# REVENUE ADMINISTRATION AND

## Governance Constraints: Transparency & Accountability Gaps in Nigeria's Public Sector

A PUBLICATION OF
HEDA RESOURCE CENTRE


July, 2024

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# Revenue Administration and Governance Constraints: Transparency & Accountability Gaps in Nigeria's Public Sector

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# ABOUT US

### WHO WE ARE

The Human and Environmental Development Agenda (HEDA Resource Centre) is a leading good governance, anti-corruption, transparency and accountability, climate change, sustainable development and environmental justice organization in Nigeria, founded in November 2001 and duly registered in Nigeria in 2004 as an incorporated trustee, a non-profit, non-partisan and Non-Governmental Organization (NGO). The organization has observed status with the UN ECOSOC, UNFCCC as well as the Green Climate Fund.

### VISION

An Africa where all persons regardless of locations and situation have the freedom and ability to enjoy the benefits of good governance, and respect for human dignity in a sustainable environment.

### MISSION

To serve as a policy and campaign center for research, training and advocacy on the environment, good governance, and human rights.

### CORE VALUES

- Zero tolerance for discrimination against any person or group of persons based on gender, ethnicity, disability and religion.
- Zero tolerance for all acts perpetrating or encouraging all forms of abuse, violence and discrimination against women, children, and other vulnerable groups in society.
- Zero tolerance for discrimination against any person or group of persons based on disability, HIV status and any other non-communicable conditions so long as such individual(s) is/are medically and mentally able to discharge their tasks and roles diligently
- A principle of equal opportunities and inclusion
- Adhering to best practices in environmental protection, and biodiversity conservation in all programs, procurement and activities
- Strict adherence to integrity, accountability, transparency, and best ethical standards in pursuit of organizational goals and objectives.

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# ACKNOWLEDGMENTS

In April 2024, The International Monetary Fund, IMF, lamented Nigeria' low tax revenues when launching the IMF's Regional Economic Outlook for Sub-Saharan Africa, the Fund's Director for Africa, Abebe Selassie, said: "For a country like Nigeria, Africa's most populous country, with all those development spending needs, we think it is problematic that the tax revenue to GDP is only 8-9 per cent when it should be a lot higher." A few years ago, in its 2019 Article IV Consultation with Nigeria, the IMF made the same point. It said Nigeria suffered from "low tax mobilisation", adding: "The revenue base is simply too low to address the current challenges". Compared with the sub-Saharan African average of 18.6 per cent, Nigeria's 8-9 per cent is minuscule and truly shocking.

Like the IMF, successive Nigerian governments have fretted about it. In August 2019, President Buhari's then chief of staff, Abba Kyari, sent a query letter to Dr Tunde Fowler, then chairman of the Federal Inland Revenue Service, FIRS, asking him to explain why there were "significant variances between the budgeted tax collection and the actual collection for the period 2015 to 2018" and why "the actual collections for the period 2015 to 2017 were significantly worse than what was collected between 2012 and 2014". Subsequently, in December of that year, the Buhari government refused to reappoint Fowler as head of FIRS. Fowler's query and denial of another term of office reflected the anxiety within government about the perennial low revenue generation amid deep fiscal challenges.

When President Bola Tinubu assumed office, he made boosting Nigeria's tax revenue a priority, and promised his administration's increase of Nigeria's tax-to-GDP ratio to 18 per cent by 2026. In July 2023, Tinubu inaugurated the Presidential Committee on Fiscal Policy and Tax Reforms, headed by Taiwo Oyedele, a tax expert at the accounting firm PwC. The committee submitted its report in October 2023, highlighting what it described as "quick wins" through the simplification and digitisation of the tax regime. This move by President Bola Tinubu was preceded by the removal of fuel subsidy. The President noted that the fuel subsidy had to end because the country cannot maintain it. The trillions of Naira yearly spent to sustain the subsidy were meant to better the healthcare and transportation sector, schools, housing and national security among others. Beyond the unaffordability of infrastructure development, the subsidy payment worsened budget deficits and the country's debt profile, encouraged corruption, and diverted resources away from critical sectors of the economy. Hence, subsidy had to go.

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'Nigerias low tax intake: Blame weak economy, breach of social contract, by Olu Fasan - Vanguard News (vanguardngr.com)

Why I ended fuel subsidy - Tinubu (punchng.com)

However, the removal of subsidy has not shown significant improvement in our revenue sufficiency as the country still largely depends on loans to fund critical infrastructure developments and make up for budget deficits.

The study in this publication could not have come at a better time than now, when the country grappling to understand why corruption is not being tackled head-on. It is a known fact that corruption is the reason why the economy is staggering, Naira keeps falling and government seems lost on how to set us on a path to recovery. This publication is borne out of HEDA Resource Centre's commitment to tackle corruption and bring clarity and understanding to the issue of corruption especially to the masses who are at the receiving end. HEDA Resource Centre commissioned a consultant to undertake the study and come up with this enriching publication.

We acknowledge and appreciate the research, detailed write-up and general brilliance of Mr. Francis Abayomi in researching and putting together this publication on corruption in revenue generation by MDAs. This publication will go down memory lane as a reference point for civil and public servants, policy formulators, law makers, judicial officers, students, researchers and anyone interested in understanding the failings of revenue generating and non-generating agencies and departments of Nigeria and reason for their struggle for financial independence.

This publication reinforces HEDA's work in anti-corruption, promoting good governance and transparency in Nigeria and, we specially appreciate the foresight of the management and Board of the organization whose vision and leadership have positioned HEDA as a leading anti-corruption NGO nationally and internationally. The services of staff members who provided secretariat, proof reading and in-house support to Mr. Abayomi.

Finally, HEDA Resource Centre remains immensely grateful to the MacArthur Foundation team under the leadership of Dr. Kole Shettima, Nigeria Country Director for providing the financial and technical support for this publication and HEDA's anti-corruption project.

**HEDA Resource Centre**

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# LIST OF ABBREVIATION

ACTU - Anti-Corruption and Transparency Monitoring Unit
BOA - Bank of Agriculture
DRM - Domestic Revenue Mobilisation
CRF - Consolidated Revenue Fund
CAC - Corporate Affairs Commission
ECA - European Court of Auditors
EITI – Extractive Industry Transparency Initiative
FAAN - Federal Airport Authority of Nigeria
FIRS- Federal Inland Revenue Service
FMBN - Federal Mortgage Bank of Nigeria
FRCN - Federal Radio Corporation of Nigeria
FRSC - Federal Road Safety Corps
FRC - Financial Reporting Council of Nigeria
FRA – Fiscal Responsibility Act
GOEs - Government-Owned Enterprises
IBRD - International Bank for Reconstruction and Development
IDA - International Development Association
IMF - International Monetary Fund
JAMB - Joint Admission and Matriculation Board
OAuGF - Office of Auditor-General of the Federation
MTEF & FSP - Medium-term Expenditure Framework and Fiscal Strategy Paper
NAFDAC - National Agency for Food and Drug Administration and Control
NADDC - National Automotive Design and Development Council
NECO - National Examination Council
NBC - National Broadcasting Commission
NHIS - National Health Insurance Scheme
NPC - National Pension Commission
NAMA - Nigeria Airspace Management Agency
NCC - Nigeria Communications Commission
NCS- Nigeria Customs Service
NDIC - Nigeria Deposit Insurance Corporation
NEPC - Nigeria Export Promotion Council

**NEITI - Nigeria Extractive Industry Transparency Initiative**

**NPA - Nigeria Ports Authority**

**NAMA - Nigerian Airspace Management Agency**

**NESG - Nigerian Economic Summit Group**

**NBET- Nigerian Bulk Electricity Trading**

**NCAA - Nigerian Civil Aviation Authority**

**NCC - Nigerian Communication Commission**

**NSC - Nigerian Shippers Council**

**NTA - Nigerian Television Authority**

**NIMASA - Nigerian Maritime Administration and Safety Agency**

**NNPCL - Nigerian National Petroleum Company Limited (formerly Corporation -NNPC)**

**NiMET - Nigerian Meteorological Agency**

**NRC - Nigerian Railway Corporation**

**NURRC - Nigerian Upstream Petroleum Regulatory Commission**

**PSC - Passenger Service Charge**

**PPT - Petroleum Profit Tax**

**RMAFC - Revenue Mobilisation Allocation and Fiscal Commission**

**SDGs – Sustainable Developments Goals**

**SEC - Securities and Exchange Commission**

**SON - Standard Organization of Nigeria**

**TETFund - Tertiary Education Trust Fund**

**NCS - The Nigeria Customs Service**

**TSA - The Treasury Single Account**

**UNU -WIDER - United Nations University World Institute for Development Economics Research**

# EXECUTIVE SUMMARY

This publication captures findings from the study conducted on management of public sector income in Nigeria with focus on revenue collection and remittance regime. The study assessed the performance, prospects and challenges of selected agencies of the Federal Government of Nigeria in the exercise of the mandate of revenue generation. Nigeria is faced with immediate and long terms consequences of prevailing overdependence on borrowings for finance of capital as well as recurrent expenditures with attendant huge costs of debt servicing for the country. The study therefore became imperative in the light of the need to stimulate robust engagement of the perennial budget deficits amidst the deep-rooted economic challenges in Nigeria.

