

NIGERIAN NATURAL RESOURCE CHARTER

**BENCHMARKING EXRCISE
SUB-GROUP 3**

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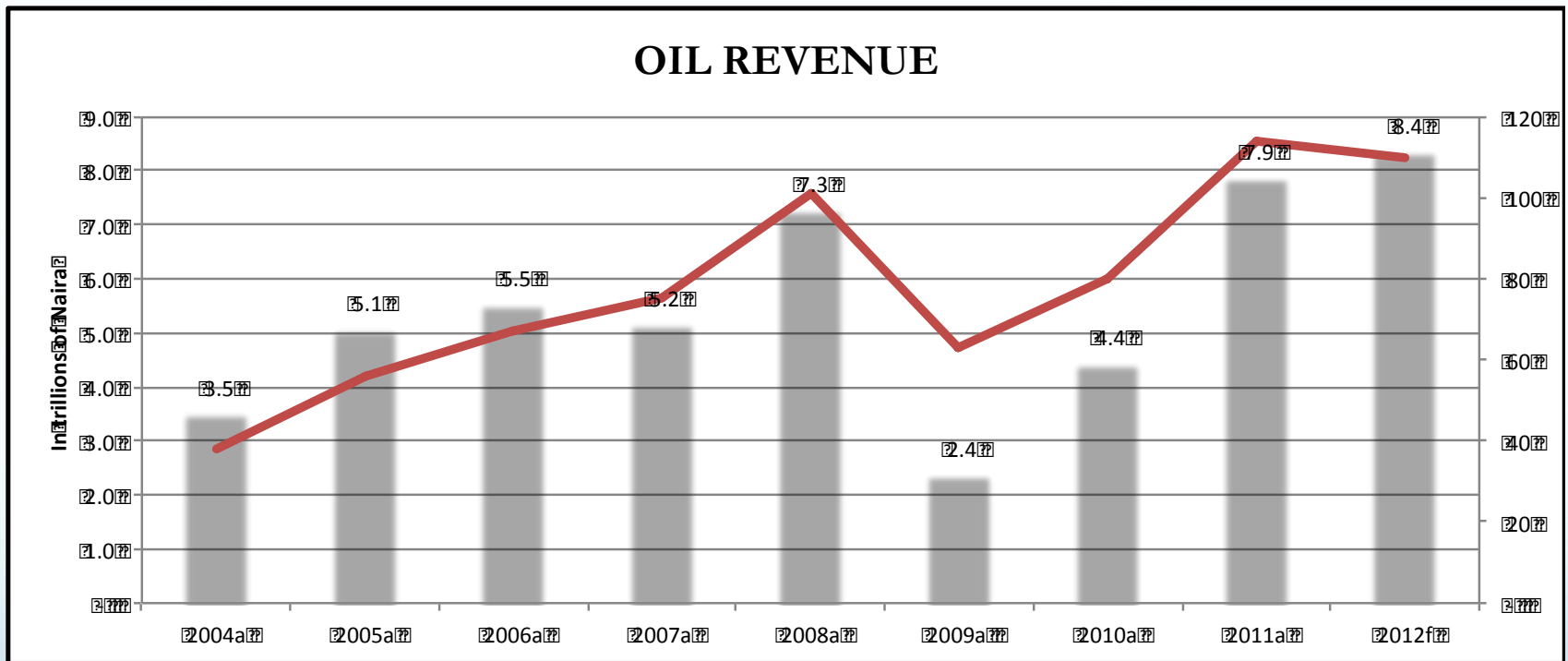
INVESTING FOR GROWTH

- Which are the key sectors likely to promote rapid economic growth?
 - Electric power?
 - Railways?
 - Telecommunications?
 - Internet?
 - Domestic refining capacity?
 - Banking?
- Have adequate investments gone into each of these sectors?
- Have we achieved satisfactory results in each area?
 - Electric power – e.g. Power consumption per capita
 - Railways – e.g. Rail travel between state capitals
 - Telecommunications – e.g. Percent of population with access to telephones
 - Internet – e.g. Percent of population with internet access
 - Domestic refining capacity – e.g. increase in domestic refining capacity
 - Banking – banking industry provision of credit to the private sector, improvements in pay and receive service

