NIGERIA **SITUATION** REPORT

Buhari's Difficult Roadmap for Building a Welfarist State

Report No. 4 – 10 December 2015

30 Benue Crescent
Area 1, Section1
Garki Abuja,
NIGERIA

NG.+234 806 910 6284
Int'l:+44 7872 228 433
Int'l +447700 055 059

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EXECUTIVE SUMMARY OF NSR EDITION 4

President Muhammadu Buhari has at last constituted a cabinet, six months into his four-year term! While the selection has been generally welcome, the general consensus has been that the same list could have been announced within the first month of his tenure as the list did not contain any surprises. The inclusion of former Governor of Lagos State, Babatunde Fashola, Amina Mohammed, Udo Udoma, Okechukwu Enelamah, Kemi Adeosun, Audu Ogbeh and Rotimi Amaechi, etc., in the cabinet seems to balance out politicians and technocrats. **NSR** 4 has used a cluster approach: namely **Economic, Infrastructure, Social and Security and Foreign Clusters**, in examining how the Buhari team can deliver on the promise of the APC election platform, particularly in the construction of a welfarist State.

2. Given the fact that seven months into Buhari Presidency, the macroeconomic environment is still very cloudy, **NSR** 4 attempts to project what may likely emerge as the components of Buhari's macroeconomic policies and strategies building on various statements by Buhari himself, Vice President Yemi Osinbajo and Central Bank of Nigeria (CBN) Governor, Godwin Emefiele. In this connection, **NSR** 4 succinctly captures the state of the economy which President Jonathan handed over to President Buhari using 01 June 2015 as the baseline. While President Jonathan may not have been highly regarded within and outside the country, **NSR** posits that he recorded certain successes in power and agricultural sectors. His government successfully tamed the tiger of power by de-regulating and privatizing the sector, a no mean achievement, given that the previous governments have failed in that regard. In agriculture, an environment has been created for the participation of major corporations through new policies and robust incentive. No wonder the new Minister of Agriculture has publicly announced that he will build on the template of the Jonathan policies.

3. However the macroeconomic environment inherited by President Buhari was very challenging with the main driver of the economy, Bonny Light, which generates 70% of government revenue, plummeting from \$115 to \$57.93 compounded by an average daily loss of 400000 barrels from oil theft and vandalisation. The debt stock, both domestic and foreign, hovers around \$63 billion, with most of the domestic debt occasioned by dubious sources. The February 2015 devaluation of the Naira puts the rate at N197 to the US\$1.00 and inflation at about 9%.

4. Finally, **NSR** attempts to elaborate what is likely to emerge as the main components of Buhari's macroeconomic policies in what it terms in this edition as Buharinomics. One worrying pointer is that before the constitution of a cabinet, there were advisers pushing for the re-emergence of the 'commanding heights' of the economic philosophy of the 1970s and 1980s such as re-floating a national carrier. Another worrying pointer is seeming inaction on the issue of removal of petroleum subsidy in the face of overwhelming economic argument. In this, it seems that the President and some of his advisers are trying to manage a 21st economy with the mentality of 20th century economic philosophy.

5. Although the new economic team consisting of Kemi Adeosun, Udo Udoma, Okechukwu Enelamah and others who will work under the overall coordination of Vice President Osinbajo, is yet to elaborate the thrust of Buharinomics, the reality is that the inaction that has characterized the management of the very distressed economy has not shown that President Buhari is aware that

the economy is bound to tank in 2016. While we see positives in the planned 2016 budget of 6 trillion Naira, **NSR** thinks it is ambitious as the revenue that would sustain such is not easily attainable without recourse to huge deficit financing. This situation is compounded by the current management regime of the exchange rate of the Naira, which is being artificially held at about N199 to the US$1.00 with manufacturers only able to source less than 30% of their foreign exchange needs.

6. **NSR** concludes that the forecast of GDP growth of 6-7% for 2016 is not sustainable. Rather, a 4% GDP growth is more realistic in view of the fact that the price of crude oil, currently around US$41 per barrel, is unlikely to rise significantly in 2016 to provide the much needed revenue for various government programmes. What is certain is that the huge leakages in government revenue occasioned by illicit outflows from government is definitely being checked and some illicitly acquired funds and assets are being recovered. If Buhari continues to build on this and effectively takes needed decisions on the economy instead of the current snail speed, recovery may begin to occur in the second half of 2016. Otherwise, it will be 'a long road to freedom'.