The study drew incentive from the **Domestic Revenue Mobilisation (DRM**) program of the United Nations University's World Institute for Development Economics Research (UNU-WIDER) which aligns with Goal 17; Target:1 of Sustainable Development Goals (SDGs -2030) which underscores the need to "strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection." through improvement on domestic revenue generation to support budget implementation. DRM model seeks to improve revenue mobilisation system of development which deliver significant reduction on borrowing and the attendant disproportionate huge costs to the economy for Nigeria, adequate funding of critical sectors as well as investments in social empowerment programs to address poverty and enhance sustainable development would remain a mirage without optimal revenue mobilisation that translate into reduction in borrowing and debt servicing.

Assessment of the trends of revenue generation and remittances by agencies in the oil and non-oil sectors in Nigeria were carried out; taking into account contributory prospects, or otherwise, of revenue share to annual budget and the attended impacts or consequences on budget implementation. Assessment covered selected revenue generating agencies across the oil and non-oil sectors from 2016 and 2022 as well as the implications for budget implementation in the 2023 and 2024 fiscal years. Assessment focuses on performance of the mandate of revenue agencies with respect to targets and remittance to the Consolidated Revenue Fund (CRF) Account created by Section 80 and 81 of the 1999 Constitution of the Federal Republic of Nigeria (as amended).

### Findings

Findings from the study reveal lack of coordinated approach in setting revenue targets and delivery on revenue collections and remittances. While improved access to information on public revenue is essential for entrenching transparency and accountability, data on revenue collections and remittances across revenue generating agencies are not readily available and often inadequate in providing the true picture of the situation.

When data on revenue are provided; they are rendered inadequate by gaps and lack of coherence. Failure to mobilise adequate revenue to match projected expenditures will continue to serve as unquenchable incentive for excess borrowing which comes with huge cost of servicing to the country. Overall, excess borrowing to augment shortfall in available revenue for public expenditures translates into massive costs of governance. The country is faced with enormous challenge of debt servicing in the short term with dire consequences of lingering debt burden in the long run amidst continued shrinking revenues to fund critical sectors of governance.

While the prevailing debt service to revenue ratio has become evidently unsustainable, the crisis may however persist unless decisive steps are taken to achieve optimisation of revenue targets through commitment to transparency and accountability in collection and remittances by revenue agencies. Findings from the study demonstrate urgent need to reposition revenue generation regime of the federal government to address governance constraints without the unnecessary burden of overreliance on borrowing. There is the need for commitment to upscaling the revenue base of national budget through transparent and accountable management of collection and remittances of revenues. Capacity building and operational incentives should be prioritised to inspire transparent management of revenue as part of holistic efforts to transforming public-sector governance. Addressing operational challenges of revenue generating and non-generating agencies is vital to motivating actors in the public sector towards achieving optimal delivery on the desired revenue targets.

Transparency and accountability in the management and remittances of revenue as demonstrated by the Joint Admission and Matriculation Board (JAMB) should serve as positive example to leverage upon in achieving optimal revenue mobilisation across revenue agencies and non-generating agencies in the oil and non-oil sectors. Although not a revenue generating agencies by its mandate; the success story of JAMB in revenue remittances offered insights for useful lessons and shared learning experience that could translate into changing the narrative of revenue mobilisation in the desire to addressing governance constraints.

## Recommendations

The outcome of the study prompted a few recommendations aimed at addressing revenue constraints and boost remittances to make governance meet the yearnings and expectations of citizenry. Continuous process-led engagements between the civil society and revenue authorities including the Federal Inland Revenue Service (FIRS) and Revenue Mobilisation Allocation and Fiscal Commission (RMAFC), States' Internal Revenues Services have become pertinent for the purposes of entrenching transparency and accountability in revenue collection and remittances in furtherance of budget and governance tracking agenda of democratic governance.

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Sustainable Development Goal 17 - https://ourworldindata.org/sdgs/global-partnerships#:~:text=The%20UN%20has%20defined%2019,whether%20these%20targets%20are%20achieved.

It has also become imperative to prioritise result-oriented monitoring and reporting of revenue related corruption to ensure full recovery of unremitted earnings accruable to the government at both national and subnational levels. Prosecution and possible conviction of culprits would also be a step in the right direction so to serve as deterrent. Capacity-building on revenue tracking, advocacy and reporting for critical stakeholders in the media and the civil society will serve to encourage inclusive engagement in pro-people budgeting and governance monitoring process. Tracking of revenue should include follow-up on resources committed to debt servicing to stimulate transparency and accountability.

Public engagement of revenue regime should include periodic situation analysis of income generation and remittances delivered against outlined targets. The monitoring of revenue related oversight activities of the national assembly should also be prioritised to amplify stakeholders' demand for diligent compliance with provisions of fiscal responsibility law as well as remittances of revenues across agencies as appropriate and timely. There is the need for sustained vigilance by anti-corruption activists and oragnised civil society actors to mitigate leakages of revenue and for recovery of unremitted revenues.

# INTRODUCTION

Revenue shortfall in the face of ever-increasing public expenditures limits the prospects of delivering on the much sought-after dividends of democracy. The negative impacts of revenue shortfall on public expenditures have manifested profoundly in recent years with the Nigerian economy tottering under excessive borrowings and the accompanied costs of debt servicing. Notwithstanding the huge potentials of revenue generating agencies, lack of transparency and accountability in public sector governance makes it difficult for revenue targets to be met.

Lack of transparency and accountability in the oil and gas as well as the mining sectors in Nigeria is attributable to the inadequacies in public revenue. For decades, these critical sectors of the economy have been reputed for huge revenue leakages. The disclosure of massive crude oil thefts with attended losses projected in the range of 50% in revenue that ought to have accrued to the Federation Account is one of the highpoints of the rot. According to the Nigeria Extractive Industry Transparency Initiative (NEITI), the country lost an estimated N16.25tn ($46.16bn) value of 619.7 million barrels of crude in 12 years (2009-2020) ostensibly due to leakages associated with theft and underhand occurrences attributable to transparency and accountability deficiencies. The combined effects of revenue losses on the Nigerian economy could better be imagined when underperformance in the collection and remittances in the non-oil sector is considered alongside the huge leakages in the oil sector.

An estimated N2.8tn revenue which is shortfall of the N5.2tn projected for some revenue generating agencies were said to have been unremitted in 6 years (2015 – 2020) according to data from the Budget Office of the Federation. Some of the defaulting agencies include Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Securities and Exchange Commission (SEC), Nigeria Shippers Council (NSC), Nigeria Export Promotion Council (NEPC), National Health Insurance Scheme (NHIS), Nigerian Civil Aviation Authority (NCAA), Nigeria Communications Commission (NCC), Nigeria Airspace Management Agency (NAMA), National Examination Council (NECO), Nigeria Television Authority (NTA), National Pension Commission (NPC), Corporate Affairs Commission (CAC), Standard Organization of Nigeria (SON).

Lack of transparency and accountability in revenue generating agencies is characterised by failure to adhere to due process leading to non-declaration and under-remittances of surplus revenues. JAMB was characterised by non-declaration and under-remittances of revenue prior to the reform introduced by the leadership of Professor Ishaq Oloyede. Remittances of substantial amount of revenue running into billions of naira from the sales of admission forms by JAMB annually since 2017, in spite of not being designated a revenue generating agencies, offered a glimpse into the widespread corruption in agencies designated for revenue generation where colossus amount of revenues are either not disclosed or under-disclosed / under-remitted.

The JAMB example thus provides the impetus for holding all government agencies accountable in line with expectations of Fiscal Responsibility Act (FRA).

Revenue generation potentials of most of the agencies remain underutilised owing to administrative and structural inadequacies which are a recipe for corruption. Regrettably, in spite of the shortfall in the required revenue for the funding of annual budgets, a sizable amount of the available revenue is committed into servicing debts. Section 162 (1) of the 1999 Constitution of Federal Republic of Nigeria provides for the operation of "the Federation Account" into which payment shall be made of specified revenues collected by agencies of Government of the Federation as contribution to Consolidated Revenue Fund. The FRA also mandates revenue generating agencies to remit 80 per cent of operating surplus to the Consolidated Revenue Fund (CRF). Notwithstanding this important constitutional provision, revenue leakages has become a ramified challenge for decades as agencies with the mandate to remit revenues do not live up to expectations. The Treasury Single Account (TSA) was a measure aimed at entrenching transparency and accountability in the remittances of revenues across sectors of government. Unfortunately, the TSA would appear not to have delivered to expectations as corrupt practices that clearly negate the objective of the initiative are matters of public knowledge.

In addition to revenue generating agencies listed under the FRA, government in the bid to mobilise more revenue for remittance to the Federation Account mulled the idea of additional 91 agencies to substantially increase the contribution of revenue to national budget and to discourage attraction for borrowings. Notwithstanding the long list of revenue generating agencies and the inherent potentials for mobilising resources to fund national budget to a reasonable extent, deficit financing on account of excessive borrowing remains a daunting challenge.

Amidst revenue shortfall and budget deficit, a quarter of the 2021 annual budget was committed to debt servicing while "external and home debts of the federal and state governments and the Federal Capital Territory stood at N31.01 trillion ($85.90 billion) as of June 30, 2020". Worried by the low performance of revenue generating agencies, the President of the 9th Session of Nigeria's Senate, Dr Ahmed Lawan in February 2022 however expressed the optimism that revenue-generating agencies could generate and remit N3 trillion annually if appropriate measures are put in place to curb leakages and "wasteful expenditures by agencies of government".

