

RESOURCE MOBILIZATION: NON-OIL ECONOMY FOR ENUGU STATE IN NIGERIA.

Uzochukwu Amakom, Ph.D.

Institute for Development Studies (IDS)

University of Nigeria, Enugu Campus (UNEC)

Enugu, Nigeria

Outline

- Current Challenges that resurrected the quest for non-oil Revenue
- Importance of non-oil revenue to Enugu State
- Major classification of Non-Oil Revenue in Enugu State
- Status of Non-Oil Revenue across Nigerian States (2011-2015)
- Production Intervention to improve Non-Oil Revenue
- Agriculture and Industrialisation
- Defining Government Role is key
- The Public Finance Challenge
- Methodology for intervention
- Budgets and Budgeting

wetin concern me wit
Economic Recession



aSUKWo eb
08023462978

BUSINESS DAY



HEY! HEY!!
THAT IS A
PONZI RAFT
IT CAN CRASH
ANY MOMENT!

FGN

M

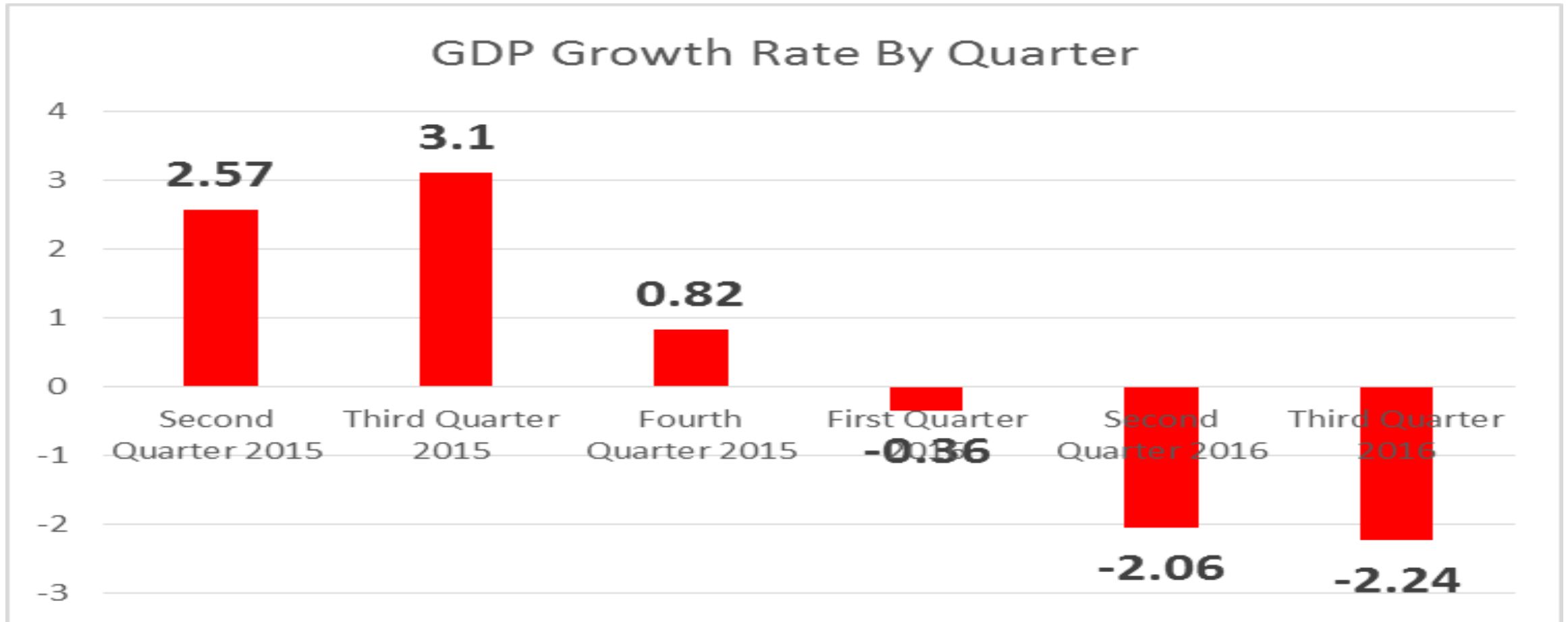
AT LEAST, IT IS
FLOATING

RECESSION
OCEAN
BEWARE OF
SHARKS

Challenges and Opportunities

- Dwindling external reserves & currency value
- Banning! Banning!! Banning!!! And the consequent opportunities for Nigeria
- Emerging domestic demand gaps
- High unemployment, underemployment and youth unemployment
- Low economic growth rate
- Mad movement in exchange rate

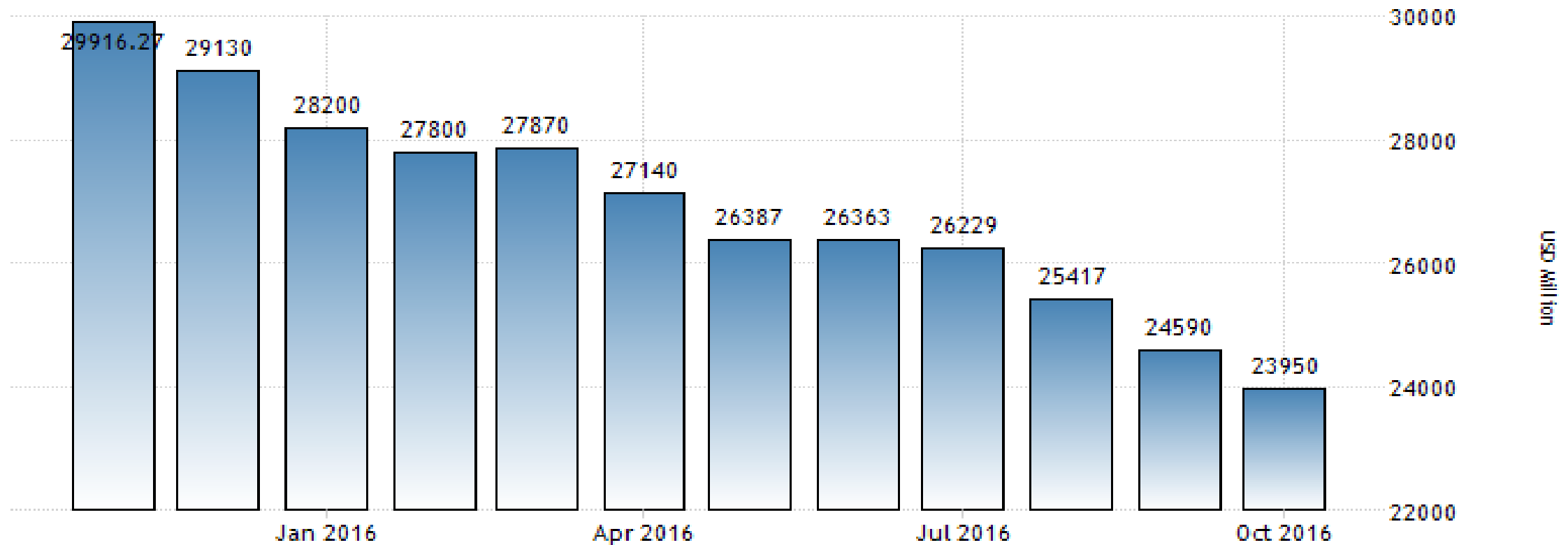
Nigeria's GDP Growth Rate Second Quarter 2015 – Third Quarter 2016



