers to educate them on their obligations.
- 9). Special tax drives and campaigns
- 10). Aggressive anti-corruption policies and implementation.
- 11). Furthermore, improved public accountability will encourage taxpayers to improve compliance.

Key Challenges of Fiscal Sustainability in Nigeria

- ❖ Mechanism to discipline borrowing by the 2 tiers of government (FG, state governments). This issue requires urgent attention for it could undermine macroeconomic stability. – set annual limits on debt of FGN, and individual state;
- ❖ Too often state governments relax their budget constraint then contributing to public sector deficits and threatening solvency indicators. Hidden budget channels include off-budget borrowing, arrears in civil service wages, pensioners, and suppliers; indirect liability through public enterprises or publicly owned banks, and other contingent liabilities. such as unfunded pension and provident funds;
- ❖ Rate of public debt accumulation particularly domestic debt;
- ❖ Lack of Sinking Fund to ensure that every government contributes to sustainability of debt servicing ;
- ❖ Build capacity of the state government officials. (currently only data reconstruction with little capacity building).
- ❖ Coordination between fiscal and monetary policy, and debt policy that supports fiscal discipline;

Coordination between fiscal and monetary policy ensure Macro stability



Closing Thoughts

- ❖ There are essentially six ways to reduce large debt
 - Economic growth
 - Increase revenues – taxes and other non debt creating flows
 - Fiscal adjustment-austerity
 - Explicit restructuring (reprofiling of debt to reduce cost of debt service)
 - Stable exchange rate
 - A steady dose of financial repression accompanied by a steady dose of inflation.

- Government should continue to create a sound macroeconomic environment to stimulate strong growth

- Fiscal and monetary policy coordination at central government level should continue in order to ease inflationary pressures with declining interest rates.

- Enhance revenue mobilization and Tax Collection;

- Improve expenditure efficiency;

- It is important for states to implement countercyclical fiscal policy;

- It is important to have a transformational leadership and a followership that is alert, asking relevant questions and demanding answers from the leadership

- **Good Governance, Good Followership and Good Policies**

End of Presentation

Thank you.

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