Remittances by agencies are made from excess revenues generated in forms of proceeds, recoveries, sundry incomes, proceeds of government equity from joint ventures, stamp duty, net revenues from Government-Owned Enterprises (GOEs), grants and donor funding, share of dividends -NLNG, transfer from special levies account, signature bonus / renewals, share of minerals and mining as well as other charges imposed on non-state firms like education taxes.

Non-compliance with extant provisions of fiscal responsibility underscores lack of accountability and corruption. Poor remittances by revenue agencies on account of lack of accountability prompted the senate arm of the national assembly, in January 2022, to invite 62 agencies following concerns regarding frivolous spending of unapproved money by the agencies and low revenue remittances to the federation account.

The outcomes of this study are captured under seven chapters. Interconnected issues relating to the prevailing revenue management regime are addressed in the first five chapters. Chapter one focused on imperatives of making share of revenue generation count as substantial contribution to national budget.

Highlights of performances of major revenue generating agencies are provided in chapter two while issues relating to the mandate of revenue generation and optimal delivery on revenue targets are discussed in chapters three and four with priority attention on prospects of optimizing revenue potentials in the non-oil sector. Chapter five focused on the drawback constituted by underperformance and poor remittances by revenue agencies. In chapters six and seven, issues relating to revenue related corruption as well as success story of transparency and accountability pertaining to revenue generation and remittances were highlighted with focus on the example of JAMB.

The concluding remarks dwell on the need for effective management of revenue in terms of optimal generation and appropriate remittances. The recommendations proffered underpin imperatives of curbing over dependence on borrowing as well as the need to reverse the ugly trend of huge costs of debt servicing.

## SCOPE OF STUDY, FRAMEWORK AND OBJECTIVE

The framework for the study is guided by the concept of Domestic Revenue Mobilisation (DRM) from the standpoint of United Nations - Inter agency Task Force on Finance for Development. DRM is predicated on the understanding that domestic public revenue is critical to achieving sustainable development and more importantly delivery on SDGs-2030.

The DRM is a focal program of the **United Nations University World Institute for Development Economics Research (UNU-WIDER)** on attainment of SDGs -2030 as well as the **European Court of Auditors (ECA)** on the use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa. A new publication of the World Bank Group emphasises the need for deploying DRM model as a "strategy to attain the objective of improving revenue management by addressing key shortcomings in the resource mobilization systems of Low- and Middle-Income Countries (LMICs)". The focus of the study therefore is to examine the gaps in revenue administration in Nigeria's public sector towards promoting the optimisation of revenue mobilisation as a component of efficient public expenditure management through improved revenue to budget ratio and reduction of debt burden.

The study therefore focused on evaluation of the potentials as well as the performance of revenue generating agencies as well as the trends of revenue generation and remittances of select agencies across the oil and non-oil sectors between 2016 and 2022. The study encompassed evaluation of revenue share of expenditures, impacts on budget implementation and the extent to which overriding objectives of fiscal responsibility has been achieved.

Assessment of revenue generation targets and remittance of 10 major revenue generating agencies were conducted. The agencies are: Nigerian National Petroleum Corporation (NNPC) now limited company (NNPCL), Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Nigeria Ports Authority (NPA), The Nigeria Customs Service (NCS), Federal Inland Revenue Service (FIRS), Nigerian Communication Commission (NCC), Nigerian Maritime Administration and Safety Agency (NIMASA), Federal Airport Authority of Nigeria (FAAN), National Agency for Food and Drug Administration and Control (NAFDAC), Corporate Affairs Commission (CAC), and Nigeria Civil Aviation Authority (NCAA).

The study became pertinent in the quest to stimulate citizens' active engagement of public revenue regime with the view to effectively track budget planning, implementation and performance for good governance. The objective of the publication therefore is to promote awareness and knowledge-driven engagement of nexus between revenue mobilisation and fiscal responsibility. The publication seeks to stimulate citizens' advocacy and engagement for effective fiscal policies, planning and implementation for optimal performance. The goal is to deploy the publication as contribution towards mobilizing knowledge-based citizens' action that prioritizes demand for transparency and accountability in the collection, remittances and administration of public revenues.

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*Punch (December 15, 2022); Nigeria lost N16.25tn crude in 12 years – NEITI - https://punchng.com/nigeria-lost-n16-25tn-crude-in-12-years-neiti/?utm_source=auto-read-also&utm_medium=web*

*Punch Newspaper (January 14, 2022); FG agencies fail to remit N2.8tn independent revenue in six years - https://punchng.com/fg-agencies-fail-to-remit-n2-8tn-independent-revenue-in-six-years/*

# CHAPTER ONE

**Revenue Generation and National Budget**

According to the 2022-2024 Medium-term Expenditure Framework and Fiscal Strategy Paper (MTEF & FSP), about 47% (i.e.) N17.8 trillion of the projected revenues of N37.42 trillion will be committed to servicing debt. Therefore, beyond the desirability of ensuring diligence, transparency and accountability in the collection and remittances of revenues, the challenge of effective management of revenue is critical to Nigeria's economic survival. Increasing dependence on borrowings to fund national budget in the face of inadequate revenue is not only unsustainable but counterproductive.

The desirability of borrowing to finance capital projects for the overriding objectives of economic growth is undeniable. Indeed, borrowing to support the economy in the short and long run, may not be a problem per se, but there is however a growing concern regarding the worsening scenario of rising debt profile and the immediate costs of debt servicing. Beyond financing capital projects of long-term benefits to the economy through borrowing, the worsening dimension of debt servicing is the likelihood of being trapped in debt to offset recurrent expenditures. It is worrisome that debt service to revenue ratio has become unsustainable and impacting negatively on non-debt obligations. According to the Nigerian Economic Summit Group (NESG), the debt service to revenue ratio "remains unsustainably high and undermines the ability of government to meet non-debt obligations such as the provision of infrastructure, human capital development and protection for our nation's large population of vulnerable people."

Recurring budget deficits only creates inducements for more borrowings with undesirable consequences of inflation in the immediate terms as well as economic instability in the long term. Tope Fasua, banker and public affairs enthusiast (now economic adviser to Vice President Kasim Shettima) notes: "N19 trillion budget for 2023 should be financed by at least N17 trillion revenue. I checked Kenya and that $150 billion economy budgeted $29 billion in 2022, which it is financing by about $20 billion in revenue. Its deficit is 25% as against our own of 63%. The country has no crude oil. Its economy seems much better run than ours".

At debt to GDP ratio in the range of 40%, the attraction for borrowing appears high from the standpoint of experts who consider such public debts moderate enough. The International Monetary Fund (IMF) describes Nigeria's situation as critical considering the huge size of "revenue-servicing side, which is projected to rise astronomically if urgent measures are not put in place to grow revenue." Within this context therefore, the projected revenue for 2023, as it were with years 2019 - 2022 (see Revenue/Budget Outlook), is evidently grossly inadequate enough to positively affect the budget and bridge the worrisome gap of deficits.

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| Annual Budget Size | 8.9 Tri | 10.3 Tri | 13.3 Tri | 17.12 Tri | 20.51 Tri | 27 Tri |
| Revenue | 6.97 Tri | 8.42 Tri | 7.89 Tri | 10.74 Tri | 9.73 Tri | 18.32Tri |
| Oil Revenue | 3.73 Tri | 2.64 Tri | 2.01 Tri | 3.362 Tri | 1.86 Tri | 7.94 Tri |
| Non-Oil Revenue | 1.39 Tri | 1.81 Tri | 1.84 Tri | 2.132 Tri | 2.43 Tri | 3.52 Tri |
| Revenue from other sources | 1.85 Tri | 3.97 Tri | 5.88 Tri | 5.246 Tri | 5.44 Tri | 6.86 Tri |
| Deficit | 1.93 Tri | 2.18 Tri | 5.19 Tri | 6.38 Tri | 13.78 Tri | 9.18 Tri |
| **Cost of debt servicing** | **2.14 Tri** | **3.34 Tri** | **3.12 Tri** | **3.80 Tri** | **6.55 Tri** | **8.25 Tri** |
| **% of debt service to revenue** | **30.7%** | **39.6%** | **39.5%** | **36.12%** | **67.3%** | **45%** |

**Revenue / Budget Outlook**

**Note:** All figures are within estimated range based on projected / approved budgets for each year

It should however be instructive that government has continuously professed commitment to a number of steps aimed at improving revenue base of the economy through the expansion of tax nets as well as enforcing compliance with statutory returns payable to government coffers. Notwithstanding, the challenge ahead however remains that revenue available to fund national budget continues to portend abysmal outlook and need to be improved upon if the country must avoid the pitfalls of endless borrowing at huge cost of servicing the growing debts.