STABILIZING EXPENDITURE

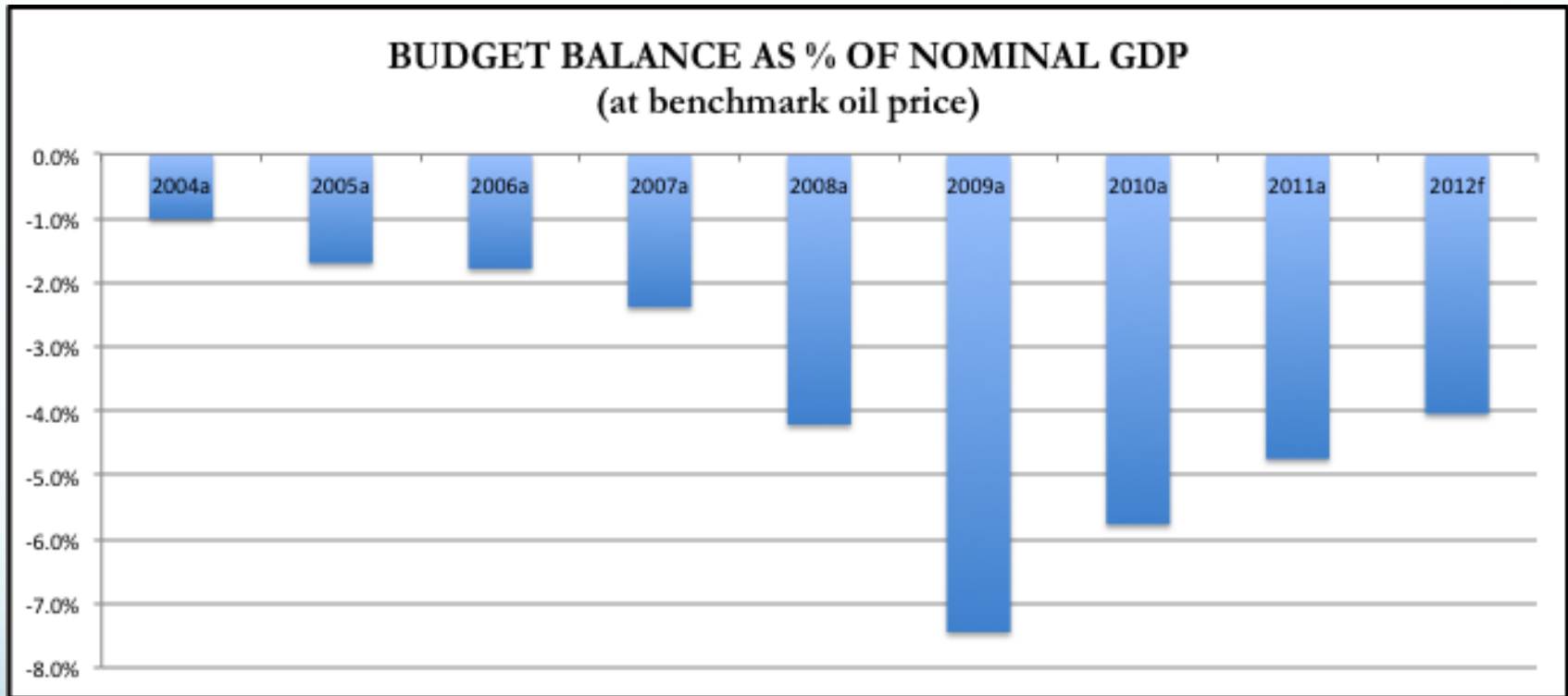
- Does government have a benchmark price for budgeting?
- Are benchmark prices realistic? i.e. Do they approximate average sustainable price?
- Does the FGN balance her budgets or run a small deficit (less than 2% of nominal GDP) when you compare revenue and expenditure at the benchmark price?
- What is the current size of government savings from oil revenues? To what extent can these savings cover spending if oil prices dip below the benchmark price?
- Has the government institutionalized savings in a legal manner?
- Does the government comply with its rule on savings? i.e. Does government only distribute from the savings only if oil price dips below the benchmark price?

