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To: Nigeria Governors' Forum
From: Director General
Date: December 13, 2018
Subject: **Re: Report of the National Council on Finance and Economic Development (NACOFED)**

The 2018 National Council on Finance and Economic Development (NACOFED) Conference was held in Kaduna State from 26th – 28th November, 2018.

The Conference which was organized by FAAC in collaboration with Federal Ministry of Finance was attended by the His Excellency, the Governor of Kaduna State, Honourable Minister of Finance, Director General of the NGF, 36 States Commissioners for Finance, States Accountants General amongst others.

Several recommendations towards unlocking the potentials of the non-oil sector as a sustainable source of government revenue were made at the conference, some of which include:

- Strengthening State Boards of Internal Revenue as the sole body responsible for tax collection for the State Governments
- States should key into the States' Fiscal Transparency, Accountability and Sustainability (SFTAS) programme designed to support them and strengthen public financial management, increase revenue generation, debt management and transparency
- Government at all levels should not undertake investment in the mining sector but only provide the enabling environment necessary to attract investors in the sector.

We attached the conference report and communique for Your Excellencies' information.

Director General



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National Council on Finance and Economic Development

Theme: Unlocking the Potentials of Non-Oil Sector as a Sustainable Source of Government Revenue

Venue: Hotel 7venteen Kaduna, Kaduna State.

Date: 26TH - 28TH – November– 2018

Conference Overview

The conference provided members the opportunity to deliberate on the current and emerging socio-economic issues and proffer a way forward for the Nigerian Economy. The honorable Minister of Finance, the Permanent Secretary, Federal Ministry of Finance, the Accountant General of the Federation, all State Commissioners for Finance, all States Accountant-General were in attendance, also in attendance were Revenue Mobilization Allocation and Fiscal Commission (RMA&FC), the Central Bank of Nigeria (CBN), the Nigeria National Petroleum Corporation (NNPC), Nigeria Customs Service (NCS), Federal Inland Revenue Service (FIRS), Department of Petroleum Resources (DPR) and other relevant stakeholders.

Below is a list of papers (topics) presented over the three-day period:

Day one

1. Development of Solid Minerals and an Alternative Source of Revenue for Economic Development By –**Prof. Ibrahim Garba Vice Chancellor Ahmadu Bello University, Zaria.**
2. Efficient State Level Debt Management: An Instrument for Sustainable Economic Growth and Development By – **Mrs Patience Oniha DG Debt Management Office**



Day Two

1. Strengthening States Revenue Performance Through Transparency and Open Governance – **Yue Man Lee Senior economist, World Bank Group**
2. Automation of Payment Systems for Efficiency in the Non-Oil Sector – **Alhaji ahmed Idris Accountant General of the Federation**
3. Efficient Tax Administration for National Development – **Mr Tunde Fowler Executive Chairman, FIRS represented by Mallam Muktar Ahmed**

Day Three

1. Application of E-Governance in promoting Revenue Mobilization at Sub-National Level – **Dr. Kabir Usman Former DG, Center for Management Development**

Takeaways from the Conference

Observations/Comments

- Tax compliance is very low in Nigeria due to weak enforcement and low tax morale. Most states lack ability to track, monitor, and report IGR collections, while tax payers feel they have no justification to pay tax as a result of low transparency, accountability and poor experiences with the tax collectors.
- Even though there are 84million registered voters and 33 million BVN records, only 19million are registered tax payers. Also, only 80% of these PAYE tax payers whereas the majority that are outside the tax net earned much more than the PAYE tax payers who are public servants.
- There is limited data sharing on income and assets of tax payers' profile among the states in order to ensure efficient assessment of the tax payers. This is despite the fact that common forum such as FAAC and NGF exist, yet they do not know what assets



their tax payer outside their states for the income they earn outside their state of residence.