**The scourge of debt servicing**

| | Budget size | Budgeted amount for Debt Servicing | Percentage of Budg et for Debt Servicing |
|---|---|---|---|
| 2016 | N6.6 Trillion | N1.5 Trillion | 24% |
| 2017 | N7.3 Trillion | N1.6 Trillion | 21.9% |
| 2018 | N9.1 Trillion | N2.2 Trillion | 24.2% |
| 2019 | N8.9 Trillion | N2.14 Trillion | 24% |
| 2020 | N10.3 Trillion | N2.5 Trillion | 24.3% |
| 2021 | N13.3 Trillion | N3.3 Trillio n | 24.3% |
| 2022 | 17.12 Trillion | N3,8 Trillion | 22.2% |
| 2023 | 20.51 Trillion | N6.5 Trillion | 31.7% |
| 2024 | 27 Trillion | N8.25 Trillion | 30.7% |

**Source: Premium Times**

Based on the trends since 2016, the outlook ahead may even be bleaker as Nigeria's debt-service-to-revenue ratio has been forecasted to reach 91.8% mark from the "disproportionately high 83.0% as of Q3:2022" and considering that "economic sabotage has robbed Nigeria of the gains from the windfall from the oil price rally in 2022".

From all indications, borrowing to augment funding of annual budget has compounded Nigeria's debt profile. Substantial portion of annual budget (not less than 30% annually) has been committed to debt servicing since 2018 which peaked above 30% in 2023 and 2024.

The challenge of mobilising appropriate size of revenue to steer the country out of the burden of debts and to sustain economic growth appear daunting and if not hopeless in the foreseeable future.

Considering the scenario of huge size of debt service to revenue since 2016, the share of revenue allocated to debt servicing in the years ahead of 2024 is most likely to remain as high as over 40%; notwithstanding the rather ambitious target of 45% for 2024 by the new administration faced with the huge task of reversing the over 90% mark recorded for the year 2023.

Out of the N13.08 trillion expenditures proposed 2021 budget, contribution of oil revenue was projected at N2.01 trillion with non-oil revenue estimated at N1.49 trillion. With expenditures exceeding revenues, the implication has been that government is compelled to mobilise resources in form of loans to finance the budget. To fund the N13.08 trillion expenditures proposed for 2021 budget, the federal government secured loan in excess of N10 trillion in spite of the huge sum of N3.124 trillion for debt service in the budget.

Absence of substantial size of revenue to fund expenditures meant that the budget deficits open the flank for borrowings with undesirable consequences of mounting domestic and foreign debts. As controversies raged over request by President Buhari for Senate's approval for N27.3 trillion Central Bank of Nigeria (CBN), domestic debts, by the end of 2022, are projected in the region of N22.5 trillion with 2900% increase in the loans sourced from CBN by the federal government within the seven years of the Buhari's administration. The grim situation is further accentuated by the reality that 2023 budget was funded by borrowing in additional to sales of some national assets. Thus, a breakdown of 2023 budget shows that at N6.3 trillion, debt service will be 29% of total expenditure which is 71% higher than 2022.

Whereas government officials had repeatedly acknowledged that continuous borrowing to finance national budget was no longer sustainable, the new government that mounted the saddle on May 29, 2023 appear not dissuaded to pile up more debts. The DMO in November 2023 announced that Nigeria's total public debt rose to N87.38 trillion in the second quarter of 2023; indicating an increase of 75.29 percent.

In November 2023, the Tinubu's administration made a request to the lower chamber of the national assembly for approval of borrowing plan of the sums of $8,699,168,559, €100,000,000 as well as $1 billion from the African Development Bank (AfDB) and $1.5 billion from the World Bank.

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*Guardian (February 15, 2018); FG creates 91 additional revenue generating agencies - https://guardian.ng/news/fg-creates-91-additional-revenue-generating-agencies/*

*Premium Times (January 17, 2021); Nigeria is spending a quarter of its 2021 Budget on debt servicing, a trend that has continued for years - https://www.premiumtimesng.com/news/headlines/436888-how-nigerias-debt-repayment-is-taking-huge-toll-on-yearly-budgets.html*

*ThisDay (February 22, 2022); Banking on Revenue Yielding Agencies - https://www.thisdaylive.com/index.php/2022/02/06/banking-on-revenue-yielding-agencies/*

# CHAPTER TWO

**Highlights of Major Agencies' Performance**

Major agencies of the Federal Government with the mandate of generating revenues include: Federal Airports Authority of Nigeria (FAAN), Nigerian Ports Authority (NPA), Federal Inland Revenue Service (FIRS), Nigerian Communications Commission (NCC), Nigeria Deposit Insurance Corporation (NDIC), Nigerian Meteorological Agency (NiMET), National Agency for Food and Drug Administration and Control (NAFDAC), Federal Road Safety Corps (FRSC), Nigeria Customs Service (NCS), Standards Organisation of Nigeria (SON) and the Nigerian Airspace Management Agency (NAMA), Bank of Agriculture (BOA), Nigerian Bulk Electricity Trading (NBET), Tertiary Education Trust Fund (TETFund), Federal Radio Corporation of Nigeria (FRCN), Nigerian Railway Corporation (NRC), Financial Reporting Council of Nigeria (FRC), Nigerian Maritime Administration and Safety Agency (NIMASA), Corporate Affairs Commission (CAC), Nigeria Civil Aviation Authority (NCAA), National Broadcasting Commission (NBC), National Automotive Design and Development Council, Federal Mortgage Bank of Nigeria.

The Central bank of Nigeria (CBN) apart from its monetary oversight as well as supervisory roles also contribute to improved revenue mobilisation through proceeds from taxes and charges-imposed on users through the banks and other financial institutions. Some of these agencies charged with the responsibility of generating revenues have in recent years recorded significant successes, in spite of numerous challenges, in the quest to improve the revenue base of the economy. Highlights of performances with respect to revenue generation and remittances of selected revenue agencies between 2016 and 2022 are captured below:

- **Nigerian National Petroleum Company Limited (NNPCL) formerly (NNPC)**

In 2016, the Financial Times reports the annual financial records of the defunct NNPC for the first time in decade. The report in which the NNPC was described as “notorious for inefficiency and mismanagement” indicated that the monthly updates of NNPC financials were made public in “a 38-page report covering 2015 activities – the first annual statements since 2005”.

Nigerian National Petroleum Company Limited (NNPCL) which derives revenues from the sales of country's crude oil failed, for most part of 2022, to remit revenue to the Federation Account as a result of payment for oil subsidy. Payment of oil subsidy by the NNPCL leading to zero revenue contribution to the Federation Account was a major source of worries up till middle of 2023 when total removal of payments of subsidy on domestic consumption of premium motor spirit is expected to take full effect. Unfortunately, NNPCL's zero remittance occurred at a period the average oil price was at $111/barrel while the country was producing 1.08 million barrels per day (bpd) oil output owing largely to oil theft and vandalization of major oil terminals.

Available records show that subsidy payment gulped N2.04 trillion from the N400.47 billion revenues realized from sales of crude oil and gas between January and July, 2022 leading to deficit. Therefore, rather than pay revenues to the coffers of government, the NNPC incurred a deficit of N1.04 trillion within the period referenced whereas the sum of N10.54 billion was remitted to the Federation Account for the month of October-November 2021. The NNPCL contributed N3.718 trillion in revenue in 2020 in the wake of COVID-19 pandemic compared to the N4.634 trillion remitted for 2019.

- **Nigerian Upstream Petroleum Regulatory Commission (NUPRC)**

Categories of revenues from the oil and gas sector (proceeds from contracts and joint ventures with multinational corporations as well as allocation / concessions of oil well/ oil fields are statutorily remitted by the Nigerian Upstream Regulatory Commission (NURPC) formerly known as the Department of Petroleum Resources (DPR). These revenues are in addition to other oil sector associated payments collected by the Federal Inland Revenue Service (FIRS) as charges / levies from investors in the oil industry. It was reported in July, 2022 that the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) generated N292.8 billion. However, investigation into details of crude oil production from October 2021 to March, 2022 by House of Representatives Committee on Finance revealed that "N616.182 billion; N19.556 billion; N39.085 billion; N3.502 billion; N6.693 billion and N10.599 billion, were generated from Oil Royalty, Gas Royalty, Gas Flared Penalty, Concession rentals, MISC Oil Revenue and Signature Bonus, respectively". Available data also shows that N2.7 trillion was paid into the Federation Account between January and December, 2021 comprising oil royalty (N616 billion), gas royalty (N19 billion); gas flare (N39 billion), Concession rental (N3.5 billion) Miscellaneous oil revenue (N6.69 billion). This confirms NUPRC as one of the revenue generating agencies with high yielding reforms reflecting in increased revenues and remittances for the government.

- **Nigeria Ports Authority (NPA)**

The Nigeria Ports Authority has recorded considerable improvements in revenue generation and remittances to the Federation Account since 2016 with N182.42 billion marking impressive departure from the N18.5 billion and N13.1 billion contributed to the Federation Account in 2014 and 2013 respectively. The positive revenue surge continued in 2017 when the authority generated a total of N259.99 billion. The trend of positive performance continued in 2018 and 2019 when N282.42 billion and excess of N300 billion were generated.

NPA remitted the sum of N89.9 billion into the Federation Account within six months of 2021. The revenue which exceeded the projection for the period marked one of the major successes of revenue drive by the agency leading to estimated N400 billion in revenue contribution to the Federation Account between 2017 and 2022. The breakdown of the revenues remitted for 2018, 2019, 2020, 2021 and 2022 show steady improvements in excess of N40 billion, N69 billion, N72 billion, N80 billion and N92 billion respectively.

Report indicates that the NPA reduced operational costs (administrative expenses and overheads) by 20% in 2021 as part of the efforts aimed at maximising remitted revenues. This measure culminated in savings to the tune of "N10.39billion or 85% performance of the approved budget of N87.32billion". In addition to improvements in remitted revenues, NPA is also reported to be complying with provisions of the Finance Act 2020 with respect to quarterly remittance of its operating surplus.