JKS & Associates Ltd.
Abuja, Nigeria.
10 December 2015

Nigeria Situation Report – 4th Edition

Buhari's Difficult Roadmap for Building a Welfarist State

1. Seven months after he was sworn in, President Muhammadu Buhari has finally appointed his Ministers. The team is now settling down to its assigned responsibilities. Given the composition of the team, which in large measure, has been generally welcome by Nigerians, the rhetorical question being asked across the country is why it took over six months to assemble it. An addendum to the question is whether major decisions of his administration will be characterized by the same type of snail speed. The consensus among his protagonists and antagonists alike is that he could have announced the list within his first month in office.

2. In this edition, **NSR** examines three main issues: the economic situation in the country since Buhari's take-over of the mantle of governance; his new Team of Ministers and the possible course they will chart for the country; and the emerging trends of Buhari's macroeconomic policies and strategies which have been termed *Buharinomics*. **NSR** believes, however, that the main thrusts of his policies are unlikely to be fully fleshed out until late December 2015 or early 2016 as Buhari's economic team will take some time to analyse the current economic data, the major socio-economic issues facing the country, his campaign promises and then balance all these against the expectations of Nigerians. In this respect, **NSR** will, inter alia, look at the areas that would need the urgent attention of government and how it will fund its various programmes of restoration in the face of dwindling resources arising from the crash in oil prices.

State of the Economy as at 1st June 2015

3. The main driver of the economy, oil and gas which generates 70% of Nigeria's revenue and 90% of its exports slumped from $115 in June 2014 to $57.93 per barrel in February 2015, about 50% decline. This exerted significant downward pressure on the economy, which was not structured to withstand that type of heavy and drastic shock. Compounding the situation was the rampant and unabated oil theft, estimated at 150,000-200,000 barrels of oil per day. When added to the vandalisation of the pipelines, which in itself was very common, the net loss to the State was estimated at 400,000 barrels per day. GDP, which was 6.3% in 2014, is forecast by the International Monetary Fund (IMF) to decline to about 4.3% in 2015 while inflation hovered around 9%. The actual annual growth rates for the first, second and third quarters in 2015 were 3.96%, 2.35% and 2.84%, respectively. The foreign reserves, which at the close of 2014, was about $43 billion, had been drawn down to about $25 billion by the end of May 2015. The Naira was devalued in November 2014 bringing the exchange rate to N160 to US$1.00, and again in February 2015 to N197 to US$1.00. The inflation rate in June 2015 was 9.4% while unemployment rate was 8.2%. The total debt stock amounted to US$52.949.13 billion including the foreign debt component of US$10.317 billion. If the domestic debt of the various State Governments is added, the country's debt stock comes to US$63.308.45 billion. Government revenue was US$1.267 billion. The foregoing were the basic economic data when Buhari assumed his presidency.

4. In spite of the huge amount of revenue earned by the government and a GDP growth of between 6 and 7 percent over three years, the country remained mired in poverty, with decayed

infrastructure, soaring unemployment, power outages and large scale corruption. The massive corruption in the oil industry, including the oil subsidy scams, seriously haemorrhaged the country. The situation was compounded by the prevailing insecurity, especially in the North East. The protracted energy crisis led to high cost of production which crippled the manufacturing sector. Over all, the investment climate was very challenging for foreign and domestic investors.

5. Although President Jonathan had his shortcomings in many areas of public policy, one area he deserves some credit is the power sector. Under his administration, the power sector was fully deregulated and a new regime of operators for power generation, transmission and distribution, was established. With privatization and deregulation of this most important sector, Nigerians expected uninterrupted electricity supply, not realizing that massive investment was required over time to revamp generation, transmission and distribution.