Source: National Bureau of Statistics (NBS) 2016

Nigeria's External Foreign Exchange Reserve Nov 2015 – Oct 2016

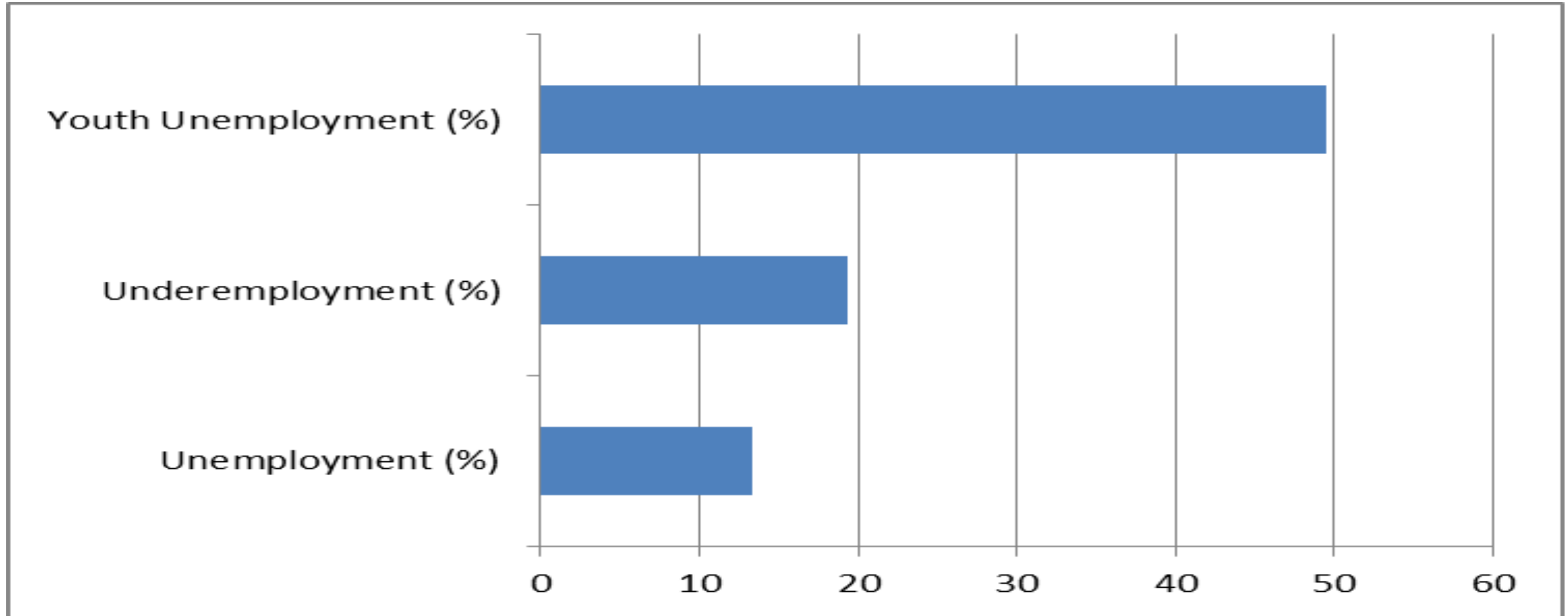
NIGERIA FOREIGN EXCHANGE RESERVES



SOURCE: WWW.TRADINGECONOMICS.COM | CENTRAL BANK OF NIGERIA

Source: Central Bank of Nigeria (CBN) 2016

Nigeria's Unemployment, Underemployment and Youth Unemployment 2016



Source: National Bureau of Statistics (NBS) November 21, 2016

Nigeria's Exchange Rate movement (January to October 2016)

NIGERIAN NAIRA



SOURCE: WWW.TRADINGECONOMICS.COM | OTC INTERBANK

Source: <http://www.tradingeconomics.com/nigeria/currency>

Why is Non-Oil Revenue important to Nigerian States?