❖ **The Nigeria Customs Service (NCS)**

N13.169 trillion was reported to have been generated by the Nigeria Customs Service (NCS) within the period spanning 10 years 2010-2020 with 80% of the revenue realized from operations at "Apapa, Tin Can, PTML and Murtala Muhammed Airport (cargo section)". Yearly breakdown of the revenues is as follow: 2010 (N546.64 billion), 2011 (N741.83 billion), 2012 (850.88 billion), 2013 (N833.4 billion), 2014 (N977 billion), 2015 (N903 billion), and 2016 (N899 billion). However, annual revenue generation by the NCS improved considerably to the trillion marks in 2017 (N1.03 trillion), 2018 (N1.2 trillion), 2019 (N1.34 trillion), 2020 (N1.6 trillion) and 2021 (N2.24 trillion).

❖ **Federal Inland Revenue Service (FIRS)**

Tax Statistics / Report of the Federal Inland Revenue Service (FIRS) show that the agency's revenue collection performance has improved significantly from the total annual revenue collection of N3.7 trillion in 2015 to N7.5 trillion in 2022. The revenue statistics is based on returns collected from two broad categories of taxes namely Petroleum Profit Tax (PPT) and Non-oil Taxes. The breakdown Total revenue collected by the FIRS in PPT and Non-oil Taxes between 2016 and 2022 are as follows: 2016 (3.7 trillion); 2017 (4 trillion); 2018 (5.3 trillion); 2019 (5.2 trillion); 2020 (4.9 trillion); 2021 (6.4 trillion) and 2022 (7.5 trillion).

❖ **Nigerian Communication Commission (NCC)**

The Nigerian Communication Commission (NCC) recorded 400% increase in revenue collection performance between January and May 2021 with the collection of N150 billion revenue in respect of spectrum fees thereby exceeding the N36 billion projected for that category of revenue source for the year. The Information and Telecommunication sector through NCC generated about N1.5 trillion between 2020 and 2022 according to then Minister of Digital Economy, Professor Issa Patami who listed categories of revenues generated from the sector to include increase in quarterly remittances "from N51.3 billion to N408.7 billion" and increase in "quarterly savings through the IT Projects' Clearance Process from N12.45 million to N10.57 billion". The revenue generated by NCC include proceeds from fifth generation spectrum auction to the tune of over $500 million.

### ❖ Nigerian Maritime Administration and Safety Agency (NIMASA)

The Nigerian Maritime Administration and Safety Agency (NIMASA) generated revenue in excess of N108 billion between 2018 and 2022. The breakdown of the revenue in the four years included N37.69 billion remitted in 2021 compared to N31,839,917,978.20 remitted in 2020.

Between October 2015 and July 2017, NIMASA remitted $62,297,139.02 to the Federation Account as contribution to the consolidated revenue fund. In 2022, the Federal Government through Infrastructure Concession Regulatory Commission (ICRC) announced three public private partnership projects to be supervised by NIMASA that will stimulate the generation of $1,110,384,3 (N502,582,181,243.94) within the concessionaire periods for the projects.

### ❖ Federal Airport Authority of Nigeria (FAAN)

In 2018, the Federal Airports Authority of Nigeria (FAAN) generates revenue from aeronautical and non-aeronautical sources. The agency remitted N408.69 billion within a period of five years from Passenger Service Charge (PSC) covering international and domestic operations. The agency remitted N1,778,611,364 as part of contributions to the Consolidated Revenue Fund. FAAN remitted N2billion into the Consolidated Revenue Fund (CRF) account between January and September 2020, although the agency generated N30 billion within the period.

### ❖ Corporate Affairs Commission (CAC)

Corporate Affairs Commission (CAC) generated over N19 billion in 2020 and remitted 2.7 billion operation surpluses to the Federation Account. In 2019, the agency generated N12,675bn but remitted mere N100m to the Federation Account as operating costs surplus. However, in 2018, the agency generated N11bn with zero remittance. Previously, the agency only remitted N169m from the N56bn generated in 3yrs.

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*(United Nations (Inter agency Task Force on Finance for Development); Domestic revenue mobilization - https://developmentfinance.un.org/domestic-revenue-mobilization*

Revenue Administration Handbook -page 3 -
https://openknowledge.worldbank.org/entities/publication/d2a7e4bb-8b72-40b1-8ff8-60d3fa5256db

# CHAPTER THREE

**Oil and Gas Sector: Tales of Revenue Losses from the Cash-cow**

Decades after crude was discovered in commercial quantity in 1956; shortly before independence, proceeds from oil and gas sector continue to dominate budget revenue; accounting for substantial share annually. Expectedly, oil revenue also contributes average of 9% to the country's Gross Domestic Product (GDP). However, the sector witnessed a decline in posted revenue to between 6.3 and 5.9 between 2018 and 2022; hitting significant low mark in the wake of COVID-19 Pandemic which culminated in disruption in production and crude oil sales. The table below shows the percentage contribution of revenues from the oil and gas sector to the national budget between 2011 and 2024.

| Year | Percentages |
|---|---|
| 2011 | 78.03% |
| 2012 | 73.85% |
| 2013 | 68.13% |
| 2014 | 68.94% |
| 2015 | 52.72% |
| 2016 | 43.38% |
| 2017 | 50.11% |
| 2018 | 71% |
| 2019 | 53.5% |
| 2020 | 31.3% |
| 2021 | 25.4% |
| 2022 | 31.3% |
| 2023 | 19.1% |
| 2024 | 49.3% |

**Oil Revenue as Percentages of Budget**

Contribution of oil sector revenue to the financing of national budget has been characterized by increasing decline in the last decade. From 78.03% share of total revenue in 2011, revenue from the oil sector declined to 50.11% in 2017. Figures released in August 2022 by the Central Bank of Nigeria (CBN) show a decline in revenue to the tune of N799.10 billion in the first quarter of 2022 from the oil sector. The decline represented 28.3% shortfall compared to the N1.11 trillion generated in the fourth quarter of 2021.

The economic gloom occasioned by decline in oil revenue as reflected in the annual budgets beginning from 2018 is further compounded by increase in borrowing and the costs of debt servicing not less than 30% of the total annual revenue with sharp increase in the range of 70% in 2023 budget. However, the new administration projected an ambitious 49.3% (N8trillion) oil revenue share of the total revenue of N18.3 trillion for 2024

While uncertainties in the global oil markets and unforeseen circumstances have negatively impacted on sales of crude at the international market on several instances, unfavorable environment in host communities coupled with other operational inadequacies often affect production. Oil exploration from which Nigeria earn significant share for the finance of annual budget has been dominated by tales of revenue losses including leakages owing to pipeline vandalization as well as outright thefts of crude meant for sales.

Apart from losses from crude, substantial sums of revenue losses accruing to Nigeria are recorded in the gas sub-sector of the oil industry. Nigeria has the largest deposit of gas in Africa (1.7 trillion cubic feet of natural gas) and the ninth in the world. However, the country has not utilised the abundance of gas deposit for revenue for a number of reasons that bother on failure of policies and lack of proper governance model as well as lack of administrative efficiencies required to fully unleash the potentials in the gas sub-sector. While considerable sums of revenues (about N233 billion approximately US$761.6million in 2018 alone) are lost through gas flaring practices which pervade in the Nigeria's oil exploration regime. PwC report provides details of revenue losses that accrued to Nigeria on account of revenue gas flaring between 2014 and 2018 as follow:

| | | |
|---|---|---|
| 2014 | N301 billion | US$984 million |
| 2015 | N243 billion | US$794 million |
| 2016 | N299 billion | US$751 million |
| 2017 | N267 billion | US$875 million |
| 2018 | N233 billion | US$761 million |

Notwithstanding, Nigeria still has a lot of advantage in optimising the revenue from the oil sector through efficient management, to holistically address predilection for corruption in the oil sector. While percentage contribution of oil revenue to the funding of budget has declined in recent years and may remain unstable or unreliable in the years ahead, optimising oil sector revenues that ought to accrue to the Federation Account requires efficient administrative measures as well as pragmatic policies aimed at curtailing leakages.

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*The Cable (July 15, 2021); FG to spend 47% of its four-year revenue on debt servicing - https://www.thecable.ng/fg-to-spend-47-of-its-four-year-revenue-on-debt-servicing*

*The Cable (July 15, 2021); FG to spend 47% of its four-year revenue on debt servicing - https://www.thecable.ng/fg-to-spend-47-of-its-four-year-revenue-on-debt-servicing*

*Tope Fasua (Premium Times September 19, 2022 -); How turf protection limits Nigeria's revenue generation, By 'Tope Fasuahttps://www.premiumtimesng.com/opinion/554936-how-turf-protection-limits-nigerias-revenue-generation-by-tope-fasua.html*

# CHAPTER FOUR

**Non-oil Sector: Prospects and Challenges of Optimising Revenue Output**

The Nigerian economy has been grossly affected by the instability occasioned by the fluctuating crude oil prices in the international market. Global economic uncertainties have become more entrenched in the aftermath of COVID-19 Pandemic to the extent that predicating performance of annual budget on crude oil benchmark could be an invitation to fiscal fiasco with far-reaching consequences. If properly harnessed, the non-oil sector presents huge prospects for mobilising revenues that could translate into high ratio contribution to the funding of national budget.