6. Buhari inherited a stable banking and financial services sector. The various reforms, during the Obasanjo and Yar'Ardua/Jonathan administrations, created stability in the sector as the financial crisis that occurred under former Central Bank of Nigeria (CBN) Governor, Lamido Sanusi was adeptly handled. Besides, there was clarity in the CBN monetary policies. The Monetary Policy Rate (MPR) was stable at 13 percent and the Cash Reserve Ratio (CRR) was 30 per cent during the leadership of Sanusi. The dwindling government revenue has been effectively impacting on foreign exchange reserve with its attendant pressure on Naira exchange rate stability. It was this pressure that led to its devaluation in November 2014 and February 2015.

7. Agriculture was another sector that recorded some success as attention was paid to reformatting the role of the government in agriculture to create an enabling environment, and putting in place policies and incentives for private sector participation where small, medium and large scale farmers could flourish. **NSR** understands that as at June 2015, farmers purchased their seeds and fertilizer direct from seed and fertilizer companies and no longer through government thereby removing fraud and lacuna from the value chain. Of note is a reduction of about 15% in wheat importation. What is significant is that participation in agriculture has attracted some major conglomerates, such as, the Dangote Group, the Stallion Group, Leventis Group, Transcorp Group, Julius Berger and some other indigenous corporations. While this sector is still work in progress, the Jonathan administration should be credited for re-directing focus in agriculture, principally by emplacing new polices geared towards stimulating private sector investment. Interestingly, the new Minister of Agriculture has publicly disclosed that he would build on the platform and template of his predecessor. This is one area where there seems to be some convergence between the Jonathan and Buhari administrations.

8. Nevertheless, a major problem inherited by Buhari was the corruption-ridden governmental structures and processes. It was common for appropriated funds to be diverted to other purposes, often illicitly funnelled out of government programmes. An example is the billions of Federal Government pension fund that disappeared into thin air. Besides, financial transparency and accountability evaporated from government financial processes. Financial leakages largely characterised the management of the economy.

9. Furthermore, the fuel subsidy regime that has been in existence for years, became manifestly more corrupted under the Jonathan administration. In spite of the efforts made to clean

up the sector particularly from mis-invoicing, (over-invoicing and the recirculation of the same invoice several times over), the so-called account payable to importers of petroleum products was 1 (one) trillion Naira. The embedded corruption and fraud that characterized these imports enabled the mushrooming of many rent seekers in the economy. Yet, the Jonathan administration allowed the petroleum imports bills to become a major pressure that even threatened the hand over between Jonathan and Buhari as these importers ensured that gasoline supply across the country was virtually brought to a halt. The foregoing was the nature and structure of the economy which Buhari inherited in June 2015.

Current State of the Economy: Etiology of an Economic Malaise

10. As already indicated above oil and gas still accounts for 70 percent of government revenues and constitutes about 90 percent of export earnings. However, there has not been much success in the efforts at diversification of revenue as non-oil exports contribute less than 30 percent of revenue. The slump in oil prices which started in 2014 has worsened, with Brent crude currently trading at about $42 per barrel, leading to further decline in revenue, causing some shocks in the economy. Fiscal deficit of N676.47 billion was recorded in the first six months of the year. As a result, payment of salaries and wages, among others, has been delayed. This has led to a return to ways and means borrowing to finance some government expenditures, a practice which was outlawed during President Obasanjo’s administration. The CBN has been pumping money into the economy through monetary easing, including about N700 billion mopped up during the introduction of the Treasury Single Account (TSA). The debt portfolio has also been increasing and currently is about $63.8 billion, including a foreign debt of about $10.3 billion.

11. Despite the completion of the privatisation of the power sector, there are still lingering problems facing it. power generation which peaked at 4810 megawatts in August 2015 (compared to about 2800 megawatts in May 2015) had plummeted to 3755 megawatts in November 2015 due to many factors, including the vandalisation of gas pipelines, aged and antiquated power infrastructure and the shutdown of Egbin power station for maintenance/repairs. Distribution and transmission of generated power is not yet at optimum level as the dilapidated infrastructure cannot efficiently handle the transmission of all electricity being generated, leading to severe loss.

12. There was a marginal increase in foreign reserves situation from about $29.1 billion in June to $29.99 billion on 30 November 2015. This only covers about four and a half months of imports. Although foreign reserve has risen 9 percent since July, the CBN introduced policies that curtailed free access to foreign exchange, including banning 41 items primarily to curb the ‘bad import habits’ and encourage local production.