- Price of oil in the international market is witnessing volatility by the day;
- There is the need to fund social infrastructure such as education, health, water supply, etc. to improve the overall well being of citizens;
- Physical infrastructure such as roads, energy, transportation are dilapidated and that do not enable private sector investment;
- Security of life and property must be maintained

Major Classification of Non-Oil Revenue in Enugu State

- Tax Revenue (High composition of Non-Oil Revenue)
- Licenses
- Fees - General
- Fines - General
- Sales – General
- Earnings General
- Rent on Government Buildings - General
- Rent on Lands
- Repayments
- Investment Income
- Interest Earned
- Re-Imbursement
- Miscellaneous
- Others

Nigerian States Non-Oil/IGR Status (2011-2015)

S/N	STATE	2011	2012	2013	2014	2015
1	ABIA	11,763,510,585.86	16,751,700,375.58	12,512,103,711.18	12,371,194,895.08	13,349,444,263.72
2	ADAMAWA	4,117,975,681.93	4,615,407,803.00	4,149,550,775.70	4,994,481,880.78	4,451,736,117.84
3	AKWA IBOM	11,678,520,984.00	13,516,810,150.00	15,398,828,428.00	15,676,502,423.00	14,791,175,253.00
4	ANAMBRA	6,148,922,395.00	7,601,585,012.15	8,731,599,912.43	10,454,312,316.18	14,793,120,188.67
5	BAUCHI	4,463,780,451.92	4,064,710,425.23	4,937,242,875.83	4,853,453,184.87	5,393,721,996.00
6	BAYELSA	3,655,714,000.00	4,958,806,727.00	10,500,936,262.88	10,958,263,688.00	8,713,516,526.24
7	BENUE	11,131,343,534.58	8,436,560,608.98	8,373,720,592.15	8,284,425,160.72	7,631,789,841.37
8	BORNO	2,282,102,699.76	2,444,613,205.37	2,132,815,258.00	2,760,773,778.99	3,530,261,222.31
9	CROSS RIVER	9,159,651,948.00	12,734,560,333.00	12,002,167,999.57	15,738,850,743.95	13,567,122,507.38
10	DELTA	34,750,081,881.93	45,566,897,481.00	50,208,229,986.91	42,819,209,025.24	40,805,656,911.96
11	EBONYI	2,298,123,877.20	8,234,317,213.01	10,427,861,231.23	11,032,472,512.00	
12	EDO	17,688,679,849.78	18,880,055,380.83	18,899,322,710.47	17,023,595,231.62	19,117,468,369.25
13	EKITI	2,489,797,191.33	3,787,607,515.35	2,339,670,199.77	3,462,341,448.32	3,297,707,703.96
14	ENUGU	7,287,161,299.00	12,209,587,683.00	20,203,802,864.00	19,250,345,593.00	18,081,014,527.00
15	GOMBE	3,153,362,788.35	3,717,188,863.22	3,870,998,757.79	5,196,460,381.93	4,784,605,861.47
16	IMO	5,806,462,989.22	6,810,221,957.04	7,583,501,933.27	8,115,751,385.95	5,472,581,634.18
17	JIGAWA	1,482,918,912.88	7,884,900,135.26	9,755,337,731.73	6,273,310,616.35	5,081,424,105.40
18	KADUNA	9,781,946,157.96	11,531,795,961.69	10,932,071,462.59	12,782,522,514.51	11,536,729,988.59
19	KANO	6,618,936,565.04	11,051,971,481.61	17,142,211,079.94	13,661,853,935.85	13,611,853,935.85

Nigerian States Non-Oil/IGR Status (2011-2015)