Agencies in the non-oil sector have, in recent time, recorded remarkable progress in revenue generation in line with government's drive to make non-oil revenue the bedrock of public finance in terms of significant contribution to national budget. The Apapa command of the NCS recorded a significant revenue collection of N1.022 trillion in 2022 which represents 16.07% higher than the N870.388 billion collected in 2021. The Area Controller of Apapa Command, Ibrahim Malanta Yusuf attributed the feat to blockage of "revenue leakages and ensuring that all unpaid declarations and unutilized PAARs were traced and accounted to the federal government coffers".

In 2016, two major non-oil revenue generating agencies; the Nigeria Customs Services (NCS) and the Federal Inland Revenue Service were unable to meet the targets of revenue mobilisation on account of peculiar operational impediments. While the NCS cited absence of enabling laws to implement collection of certain levies, the FIRS attributed failure to meet 2016 target to "low level of performance on Petroleum Profit Tax (PPT)" amongst other administrative and inter-agencies limitations.

A report credited to Executive Chairman, Muhammad Nami attributed failure to meet revenue target by the agencies to "tax waivers granted to big companies which otherwise would have been taxed to buoy up government revenue' as well as "illicit financial flow is a major cause of revenue loss to Nigeria. Coupled with this is the operational cost of the FIRS which is also high compared to the statutory provisions for the running of the agency."

A major challenge militating against achieving revenue targets by most agencies is the high tendencies for compromising due process and other forms of barefaced as well as subtle corrupt practices amongst public officials. Where supervision and sanctions are not in place or properly enforced, management of revenues by public servants will be open to abuses. Corrupt practices become very prevalent when the system is susceptible to compromise of due process.

This is alluded to by a report on Survey of corruption in Nigeria which emphasised amongst other findings that "direct bribery requests by a public official accounted for 60 per cent of all bribery transactions in Nigeria" and that "the share of bribes paid to avoid the payment of a fine increased from 18 per cent in 2016 to 21 per cent in 2019". In the event of attraction for bribery for compromise by public officials, revenues payable to government coffers may end up being traded off, delayed, under-evaluated or even outrightly evaded.

Inability to meet target revenue undermine effective implementation of budget which further compound the challenge of budget deficits. The consequences have been the continuous rise in domestic as well as external debt profile. External debts rose by 28.17% to excess of $45 billion in 2017. The figure rose by 18.4% to over $54 billion in 2018 and climbed further to $60,047,046,402 with 10.78% rise in 2019.

Some revenue generating agencies are faced with peculiar challenges that must be addressed in order to optimize capacities and resources for operational targets. The NCS for instance advocated for the review of some provisions of the 2022 Finance Act on account of conflict with operational mandate of revenue collection. Comptroller General of NCS, Rtd Col. Hameed Ali told the Senate Committee on Finance that the NCS may not be able to effectively collect some duties and levies on account of the fact that the 2022 Finance Act creates conflict between statutory levies and duties to be collected by the NCS and FIRS.

Most of the agencies are also handicapped by delay in the passage of appropriation bill which affect the operational plan and consequently negatively impacted on determination to deliver on targets.

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Nigerian Tribune (May 31, 2022); IMF Denies Nigeria's Debt to GDP Ratio of 76%, says Its Stifling Development - https://tribuneonlineng.com/imf-decries-nigerias-debt-to-gdp-ratio-of-76-says-its-stifling-development/

Revenue /Budget Outlook – Sources - Pwc - Highlights of Nigeria's 2022 Budget of Economic Growth and Sustainability (October 2021-

Nigeria's 2024 Proposed Budget - Budget of renewed hope – Sources – Pwc (11 December, 2023 - https://pwcnigeria.typepad.com/tax_matters_nigeria/2023/12/nigerias-2024-proposed-budget-budget-of-renewed-hope.html#:~:text=The%20Federal%20Government%20of%20Nigeria,for%20the%202024%20fiscal%20year.

*Premium Times (January 17, 2021);* https://www.premiumtimesng.com/news/headlines/436888-how-nigerias-debt-repayment-is-taking-huge-toll-on-yearly-budgets.html

2024 budget: FG to spend N8trn on debt servicing, projects 3.76% economic growth - https://www.thecable.ng/2024-budget-fg-to-spend-n8trn-on-debt-servicing-projects-3-76-economic-growth/

# CHAPTER FIVE

**Menace of underperformance and poor remittances**

Section 21 of the Fiscal Responsibility Act (FRA) mandates revenue generating agencies (public corporations, government owned companies) to make available to the national assembly estimates of revenue and expenditure with annual budget at the end of August of each Financial Year. Notwithstanding, these agencies have on a number of occasions been accused of spending unapproved sums running into billions of naira from revenue generated. The 8th Senate set up ad hoc committee to investigate "revenue generating agencies over allegations of abuse, misuse, under remittance/non-remittance of revenues and other fraudulent practices from 2012 to 2016"deemed to be gross violation of 1999 Constitution and the Fiscal Responsibility Act (FRA) 2007. The FRA provides "for the prudent management of the nation's resources, ensure long-term macro-economic stability of the national economy, secure greater accountability and transparency in fiscal operations within a medium-term fiscal framework. And by so doing, promote the economic objectives contained in section 16 of the constitution of the Federal Republic of Nigeria, 1999 (as amended)." In 2016, the Fiscal Responsibility Commission (FRC) lamented that "over N1tn has been lost in the last seven years to non-remittance of operating surpluses alone by revenue generating agencies of government". Mr. Victor Muruako who was the acting Chairman of FRC alleged that:

> *….. "Most of the agencies of government preferred not to obey the law and as such were using all forms of accounting techniques to short-change the government ... some chief executives of the agencies in their bid to avoid remittance, even go as far as submitting two financial statements of their agencies to the government ... while one account was usually submitted to the office of the accountant general of the federation, another version would be submitted to the FRC".*

The FRA prescribes obligations of due diligence, transparency and accountability in the management of revenue for 31 agencies listed under the FRA. Some of these agencies were indicted by the Senate for failing to submit their budgets to be reflected in the annual national budget for 2017 presented to the national assembly by President Buhari as required by FRA. The revenue generating agencies listed in the FRA are: Central Bank of Nigeria; Nigerian National Petroleum Corporation; National Maritime Authority; Federal Airport Authority of Nigeria; Nigerian Customs Service; Securities and Exchange Commission; Nigeria Deposit insurance Corporation; Bureau of Public Enterprise; National Agency for Science and Engineering Infrastructure; Nigerian Social Insurance Trust Fund; Corporate Affairs Commission; National Clearing and Forwarding Agency; Nigerian Unity Line; Nigerian Airspace Management Agency; Nigerian Shippers Council; Raw Material Research and Development Council; Nigerian Civil Aviation Authority; National Sugar Development Council; Nigerian Postal Service;

Nigerian Ports Authority; Nigerian Mining Corporation; Nigeria Re-insurance; Nigerdock Nigeria PLC; National Insurance Corporation of Nigeria; Nigeria Re-insurance Corporation; Nigerian Telecommunication; National Automotive Council; Nigerian Tourism Development Authority; National Communication Commission; National Agency for Food & Drug Administration & Control; and Federal Inland Revenue Service.

Deliberate flouting of provisions of FRA by revenue generating agencies exposes the process of revenue collection and remittance to manipulations and undermines potentials for revenue generation which is critical to the quest for to reducing budget deficits and the consequences of debt serving. Debating an urgent motion revenue and budget in 2017, some senators decried spending of money from generated revenue by some agencies listed under the FRA without approval as required by law. In 2021, the Chairman of the Senate Committee on Finance, Solomon Adeola noted that "from submissions already made and calculations from the Fiscal Responsibility Commission, about 60 Government Owned Enterprises (GOEs), may have about N3 trillion of government revenue still unremitted in their coffers".

It is however instructive to note that the national budget for that year was N7.3 trillion. Unfortunately, the negligence and abuse of due process the Senate bemoaned in 2017 again reared its ugly head in 2022 which according to Senator Adeola pertained to "misuse and leakages of such revenue for frivolous purposes not sanctioned by the laws of the National Assembly."

Underperformance and poor remittances by revenue generating agencies compound the stress on the economy in the immediate and long run. As noted by Mwakalobo , "declining, inadequate and erratic revenue generation may create unpredictability of revenues available to finance public capital expenditures, resulting in sub optimal allocation of government resources". The menace of underperformance and poor remittances escalate the unpredictability of servicing recurrent and capital expenditures; culminating in negative ripple effects on macroeconomic stability and sustainable economic development.

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*Thisday (December 19, 2022); Analysts: Nigeria's Debt Service-to-Revenue Ratio at 83.0% Worrisome - https://www.thisdaylive.com/index.php/2022/12/19/analysts-nigerias-debt-service-to-revenue-ratio-at-83-0-worrisome/*

*Vanguard (October 7, 2022), We'll borrow, sell national assets to fund N10.78trn 2023 budget deficit — Buhari* - https://www.vanguardngr.com/2022/10/well-borrow-sell-national-assets-to-fund-n10-78trn-2023-budget-deficit-buhari/

# CHAPTER SIX

**Profile of Revenue Related Corrupt Practices**

In December, 2020, the Chairman, Revenue Mobilisation Allocation and Fiscal Commission (RMAFC), Mr. Mohammed Bello Shehu confirmed the recovery of N120 billion unremitted revenues from operating surpluses as required by law by some undisclosed revenue-generating agencies. RMAFC Chairman also disclosed that the recovery was achieved through the aid of some consultants that were engaged for the forensic audit and discovery of the unremitted revenues.