STABILIZING EXPENDITURE



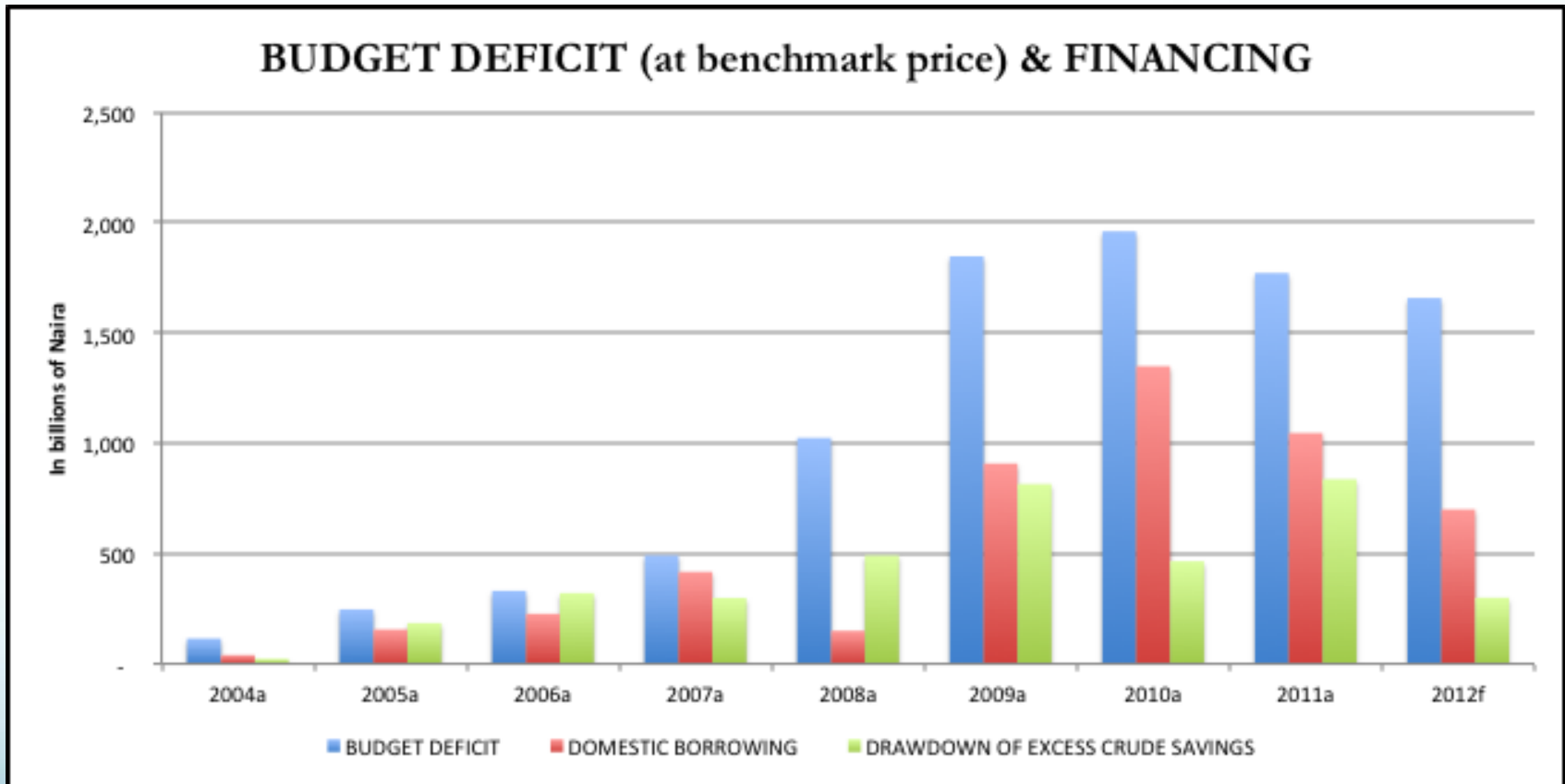
Sources: NNPC, FIRS, DPR

STABILIZING EXPENDITURE



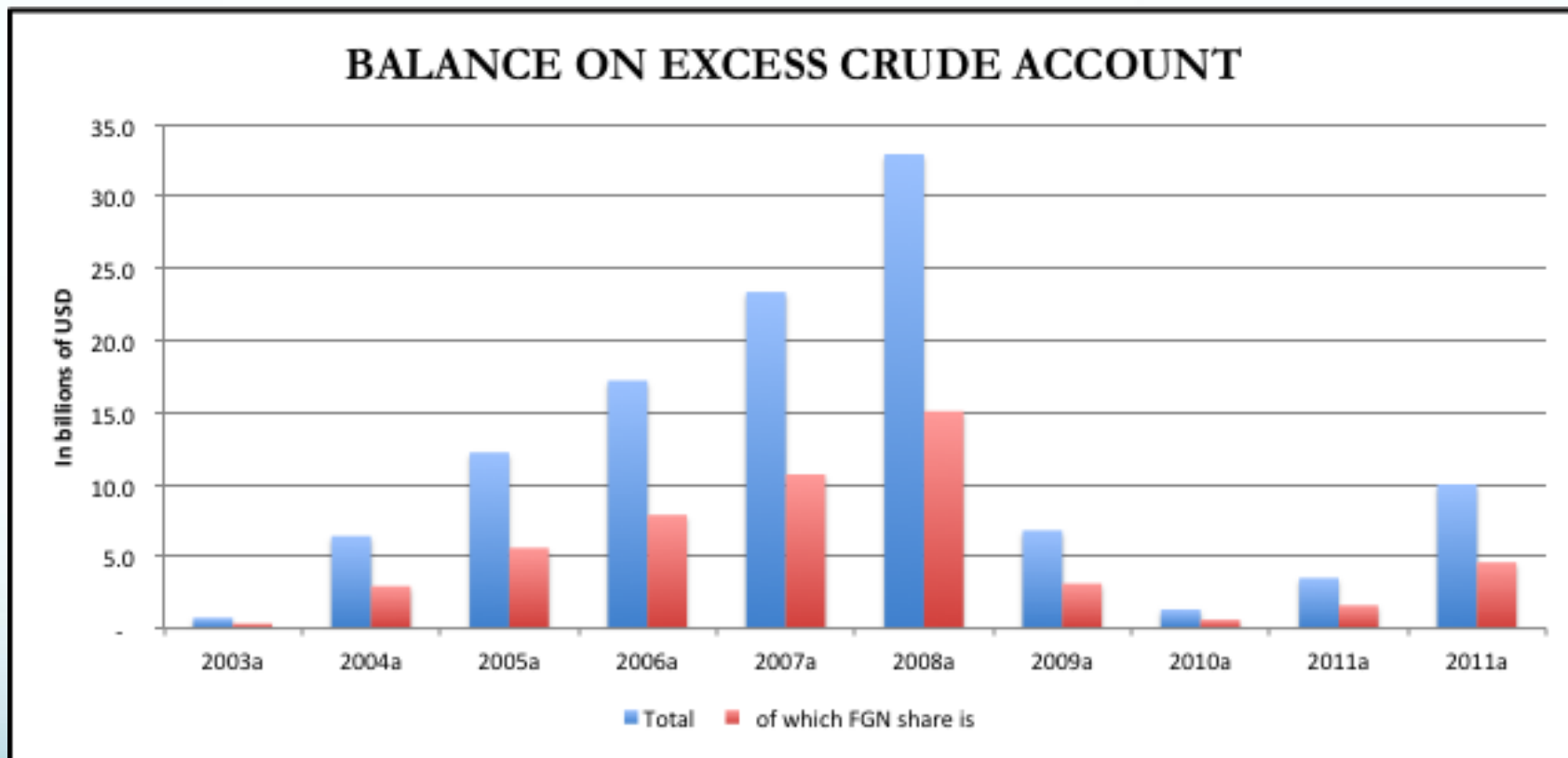
Source: FMF

STABILIZING EXPENDITURE



Sources: FMF, DMO

STABILIZING EXPENDITURE

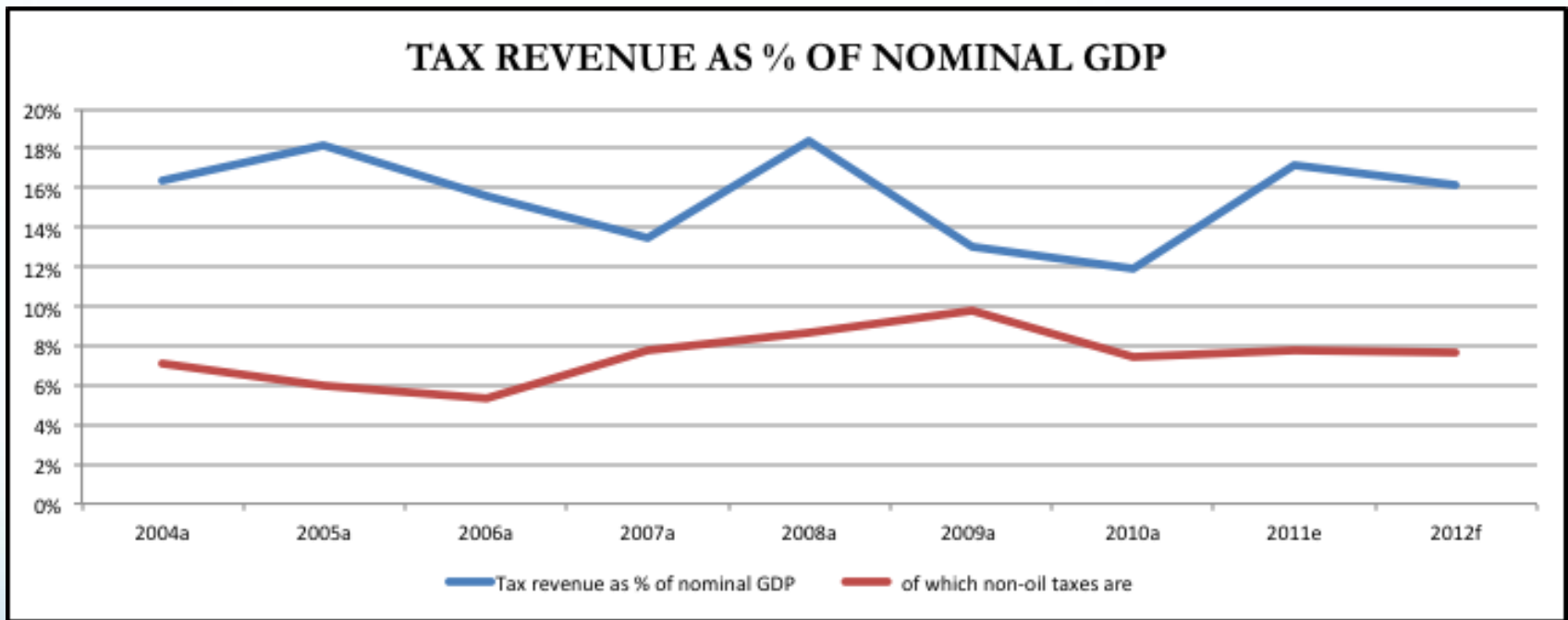


Sources: CBN, FMF

EFFICIENCY & EQUITY OF SPENDING

- Is the government expanding its non-oil tax base (as % of GDP) by ensuring greater compliance to tax laws?
- Is the current revenue allocation formula amongst the three tiers of government fair and equitable based on the responsibilities of each tier of government?
- Is the recurrent component of government spending optimal to ensure that there are adequate funds for capital expenditure without resorting to large borrowings?
- Are projects completed in each of the key sectors of the economy? Are the assets built being used? Are the assets enhancing growth?
- Does the government's procurement system ensure that those who are technically competent win government contracts? Does this process also ensure that contracts are awarded to competent contractors with competitive bids?
- Does the government project funding and monitoring systems ensure that projects are completed on time, within budget and to quality specifications agreed?