S/N	STATE	2011	2012	2013	2014	2015
20	KATSINA	4,239,692,674.00	5,029,720,846.00	6,852,511,585.00	6,223,037,599.00	5,791,008,741.00
21	KEBBI	4,472,397,621.47	5,424,015,848.65	3,732,343,145.11	3,834,143,641.95	3,592,406,108.30
22	KOGI	2,848,556,782.15	3,185,459,549.72	5,020,349,740.18	6,569,928,653.47	6,776,580,756.17
23	KWARA	8,816,657,944.50	11,317,269,584.36	13,838,085,972.51	12,460,517,954.55	7,178,922,182.76
24	LAGOS	202,761,061,679.60	219,202,426,843.89	236,195,308,896.71	276,163,978,675.95	268,224,782,435.23
25	NASARAWA	4,132,282,812.68	4,132,282,812.68	4,012,291,835.93	4,085,127,585.70	4,281,701,806.50
26	NIGER	3,791,420,019.57	3,782,827,634.99	4,115,777,679.30	5,737,185,035.88	5,975,149,921.86
27	OGUN	10,838,698,403.20	12,438,765,025.22	13,777,026,969.63	17,497,620,787.52	34,596,446,519.52
28	ONDO	8,015,725,375.26	10,153,042,597.01	10,498,697,469.99	11,718,741,502.49	10,098,000,000.00
29	OSUN	7,398,572,036.48	5,020,250,633.94	7,284,225,003.77	8,513,274,186.67	8,072,966,446.00
30	OYO	8,915,603,182.50	14,598,808,723.10	15,251,369,563.24	16,307,233,700.20	15,663,514,824.73
31	PLATEAU	4,520,622,617.37	6,927,858,653.07	8,486,806,640.08	8,284,425,159.92	6,937,349,802.70
32	RIVERS	52,711,985,543.27	66,275,698,676.01	87,914,415,268.80	89,112,448,347.58	82,101,298,408.43
33	SOKOTO	4,185,153,701.13	4,313,699,006.03	5,509,132,929.43	5,617,763,260.35	6,224,448,122.53
34	TARABA	2,869,031,498.92	3,418,289,991.33	3,344,006,052.45	3,799,040,873.48	4,155,053,816.15
35	YOBE	2,385,653,776.94	1,785,221,060.95	3,072,006,109.88	3,073,780,160.87	2,251,330,427.39
36	ZAMFARA	1,714,432,462.63	2,592,935,139.95	3,039,396,601.83	3,149,630,553.96	2,741,632,541.03
	Total	490,376,541,925.41	584,397,870,939.22	662,045,725,237.28	707,857,998,395.88	682,673,523,814.49

Non-Oil Revenue by States in 2015

- According to the National Bureau of Statistics (NBS) 2015 report, Ogun, Anambra, Borno, Edo, Bauchi, Abia, Kogi, Nasarawa, Niger, Taraba and Sokoto were the only states that bettered their 2014 records of revenue generation performance in 2015.
- Based on records obtained from the Joint Tax Board and states' boards of internal revenue, NBS said the IGR earnings in 24 other states declined from the levels attained in 2014.
- 24 states that performed poorly include Kwara, Imo, Bayelsa, Adamawa, Akwa Ibom, Benue, Cross River, Delta, Ekiti, **Enugu**, Gombe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Lagos, Ondo, Osun, Oyo, Plateau, Rivers, Yobe, and Zamfara.
- Ebonyi was the only state whose IGR records was not available.