13. The fragile economic performance reflects the sustained turmoil in the oil sector due to falling oil prices. There was a 0.7 percent decline in oil related GDP, a reflection of the imbalances and vulnerability of commodity exporting countries. As earlier indicated, current total debt is about $63.8 billion, including a foreign debt of about $10.3 billion. The 2014 -2016 Medium Term Expenditure Framework (METF) had projected a budget deficit of minus 1.5 percent for 2016 based on an expenditure of N4.8 trillion and revenue of N3.9 trillion. The 2015 budget implementation has been grossly affected while the private sector is saddled with huge debts, meagre cash flows and dwindling sales due to the shocks to the economy. Many major corporations

and conglomerates have released less than encouraging results for the current fiscal year. Unemployment has risen to about 9.9 per cent in October 2015, up from 8.2 per cent in June 2015. The power situation, despite the noticeable improvements shortly after the inauguration of Buhari, has again deteriorated, with power rationing or blackouts and attendant economic losses. The envisaged additional refining capacity of 150,000bpd is not being accomplished and fuel queues have again resurfaced all over the country.

Buharinomics

14. With the preceding examination, what then are the likely parameters of President Buhari's economic programme? In other words, what will likely constitute the main components of his macroeconomic policies and strategies? Put differently, what are the main thrusts of *Buharinomics*? As the framework of his macroeconomic policies have not been fully elaborated, **NSR** will attempt to aggregate some of the pronouncements of the three major actors on the economic plane, that is, President Buhari, Vice President Yemi Osinbajo and CBN Governor, Godwin Emefiele. It is important to note, and indeed remind all, that the Economic team has just been emplaced and is yet to elaborate its macroeconomic policies, framework and strategies.

15. There are echoes of the economic overarching theme of the 1970s and 1980s when the State in various parts of Africa was the major entrepreneur. It is on record that States, as owners and operators of business enterprises across the continent, were dismal and in certain cases disastrous, as some of these enterprises became bankrupt. Indeed, if the various African States were public or private companies, there would have gone under receivership. There seems to be lingering romance with that era by certain members of the Buhari team (both official and unofficial). This group will like Nigeria to return to the era when the Federal Government owned and operated businesses, such as, airline, telephone and power companies, shipping lines and manufacturing ventures, etc. The push by these 'advisers' is to re-float a national carrier and, if possible, rewind the power sector privatization. The establishment of a government committee ahead of the appointment of Ministers, to examine the possibility of re-floating a national airline, was inspired by the pressure of this group that a national carrier is a must in spite of manifestly dwindling resources.

16. Another pointer is the desire to retain and operate the three refineries in Warri, Kaduna and Port Harcourt which have been bleeding the country for almost 30 years. The reluctance to contemplate the disposal of these State assets is anchored on the President's conviction that if they were fully operational when he served as Minister of Petroleum in the late 1970s, and as Head of State in 1984/85, why not now that he is President. But he must realise that times have changed and that this is 21st and not 20th century.

17. The other worrying pointer is the management of the foreign exchange regime, including the ban of certain imports and artificially holding the value of the Naira at a particular threshold, vis-à-vis, other major currencies. Buhari's government was not ready for a further devaluation of the Naira, which in February 2015, had gone down from N169 to N197 to the United States dollar. Strenuous efforts are still being deployed by the CBN to defend the currency, at great costs to the economy. The decision not to devalue has not gone down well in some circles. The Federal

Government needs to watch out for the concern and fear that it may create an opportunity for the emergence of a new class of rent seekers.

18. The major factor that plays in government's calculation in this matter, **NSR** believes, is its welfarist approach despite the need for a healthy balance of payment situation. For a country that does not produce much for exports, beyond oil, devaluation will result in higher prices for largely imported commodities and goods. This will mean imported inflation which will adversely affect the average Nigerian citizen. The devaluation of February 2015 prompted a rise in the Consumer Price Index to 9.4 percent as at September 2015 with a possible increase to about 11 percent inflation. For October 2015, there has already been a 0.1 percentage increase to 9.5 percent. Furthermore, many Nigerians still remember that the downturn in the country's economy started with the devaluation of the Naira in 1985 when Nigeria obtained the IMF loan under Babangida. The average Nigerian is therefore weary and suspicious of the pressures that are again being mounted by the Bretton Woods institutions for another round of devaluation of the currency after the last one in February 2015. Also, the outflow of about $48 billion from emerging markets is not an encouraging sign to the government that there would be increased Foreign Direct Investment (FDI) from any currency devaluation, especially as there is a perception that this has its drawback for an economy that is exposed to the vagaries of an uncertain security environment. On the balance, all operators in the economy are agreed that the CBN cannot sustain its current policy of artificially holding the value of the Naira. Thus the bet is that the CBN will cave in before long as holding the value of the Naira artificially would ruin the economy in the short, medium and long term.