Recommendations

- Government at all levels should declare state of emergency on IGR and bring all potential tax payers into the tax net.
- Proper arrangement should be put in place to ensure that there is equity in the allocation of revenue accruing from the solid minerals between the federation and the catchment states of the mineral deposits.
- States Inland Revenue Service should be strengthened as the sole body responsible for collecting taxes for the State Governments.
- Government at all levels should not undertake investments in the mining sector but only provide the enabling environments necessary to attract investors in the mining sector in the country.
- States should improve their revenue drive to enhance the level of their debt sustainability, as well as promote efficient use of revenue in order to expand their fiscal space for meaningful economic growth and development.
- Government should build capacity of personnel on e-governance, e-tax collection and e-response to community development programs that the collected taxes are used to change the perception of tax payers.
- States should key into the State's Fiscal Transparency, Accountability and Sustainability (SFTAS) program designed to support them and strengthen public financial management, increase revenue generation, debt management and transparency.



Conclusion

The conference provided an avenue for members to reflect and jointly examine current socio-economic issues and programs, particularly how revenue sources in the country can be diversified to reduce the over dependence on oil revenue. Noteworthy were the papers presented and the presenters, coupled with a rich list of discussants who together drilled down on pertinent issues that currently hinder progress in the diversification of the economy and outlined efforts that should be put in place to improve the current efforts. The NGF continues to play a major role in the diversification of the economy particularly with our HelpDesk and Dashboard programs, we will benefit from continued participation at these events as it helps us synergize our efforts with that of the Government to achieve our shared goals and objectives. Thank you.

N:B Please find attached the communique from the 2018 NAHCOFED Conference for your information.

COMMUNIQUE PRESENTED AT THE END OF A 3-DAY NATIONAL COUNCIL ON FINANCE AND ECONOMIC DEVELOPMENT (NACOFED) CONFERENCE ORGANIZED BY THE FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) IN COLLABORATION WITH THE FEDERAL MINISTRY OF FINANCE HELD FROM 26TH - 28TH NOVEMBER, 2018 AT HOTEL SEVENTEEN, TAFAWA BALEWA WAY, KADUNA, KADUNA STATE

PREAMBLE

The 2018 National Council on Finance and Economic Development (NACOFED) Conference was held in Kaduna, Kaduna State, from 26th - 28th November, 2018. The Conference was organized by Federation Account Allocation Committee (FAAC) in collaboration with Federal Ministry of Finance. The Theme of the Conference was: **“Unlocking the Potentials of the Non-Oil Sector as a Sustainable Source of Government Revenue”**.

2. His Excellency, the Governor of Kaduna State Malam Nasir Ahmad El-Rufa'i attended the conference as the Special Guest of Honour. He was accompanied by his running mate in the 2019 forth coming election, Hajiya Dr. Hadiza Balarabe. The Honourable Minister of Finance, Hajiya Zainab Shamsuna Ahmed was the Chief Host while other dignitaries who graced the occasion included the Permanent Secretary, Federal Ministry of Finance - Dr. Mahmoud Isa-Dutse; the Accountant-General of the Federation - Alhaji Ahmed Idris; representative of the World Bank Nigeria Country Office, Senior Economist – Ms Yue Man Lee; Director-General, Debt Management Office – Ms Patience Oniha; Director-General, Budget Office of the Federation ably represented by Director, Revenue; Chairman, Federal Inland Revenue Service ably represented by the Head, Kaduna Regional Office; Ag Chairman, Revenue Mobilization, Allocation and Fiscal Commission represented by Deputy Director, Allocation; Director-General, Nigeria Governors' Forum Secretariat - Mr. Asishana Okauru, Esq; representative of the FAAC Post-Mortem Consultants, Mr. Tunde Abdulkareem and the

representative of the Emir of Zazzau, Alhaji (Dr.), Shehu Idris OFR, Alhaji Ahmadu Fatika, the Sarkin Fada of Zazzau.

3. All members of the FAAC (36 State Commissioners of Finance) participated in the Conference. The 36 Accountants-General of the States (members of the Technical Sub-Committee of FAAC) also attended. Other attendees were drawn from FMF, OAGF, CBN, RMFAC and all revenue generating agencies such as NNPC, DPR, FIRS, NCS, MMSD.

4. The Conference was declared opened by His Excellency, the Governor of Kaduna, Malam Nasir Ahmad El-Rufa'i, who also delivered the keynote address. The Honourable Minister of Finance gave the opening remarks, while the welcome address was delivered by the Permanent Secretary, Federal Ministry of Finance.