Composition of Enugu State Non-Oil Revenue

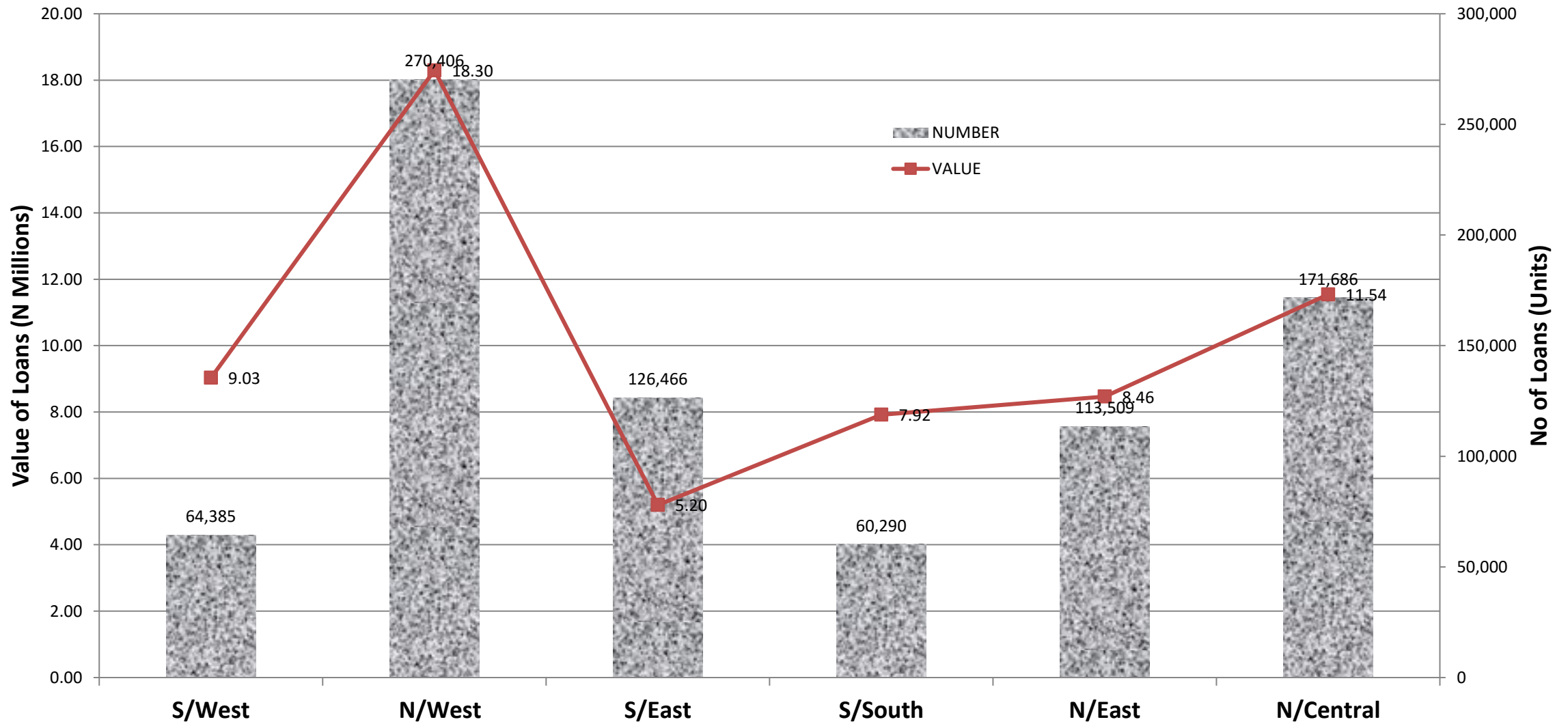
PAYE	DIRECT	ROAD TAXES	OTHER REVENUE	TOTAL
	ASSESSMENT			
5,116,579,410	44,147,151	326,372,658	12,593,915,308	18,081,014,527
28.30	0.24	1.81	69.65	100.00

How can Enugu State help improve non-oil
Revenue? Production Intervention

Agriculture – What can be done

- Agriculture for food security and input into industry – Risk-bearing firms
- Enhance quality, not quantity of employment in the sector
 - Trimming the 70% workforce to no more than 30%
 - Reduce median age of the farmer
 - Release labour to other sectors
- Comprehensive programme on commercial agriculture
- College of Agriculture, Iwollo is on top of key issues
- Selective cropping and animal husbandry
- Youth Agricultural programme - Songhai Initiative????
- Price and input support on Public Private Partnership (PPP) basis