Corrupt practices associated revenue management manifest in outright theft, under-disclosure and failure to remit to the coffers of government as appropriate. While these practices are widespread across ministries, departments and agencies (MDAs); particularly those designated for revenue generation, efforts at tackling the menace have not received the required push from relevant authorities beyond public admission of the challenge and pledge to nip such occurrence in the bud.

Drawing from revelations of the relevant committee of the national assembly, corrupt practices pervade revenue generating agencies. Series of probes and exposés by federal lawmakers attests to unmitigated corruption which remain a major impediment to the quest to mobilise adequate revenues to fund national budget and support government expenditures without over-reliance on borrowings with attendant implications of avoidable debts in immediate and long terms.

Anti-Corruption and Transparency Monitoring Unit (ACTU) was created by the Federal Government to prevent corruption in Ministries, Departments and Agencies (MDAs). While the Independent Corrupt Practices and other related Offences Commission (ICPC), has been championing the ideal of the anti-corruption initiative to curb revenue related malpractices in agencies, there is however yet to be any prosecution to bring culprits to book and disclosure of recovery of undisclosed or unremitted revenues.

A publication titled: **Tackling Diversions by Revenue-Generating Agencies (Ring True with Yemi Adebowale)** provide exposés on corruption associated with under-disclosed and under-remitted collections by some leading revenue generating agencies. The publication made the following disclosures.

- The defunct Department of Petroleum Resources (DPR) now known as the Nigerian Upstream Petroleum Regulatory Commission NUPRC under-remitted revenue that ought to have accrued to the coffers of the Federal Republic of Nigeria.

- The DPR which was then a key department in the oil sector was queried by the Committee of the National Assembly for remitting only N44.5 billion into the CRF out of the 2.4 trillion generated in 2019. While the Senate committee discovered that the DPR illegally deducted N88 billion as 4% collection fee from the sum of N2.4 trillion generated for 2019, the Senate Committee demanded explanation for the estimated N2.2 trillion unaccounted for which was translated to 20% of year 2020 budget of the federal government.
- The National Agency for Food, Drug Administration and Control (NAFDAC) also came under the scrutiny of the National Assembly for failure to remit N7 billion which the agency claimed it channeled for the purposes of inspections as part of operational assignment
- The Securities and Exchange Commission (SEC) was indicted for failure to remit revenue to the CRF in spite of the huge sums realised annually. The agency's expenditures for 2021 was put at N14.4 billion against projected revenue of N8.3 billion. The claim by the agency that it deploys revenue generated into payment of salaries and other operational costs was disputed by the committee of the national assembly. The agency's claim that it deployed N10.3 billion into payment of salaries of about 600 staff annually meant that some staff of the agency were probably owed salaries considering that N8.36 billion was generated as revenue in 2019.
- Revenue collection, remittances and deductions for sundry operational purposes by The Nigeria Customs Service (NCS) continue to generate serious concerns. Scrutiny by the national assembly revealed deduction of humongous sums amounting to N300 billion for operational and other recurrent purposes. An estimated N238 billion of the revenue collected in 2020 was projected spending on operational demands compared to sums remitted to the CRF.

Highlights of some other reported and yet unsolved cases of revenue related corruption across oil and non-oil revenue generating agencies are provided below:

- **$2O Billion unremitted revenue by NNPC**

  An audit by PwC was directed by President Goodluck Jonathan before leaving office in May, 2015 following allegations of homogenous corruption and failure to make statutory remittances to the Federation Account. The then governor of the Central Bank, Lamido Sanusi alleged that the Nigeria National Petroleum Corporation (NNPC) failed to remit $20 billion to the Federation Account; stirring wild controversies. In its report, PwC concluded that NNPC failed to pay the Federation $1.48bn between January 2012 and July 2013. The findings by PwC notwithstanding, details of steps taken by the government to ensure appropriate remittances or apply necessary sanctions remain unseen.

- **N63.3 billion Under-remitted Revenue by FAAN**

  The case of a whopping N63.3 billion under-remitted revenue covering a period of 6 years was made against the FAAN by the Federal House of Representatives on Finance in February 2020. FAAN was accused to have remitted N1.511 billion for 2017, N1.778 billion for 2018 and N1.539 billion for 2019 instead of N13.19 billion, N14 billion and N15.49 billion revenues for the respective years. According to the Chairman of the Committee, Hon. James Faleke, FAAN only remitted N500 million out of N9.48 billion expected revenue in 2014; N2.15 billion out of N10.89 billion expected in 2015 and N1.565 billion out of N11.6 billion expected revenue in 2016. No further action has been taken or sanction announced since the disclosure.

- **$20 Billion Unremitted Oil Sector's Royalties, Taxes**

  An Editorial published by Daily Independent waded into the perennial issues of unremitted royalties and taxes payable to Federal Republic of Nigerian by International Oil Corporations (IOCs). According to the Editorial, Nigerian Government in January, 2019 "demanded that Royal Dutch Shell, Chevron, Exxon Mobil, Eni, Total and Equinor should remit outstanding royalties and taxes ranging between $2.5 and $5 billion payable by each of the oil companies" supposedly part of the estimated $20 billion unremitted revenues. The Editorial hinted further that "Nigeria records annual losses of $14 billion from Joint Venture Contracts (JVCs) between the IOCs and the Nigerian National Petroleum Corporation (NNPC) stemming from undervalued projections or unremitted revenues".

- **$20 Billion Unremitted Revenue**

  In 2021, the Extractive Industries Transparency Initiative (NEITI) revealed that revenue valued at $20 billion has been traced to companies that have failed to make remittances to the coffers of Nigerian State. Executive Secretary of NEITI, Dr. Orji Ogbonnaya told a delegation of FIRS about the unremitted revenues and pleaded that the FIRS should assist in the recovery of the unremitted revenues from the identified companies whose identities were however not revealed. Executive Chairman of FIRS, Mr. Muhammad Nami acknowledged that over $3billion unremitted revenues had hitherto been recovered from companies over the years.

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The Cable (November 28,2023); Tinubu asks n'assembly to approve $8.6bn, €100m in FG's borrowing plan - https://www.thecable.ng/tinubu-asks-nassembly-to-approve-8-6bn-e100m-in-fgs-borrowing-plan/

Financial Times (July 8, 2016); NNPC unveils first accounts in decade - https://www.ft.com/content/b5a5f5f0-cf20-11e5-92a1-c5e23ef99c77

# CHAPTER SEVEN

**Silver Lining for Probity in Revenue Administration:  The JAMB Example**

The leadership of Professor Ishaq Oloyede at the Joint Admission and Matriculation Board (JAMB) has been making huge remittances to the government in spite of the fact that the agency was not a revenue generating agency.  JAMB has unpleasant history of corruption perpetrated by officials which dates to the 80s. The trial of the Chief Accountant of the Admission for corruption and his subsequent conviction by the Special Military Tribunal made major headlines following the overthrow of the civilian government of the Second Republic. More than three decades later, JAMB is entangled in corruption trial involving a former Registrar and another Accountant indicted and arraigned for trial on allegation of mismanagement and corrupt enrichment. No fewer than 33 houses were reported to have been forfeited by the Accountant while some assets supposedly illegally acquired by the former Registrar has been forfeited in the interim while the prosecution continues.

However, the good news about JAMB under the leadership of current Registrar, Professor Oloyede is that the country is witnessing a fresh breath of commitment to public administration. Beyond delivering on its primary mandate, JAMB under the new leadership is offering a huge lesson in due diligence, probity, accountability and transparency in public sector governance. In 2017, JAMB remitted N5 billion to the Federation Account to the amazement of the public. Subsequent remittances of surplus revenues by JAMB under the new leadership prompted public debates over surplus revenues that ought to be accounted for by other regulatory agencies not originally designated as revenue generating agencies.

While JAMB remitted N5 billion in 2017, available data indicate that the admission board under successive leadership before Professor Oloyede remitted a paltry N50,752,544 million between 2010 and 2016 with details as follows: 2011 (N11,522,808); 2013 (N25, 303,274) and 2014 (N13,926,462). The example of JAMB is, no doubt, a welcome development precisely because some agencies with the mandate of collection and remittances of revenue have not only failed to live up to expectations in tapping to available potentials for mobilising revenues but are riddled with unprecedented leakages which deprive government the needed resources for other critical infrastructures.

According to Professor Oloyede, the success recorded by JAMB with transparency and accountability is attributable to "cost control, prevention of financial leakages and minimisation of financial corruption." Professor Oloyede cautioned against excessive borrowing; noting that, "we are all going to sink at the end of the day. If there is any way anybody believes he can save this country, we should start doing that … the earlier we start the better for us." Without doubt, the story of JAMB should serve as case study in demanding accountability and better performances in Nigeria's public sector and particularly with regards to transparent revenue management. The JAMB story offers prospects for entrenching transparency and accountability as bedrocks of public sector governance.