5. In his keynote address, His Excellency emphasized that the politicians should remove re-election phobia to take the right decisions that would move the country forward. He noted that tough decisions by the politicians is difficult and risky with special reference to the politicians desiring re-election. He added that re-election was not the most important issue to him, but improving the future of the next generation. To this end, he enumerated the various reforms being carried out in the state. He stated that the reform in the education sector was implemented by weeding out unqualified 22,000 teachers and replacing them with 25,000 qualified ones. Similarly, the reform in the health sector recorded significant reduction in infant and maternal mortality rate. Empowerment of youth and women was a success, and the programme would be sustained in order to drastically reduce poverty. He remarked that reforms carried out in the area of ease of doing business had improved the ranking of Kaduna State from 20th position in 2016 to 1st position in 2018, while zero-based budgeting and other reforms undertaken have put Kaduna state as one of the leading States in the country.

6. The Honourable Minister of Finance while making her opening remarks harped on the need to support the present administrations economic policies to diversify its revenue bases and encouraged the states to direct efforts at improving their IGR through the development of non-oil sector. She

applauded the efforts of Kaduna State Government for being proactive and positive in its implementation of Treasury Single Accounts (TSA). In the same vein, the Permanent Secretary, Federal Ministry of Finance while rendering welcome address underscored the importance of the Conference as a platform for the diagnosis of the nation's socio-economic challenges and developing strategies for addressing them. He noted that members of FAAC are the financial managers of the various states in the country, that hold the key to providing implementable recommendations for sustainable revenue sources for the country.

7. Goodwill messages were delivered by Director-General, Budget Office of the Federation, Ag. Chairman, Revenue Mobilization and Fiscal Commission, World Bank Nigeria Country Office, Director-General, Nigeria Governors Forum Secretariat, FAAC Post-Mortem Consultants, among others.

8. PAPERS PRESENTATION

8.1 Six (6) papers were presented at the Conference as follows:

DAY I:

Paper 1: Development of Solid Minerals as an Alternative Source of Revenue for Economic Development – presented Prof. Ibrahim Garba.

Chairman of the Session: Mr Ben Akabueze, Director General Budget Office, represented by Suleiman Nasidi Tahir, Director Revenue and Fiscal Policy.

Discussants: Mr. Dapo Kolawale - Commissioner of Finance Ekiti State, Associate Prof. (Dr.) Yahya Saleh Ibrahim - Director Centre of Energy and Environmental Strategy Research, Kaduna State University, Kaduna.

Paper 2: Efficient States Level Debt Management: Instrument for Sustainable Economic Growth and Development - by Patience Oniha, Director General, DMO.

Chairman of the Session: Alhaji Saidu Umar, Honourable Commissioner of Finance Sokoto State.

Discussants: Mr. Wale Akinterinwa - Honourable Commissioner of Finance, Ondo State, Professor Jafaru Abdu Bambale - Department Business

Administration, Bayero University, Kano, Alhaji Iliyasu J. Zarewa - Katsina State INEC National Commissioner.

DAY II

Paper 3: Strengthening States' Revenue Performance through Transparency and Open Governance – presented by Ms Yue Man Lee.

Chairman of the Session: Alhaji Muhammad Ismaila Nguru, Honourable Commissioner of Finance, Yobe State.

Discussants: Hassan Muhammadu - Honourable Commissioner of Finance, Gombe State, Dr. Abdulkadir Muhammad Shaba and Dr Ismaeel Muhammad Anchau, from Kaduna Polytechnic.

Paper 4: Automation of Payment System for Efficiency in the Non-Oil Sector – presented by Alhaji Ahmed Idris – Accountant-General of the Federation.

Chairman of the Session: Umar A. Namadi Honourable Commissioner of Finance, Jigawa State.

Discussants: Mr. Tunde Akinwa Nigeria, Inter Bank Settlement System (NIBSS), Dr. Tahir - Special Adviser to Hon. Minister of Finance on Micro Economic Policy, Mr Andrew Essien - Accountant General of Akwa Ibom State.