ACGSF - Utilizing Fed. Initiatives for Agriculture

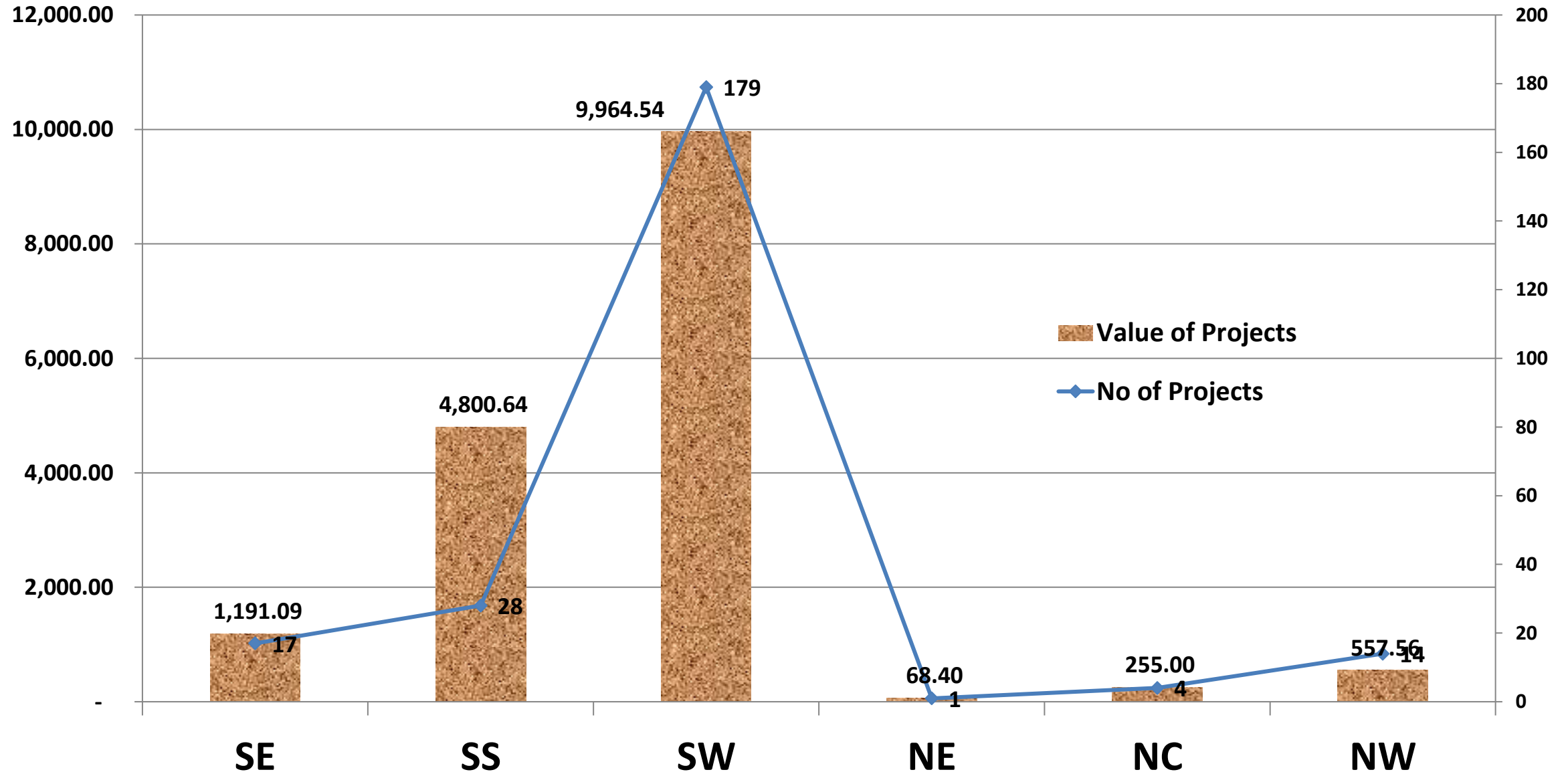


Agriculture Cont'd

- **Focus on value chain development**

- With improvements in biotech, mechanisation, processing & storage
- Lets champion search for acquisition, testing for adaptability and dissemination of technologies to farmers
- Lessons from USAID-MARKETS' cassava value chain (production, processing and packaging of garri) in Benue State
- Working to leverage the ATA esp. Growth Enhancement Support Scheme

SMEIES – Industrial Support??