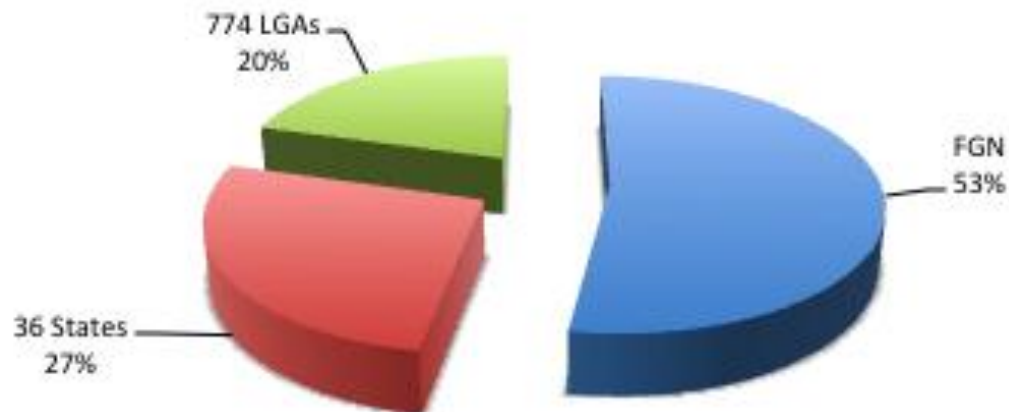
EFFICIENCY & EQUITY OF SPENDING



Source:s: FMF, NBS

EFFICIENCY & EQUITY OF SPENDING

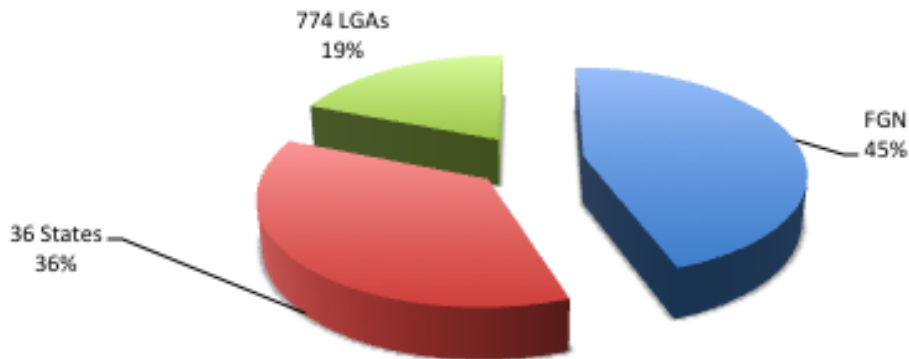
ACTUAL REVENUE ALLOCATION FORMULA



Source: FMF

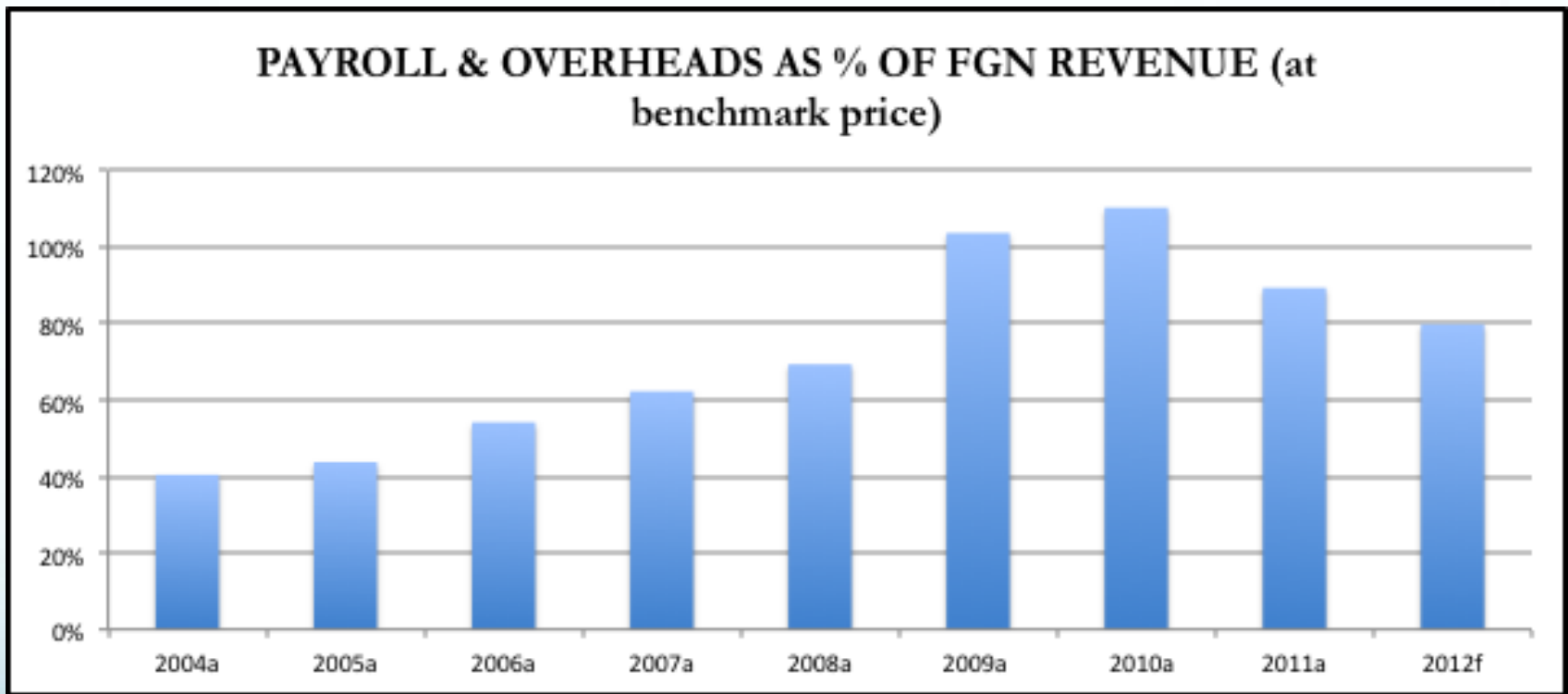
EFFICIENCY & EQUITY OF SPENDING

EFFECTIVE REVENUE ALLOCATION FORMULA (after adjusting for revenue allocated on derivation)



Source: FMF

EFFICIENCY & EQUITY OF SPENDING



Source: FMF

PRIVATE SECTOR INVESTMENT

- Has the government opened up the key sectors of the economy to private sector investors? – Electric power, Railways, Telecoms, Internet, Domestic refining of crude oil and banking.
- Does the government have minority stakes (if any) in each these sectors?
- Does the government have an independent regulator for each of these sectors? Do regulators ensure fair trading and good service delivery in these sectors?
- Has there been an improvement in access to services and quality of services in these sectors?
- Does each sector pay more taxes to the government? (Corporate, Personal and VAT?)