Paper 5: Efficient Tax Administration for National Development – presented by Mr Tunde Fowler – Executive Chairman, FIRS represented by

Chairman of the Session: Mr. Waziri Umar Hassan, Accountant General, Kaduna State.

Discussants: Mr Okoye - Permanent Secretary and Accountant-General Enugu State, Prof. (Dr) Yusha'u Ibrahim Ango, Director Academic Planning, Kaduna State University Kaduna, Dr Musa Suleiman Umar, Department of Accounting Kaduna State University.

DAY III

Paper 6:- Application of E-Governance in Promoting Revenue Mobilization at Sub-National Level – presented by Dr. Kabir Usman – Former Director-General, Centre for Management Development.

Chairman of the Session: Mr. Obinna Oriaku – Honourable Commissioner, Abia State.

Discussants: Alh. Mahmood Sali Yinusa – Chairman, Commissions Forum/HCF Adamawa, Dr. U. Armstrong – SA to Hon, Minister on Voluntary Assets and Income Declaration Scheme (VAIDS).

9. OBSERVATIONS/COMMENTS

9.1 During deliberations, the following observations were made:-

- i. Mining sector of the Nigeria economy which has the potential to accelerate economic growth of the nation has long been neglected following the discovery of oil.
- ii. Presently, illegal mining of non-oil minerals are on-going in the country and even the activities of the licensed miners are not properly coordinated, regulated, monitored and evaluated to ascertain quantity, quality and value of the products being exported from the country. Thus depriving governments at all levels of the needed revenue.
- iii. There is poor or lack of enabling environment for the private investors in the mining sector at all level of the government in the country.
- iv. Government cannot invest in the mining sector due to huge capital requirement and/or inability to manage investment to earn economic returns.
- v. There is no synergy amongst the tertiary/research institutions, private sector and government in the area of research and development regarding the mining sector.
- vi. The existing legal frame works in the country is inadequate, and obsolete to guarantee private investment in the mining sector.

- vii. Inadequate ICT infrastructure, software security, banking facilities, human capacity development and predominant informal sector are some of the challenges militating against the effective automation of revenue generation, collection and tracking.
- viii. Lack of efficient debt management has contributed negatively to growth and development of Nigeria's economy.
- ix. After the oil shocks, Nigeria's revenues collapsed to 5.9% of GDP in 2016, the lowest ratio among her peers. At 3% to 4% of GDP, Nigeria's non-oil revenue mobilization is far below that of her peer countries.
- x. The GDP of Nigeria compared with human Capital index is lagging behind its peers across the globe.
- xi. Majority of states in Nigeria do not have requisite data on GDP. This has made it difficult to relate the states' IGR to the GDP generated by the states in a bit to assess their performance.
- xii. Tax compliance is very low in Nigeria due to weak enforcement and low tax morale. Most states lack ability to track, monitor and report IGR collections, while tax payers feel they have no justification to pay tax as a result of low transparency, accountability and poor experiences with the tax collectors.
- xiii. Despite the fact that there are 84 million registered voters and 33 million BVN records, only 19 million are registered tax payers! It is worrisome to note that 80% of these are PAYE tax payers, whereas the majority that are outside the tax net earned much more than the PAYE tax payers who are public servants!
- xiv. There is limited data sharing on income and assets of tax payers profile among the states in order to ensure efficient assessment of the tax payers. This is despite the fact that common forum such as FAAC and NGF exist, yet they do not know what assets their tax payer own outside their states for the income they earn outside their state of residence.
- xv. Tax education is not given prominent in our school curriculum.
- xvi. In 2016, the Integrated Tax Administration system (ITAX) was introduced, Integrated Stamp Duty Services (ISDS) portal, FIRS automated interface with GIFMIS, Single Treasury Account System, (TSA). All these with the view to improving revenue

generation in the country but only few states such as Kaduna, Kwara, Kano and Lagos have adopted the reforms with significant improvement in their revenue.