Focus

- Great opportunity with the dwindling economy
- State Government as the prime industrialist (not into State owned industries)
 - Enabling environment ALONE cannot do the job
 - Incentives are key
- Grow large corporations while supporting MSMEs
 - Latter critical for employment & stability
 - Grow a manufacturing state
 - And employment
- Education for Employment (E4E) providing support human infrastructure development
- Support with public procurement can do a lot

Defining Government Role!!

- No exclusively private economy in the world
- Active Support
 - Initial talks with venture capitalists (Enugu Investment Forum)
 - One-stop shop - Free Trade Zone but what next??????
- Start small with Agro-allied; move on to higher Value Added Industries
 - E.g. incentivize cassava & maize flour processing & packaging, cashew nuts processing; oil-extraction, fruits extraction & packaging plants, okpa processing and packaging among others – on Value Chain basis

Smart Strategies to formalize the Informal Sector is the Key

- According to one estimate, informal activity accounts for up to 64 per cent of Nigeria's GDP.
- This report finds that this is a result of obstacles that impede trading through formal channels.
- Among the key drivers of informality are bureaucratic burdens and other factors, such as:
 - The need for Nigerian businesses to produce at least nine documents in order to send an export shipment and at least 13 in order to bring in an import consignment.
 - Rigid and dysfunctional foreign-exchange regulations that push most smaller traders into the incompletely regulated parallel exchange market.
 - Corruption and unofficial 'taxation', especially on roads, which delegitimize formal channels and encourage the use of agents.

Raw Materials for Industries

- Agro-allied industries (Cashew, Cassava starch and flour; as well as Fruits and vegetable canning);
- Industrial Minerals/Quarrying (Glass industry, Table ware, Aggregate plant including Stone crushing plants);
- Plastics Industry (Plastics manufacture, Bottles, flask, cans, tubes and bags tiles); and
- Chemical Industry (Polyethylene, Explosives, Self-Adhesive Tape, Pulp and paper).
- **Natural Mineral Resources and Quarrying Activities ???**

How can Enugu State help improve non-oil
Revenue? Methodology

Methodology

- Lunch meetings with industrialists
- Targeted production incentives for meeting export targets leveraging on the Free Trade Zone e.g. Direct R&D funds
 - Or rebates & incentives for investments in R&D for firms pegged to export & employment
- Search out and link specific Federal & Development Partners/Donors incentives
- Market support - structure information channels for opportunities

The Public Finance Challenge

- Dwindling resources from the Centre
- IGR
 - Multiple Tax; illegal fees; Arbitrariness; poor compliance; public harassment; **lack of database; leakages; ignorance & apathy; weakly structured tax laws (no comprehensive tax law in Enugu State)**
- Loan – source and use mismatch; risk mismatch
- Overcentralization of allocation
- Extra-budgetary
 - Adding to the budget
 - Working outside the budget
- Starved MDAs

Where the Budget Comes In

- Budget is foundational; financial statement of the policy direction
- Balancing expenditure on social & real sectors
- Social sector does not bring the resources; Real sector does!
- But often the most visible 'democracy dividends'
- So there is the need **to balance that visibility with silent but sustainable transformative plan for real sector**
- Setting standards in each of health and education; even if government is to be a partial player

Expectations!!!

- Think through the State plan (the Four Point Agenda) and see where your projections fit.
- Spend less on consumables and recurrent
- Underlying philosophy – Government does not give jobs; it creates jobs
- How enterprising are your people? Do you have information on that? If so leverage on it

Questions, Comments & Contributions