PRIVATE SECTOR INVESTMENT

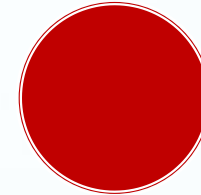
- Reforms likely to attract private sector investment typically cover
 - Ownership structure
 - Competition
 - Regulation
 - Taxation
 - Capital flows

PRIVATE SECTOR INVESTMENT

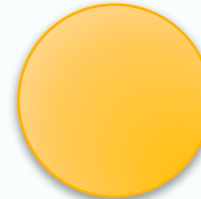
- HOW DO SPOT REFORMS THAT ARE SUCCESSFUL?
 - Government ownership in the sector must reduce significantly – at least to minority stake
 - Government must not manage any of the key businesses in the sector – directly or indirectly
 - There must be fiscal incentives for new entrants post reform
 - Strong independent regulator must emerge
 - The sector must attract new investment – local and foreign
 - The size of the industry must grow significantly
 - It must create a lot of new jobs
 - The sector must pay more taxes to the government (Corporate, Spending and Personal)

OUR VOTES

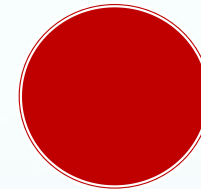
7 Investing for growth



8 Stabilizing expenditure



9 Efficiency and equity of spending



10 Private sector investment