- xvii. Kaduna state responded by reviewing its financial regulations as it affects ease of doing business in the state.
- xviii. The Debt Management Office has put in place laws that will ensure only medium and long term loans are taken by Government to ease servicing. This will improve credit rating by internal and external financial institutions.
- xix. Borrowing is expedient for economic development, provided that the loans are judiciously applied to execute capital projects that are beneficial to the citizens.
- xx. The Federal Government cashless policy ensures cash movement safety which reduced armed robbery and attacks by hoodlums.
- xxi. The coming up of special committee, i.e. Mineral Resources and Environmental Compliance Committee, (MIRAMCO) to facilitate registration of miners and coordinate the activities of artisanal miners/mining in all the mineral abundant states is a welcome development. This will make mapping of mineral sites easier.
- xxii. Despite the volatility of the oil sector and the untapped huge natural resources, Nigerian economy is resilient and solvent.

10. RECOMMENDATIONS:

Based on the observations/comments, the Conference made the following recommendations towards unlocking the potentials of the non-oil sector as a sustainable source of government revenue:

- i. Government at all levels should declare state of emergency on IGR and bring all potential tax payers into the tax net.
- ii. Government should take deliberate measures to focus on development of mining sector by providing adequate budgetary provision, effective legal frame work, guidelines and documentary procedures to provide level playing ground for all potential miners, block revenue leakages,

generate employment and enhance the contribution of the sector to the economic growth and development of the country.

- iii. Proper arrangement should be put in place to ensure that there is equity in the allocation of revenue accruing from the solid minerals between the federation and the catchment states of the mineral deposits.
- iv. Government should encourage research and development in the mining sector and ensure synergy among the tertiary/research institutions, governments and the mining operators. In order to ensure effective utilization of research outcomes.
- v. States Internal Revenue Service should be strengthened as the sole body responsible for collecting taxes for the states governments.
- vi. Government at all levels should not undertake investments in the mining sector but only provide the enabling environments necessary to attract investors in the mining sector in the country.
- vii. Efforts should be made to provide reliable and accurate data on the location, quantity and quality of the type of minerals for investors to be attracted in the sector.
- viii. Technopreneurship in the sector be encouraged using Government, Private sector and Institutions (universities/polytechnics) for domesticating mining technology and providing basic equipment locally.
- ix. States should improve their revenue drive to enhance the level of their debt sustainability, as well as promote efficient use of revenue in order to expand their fiscal space for meaningful economic growth and development.
- x. The Debt Management Offices in the states should be strengthened to improve the management of debts at sub-national level.
- xi. Automation should be prioritized and adopted in the states to facilitate efficiency in the collection and accurate remittances of government revenue.
- xii. Giving the success recorded in the implementation of e-governance in countries like Kenya, Zimbabwe and Uganda, it is recommended that Nigeria should adopt the system to enhance efficient delivery of government services to the citizenry.
- xiii. Government should build capacity of personnel on e-governance, e-tax collection and e-response to community development programs

that the collected taxes are used to change the perception of tax payers.

- xiv. Enlightenment of tax payers should be intensified and tax education should be main-streamed in the school/education curricula to instill tax culture in our youths.
- xv. States should key into the States Fiscal Transparency, Accountability and Sustainability (SFTAS) programme designed to support them and strengthen public financial management, increase revenue generation, debt management and transparency. To this end, all stakeholders in the programme should work in harmony to ensure expeditious effectiveness of the loan.
- xvi. There is need for government to boost electricity supply throughout the country to promote macro, small medium enterprises, which are the main stay of any economy, to further broaden the tax base.
- xvii. The status of the above recommendations should be reviewed from time to time to ensure that no stone is left unturned.

11. CONCLUSION

It is hoped that the observations, comments and recommendations of the Conference would be useful to governments in their efforts to unlock the potentials of the non-oil sector as a sustainable source of government revenue.

The FAAC and FMF wish to use this medium to express profound appreciation to His Excellency, the Governor of Kaduna State Malam Nasir Ahmad El-Rufa'i and the good people of Kaduna State for the commendable hospitality, unalloyed support and excellent facilities provided for the unprecedented successful conduct of the Conference. The LOC and LLOC commitments and dedication which have culminated in good success recorded, are well appreciated.