# FINDINGS

Findings from this study indicate that internally generated revenues do not significantly impact on the welfare of Nigerians as manifested in annual budget implementation performance. This is however largely attributable to the fact that prohibitive costs of servicing debts account for substantial chunk of national budget. Some sizable percentages of remitted revenues (not less than 30% in 2019 and close to 70% in 2023 appropriation) were channeled into debt servicing as part of contribution to national budget.

It is therefore a matter of grave concern that Nigeria's financial woes have, over the years, been compounded by inadequacy of revenue to sustain stable public finance. Beyond the challenge of pervasive transparency and accountability deficits in revenue generating agencies across the oil and non-oil sectors, there is the need to widen the nets for more revenues to deliver development as a critical dividend of good governance. Considering that accountability deficit remains a major challenge in revenue mobilisation, a lot still need to be done to entrench probity in the system.

According to data, Nigeria's debt stock which stood at N12.1 trillion as of June 30, 2015 has risen to N44. 06 trillion as of September 30, 2022 (2.85% rise from N42.84 trillion as of June 30, 2022) and over 160% in the last five years. It is evident that the grinding debt profile on the rising scale is partly attributable to the cost of debt servicing. For illustration, a total of N197 billion was budgeted for capital project in the education sector in 2021 (inclusive of N70 billion for Universal Basic Education) while debt servicing gulped N3.124 trillion from the total 7.89 trillion revenue in the budget.

Unfortunately, public universities were shut for 9 months in 2020 and 8 months in year 2022 over outstanding claims including Federal Government's failure to fulfil agreement to "inject a total of N1.3 trillion into public universities, both state and federal, in six tranches, starting in 2013". While sizable chunk of the national budget is committed to debt servicing, medical doctors and university academic staff were forced to embark on strike with students out of the classroom for months as a result of meager budgetary allocations to the health and education sectors.

Other key findings from the study are captured as follow:

- Considerable attention has not been committed to mobilising some revenues in taxes to improve revenue base of the economy. Some taxes are yet to be fully tapped into in spite of the huge cumulative size that could ease revenue constraints. A critical example is the Sugar-Sweetened Beverage (SSB) excise taxes that was passed in the Finance Act on 31 December 2021 and due for implementation June 1, 2022 but yet to be fully implemented. The ₦10 tax on each litre of all non-alcoholic and sugar sweetened carbonated drinks and other taxes across sectors yet to be fully implemented should be mobilised to scale-up domestic resources that could be committed to fund critical sectors such as the health sector.

- There is a huge gap in coordinated approach to validating and reporting actual revenue generated and remittances. Considering that most agencies make remittances quarterly and monthly, data in respect of actual revenue generated or remitted are most often contradictory and misleading. According to **Budgit** "Nigerian Customs Service's payments to the Federation Account stood at N579bn in 2017, a wide mark off the N1.37tn announced in the papers"

- Cost of debt servicing has not only become unsustainable but asphyxiating to the economy. In 2019, the cost of debt servicing (N2.140 trillion) exceeds capital expenditure (N2.031 trillion).

- Revenue remitted by agencies as operating surplus contributes more than 50% of budget revenues while independent revenues component of non-tax revenue and tax revenue contribute less than 50% with tax revenue contributing less than 10%. This trend clearly demonstrates that more Nigerians should be enlisted in the tax net which however requires investment in entrepreneur engagement and stimulation of job opportunities.

- The costs of servicing debt annually which is more than 30% of annual total revenue from 2019 to 2022 were sufficient to address demands of workers which have triggered incessant strikes and disruptions particularly in sectors that require huge investments to secure human capital development.

- Revenues figures disclosed by some agencies under inquiries by the national assembly are often hazy, contradictory, shrouded in controversies and usually unverifiable as a result of lack of commitment to independent audit by the authorities.

- Low revenues and attendant budget deficits will trigger more borrowing in the future with more consequences for the economy costs unless greater commitment is demonstrated towards reducing costs of governance; particularly with respect to costs of maintaining political office holders.

- Fiscal responsibility regulation relating to minimum percentage agencies should expend as operational costs is often violated without appropriate sanction.

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*Budgit – Proposed 2019 Budget Analysis - https://yourbudgit.com/wp-content/uploads/2019/03/2019-Budget-Analysis.pdf*

## RECOMMENDATIONS

Recommendations proffered as remedies to the prevailing revenue constraints in the quest for imbuing governance with adequacy of income to fund national budget with less attraction for borrowings include:

- ✓ Engagement of revenue generating agencies by organised platforms of the civil society and trade unions for transparency and accountability as part of budget and governance tracking mandate.
- ✓ Targeted monitoring and reporting on revenue related corruption cases to ensure full recovery of unremitted revenues and prosecution and punishment where necessary.
- ✓ Networking by civil society actors with relevant agencies like Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) and Federal Inland Revenue Service (FIRS) for regular updates and relevant proactive actions and responses on revenue collection and remittances.
- ✓ Capacity building on revenue tracking and reporting, and advocacy to inspire inclusive participation in pro-people budget, revenue mobilisation and governance process.
- ✓ Process-led tracking of revenues committed to debt servicing for the purposes of transparency and accountability.
- ✓ Monitoring of revenue related oversight activities of the national assembly by oragnised platforms and actors within the civil society to ensure diligent compliance with provisions of fiscal responsibility law as well as remittances of revenues as appropriate.
- ✓ Prioritisation of periodic situation analysis of revenue regime and review of performances of revenue generating agencies as well as targeted engagement with relevant authorities to foster transparency and accountability across agencies.
- ✓ Networking and collaboration amongst anti-corruption activists and civil society actors in partnership with anti-corruption agencies; EFCC, ICPC as well as Office of Auditor-General of the Federation (OAuGF) towards mitigating revenue leakages and for recovery of unremitted revenues.
- ✓ Anti-corruption agencies; particularly the EFCC and ICPC should strengthen mechanism such as the Anti-Corruption and Transparency Monitoring Unit (ACTU) for the purposes of monitoring and checkmating corrupt activities across revenue generating agencies.

## CONCLUSIONS

A major concern posed by the prevailing revenue outlook in Nigeria, in addition to the challenge imposed by cost of servicing debts, is the low ratio of contribution of total revenue to national budget. With the prevailing size of revenue committed to debt servicing, the current targets of revenue mobilisation cannot sustain effective budget implementation even if existing targets set by revenue generating agencies are met. The unveiled long-term National Development Plan tagged “Nigeria Agenda 2050 (NA 2050)” by President Muhammadu Buhari, less than a month to handover to a new administration, with view to leapfrog the country to a 'top middle-income economy by 2050' with per capita GDP of $33,328 per annum as target could end in mirage. Unless the prevailing narrative of poor and fly-by-night revenue regime is reversed with consequential halt to the huge costs for debt servicing, the new national agenda for development may end up a tall dream.

In January, 2023, the DMO alluded to the apprehension that the new administration from May 29, 2023 inherited total debt burden in excess of N77 trillion estimated at well over $200 billion. According to the data from DMO, “Nigeria's total debt stock rose to N44.06 trillion as of the end of September 2022”. The figure represents an estimated 100% increase from the $10.32b (about N5trillion) inherited by the Buhari's administration in 2015. The debt drain ahead of the new administration is further compounded by a deferred national assembly approval for already expended rescue funds (Ways and Means Advances) from the CBN projected in the region of $50 billion estimated in excess of N23 trillion.

Therefore, a critical step towards addressing the revenue constraints is to ensure efficiency of government spending through meticulous and clearly defined judicious public expenditure priorities. The immediate remedy to the asphyxiating debt burden is deliberate commitment to navigate from the trajectory of lean ratio of revenue to budget financing. The new administration must stimulate greater sense of probity that demonstrate commitment to effective public-sector governance. The tasks ahead demand the right doses of patriotism and leadership to inspire greater commitment to transparency and accountability from actors in the public and private sectors.

The government is upbeat that the prevailing external debt was within the threshold the country could conveniently handle; particularly the over $13.46 owed to World Bank and other multilateral agencies namely International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). According to DMO, the loans from the multi-lateral institution was in line with the 2020-2023 Medium-Term Debt Management Strategy considering that loans are long tenured with moderate associated costs. Therefore, the goal for the new administration from May 29, 2023 was geared towards aggressive pursuit of revenue generation but yet to be matched with commensurate remittances to government coffers by eliminating leakages across revenue generating agencies.

Thus, multi-trillion naira annual remittance target projected for revenue generating agencies across sector could be surpassed if the potentials of revenue generating agencies are harnessed with determination to curb leakages. The FIRS announced it collected N10.1 trillion in the year-end 2022 being the highest in the history of the agency. While the actual remittances for the same period was not disclosed, the huge figure is no doubt an indication that enough revenue could be mobilised to bail the country out of the debt doldrum and change the narrative of budget deficit. What need to be done is for the government and oversight authorities should address challenges faced by revenue generating agencies through regular evaluation of operational needs as well as capital and recurrent expenses to ensure that appropriate revenue values are remitted.

Going forward, the new administration has the responsibility to ensure that revenue mobilisation regime reflects transparency and accountability to optimise collection and remittances due to the Federation Account. There is the need to effectively manage the option of borrowings in line with the expectations of fiscal responsibility, considering the huge debt profile as well as debt servicing with the chunk of revenue generated is neither sustainable in the short run nor should be encouraged in the long run as it portends dire consequences for the economy as well as the stability of the polity.

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