Prospects

19. While **NSR** does not see much improvement in the economic outlook, at least in the short term, the recently released plan to reflate the economy in the planned 2016 budget of N6 trillion offers some hope, as it represents a major macro-economic stimulus. A massive infrastructural development is planned through building of rails, roads and power development, including the floating of a $25 billion Infrastructure Fund and a Special Intervention Fund of N300 billion. The objective is to empower the private sector, contribute to higher standards for Nigerians and transform the country into an attractive investment destination.

20. **NSR** considers these plans as very ambitious, against the background of dwindling oil receipts and the likelihood that the dampening oil prices will continue beyond 2016 at the least, with the additional Iranian oil exports coming into the market amid lower global demands. **NSR** therefore does not see how the budget will be adequately funded, except with deficit financing. The government is in a difficult situation as efforts to reflate the economy with this budget size of N6 trillion could add another $21 billion to the deficit. Already, government has indicated its intention to borrow N2.1 trillion to finance the 2015 budget. If such borrowing trend continues, there is a long term problem of debt accumulation, with all the consequences for the future. This is another worrying pointer as this will translate into significant debt service payments and less funds for development purposes. This, no doubt, will put more pressure for a decision on the early removal of oil subsidy in order to free more funds for intervention in other areas. **NSR** posits that the new cabinet will have to devote huge energy and attention at fashioning out fiscal and monetary policies that will translate the sound bites of election campaign into what Nigerians can perceive

as bringing economic benefits to their door steps. Indeed, the CBN has already embarked on this course by pumping money into the economy through monetary easing. The Cash Reserve Ratio (CRR) was reduced from 31 percent to 20 percent in late November, while the liquidity ratio is set at 30 percent so as to free more money for onward lending by banks. This policy has led to a crash of lending rates among banks that are now awash with excess liquidity. **NSR** expects that more money will continue to be pumped into the economy through various monetary instruments and policies. How this liquidity will be accessed is not clear as currently most manufacturers can only access about 20-30% of their foreign exchange requirements for the importation of raw materials and key components. Yet the private sector, under Buhari's plans, is to be the big anchor of employment generation. This is a contradiction!

21. Considering the massive theft of Nigeria's oil and the monumental corruption in the sector, including non-remittance of oil receipts into State treasury and the subsidy scams, the decision not to remove the oil subsidy also represents a worrying aspect of *Buharinomics*. The removal of subsidy would reduce the country's import bill by as much as 21 per cent, as importers will have to bear the cost of both the price volatility and exchange rate depreciation. Equally, without the proper functioning of existing refineries being achieved and the restrictions on foreign exchange, problems in the delivery chain will continue. The retention of fuel subsidy smacks of a welfarist programme and is not anchored on sound macroeconomic platform. **NSR** maintains that there is no alternative to the removal of subsidy unless the Federal Government wants its borrowing costs to overwhelm it. It is a regime that it cannot sustain.

22. **NSR** expects that government will embark on a serious and comprehensive revenue drive in order to finance the planned public expenditure. A fiscal deficit of N676.47 billion in the first six months of 2015 makes this imperative. **NSR** therefore expects the Federal Government to embark on 'responsible borrowing' in the fulfillment of its welfarist policy and agenda. The current policies of monetary expansion which have crashed the bond rates will continue and Government will certainly take advantage of the low rates to borrow from the banks as part of efforts at raising funds to finance the planned ambitious infrastructural development. Furthermore, as a way of increasing the revenue base, **NSR** envisages the introduction of new tax measures, including an increase in VAT and improving efficiency in revenue management and tax collection; overhauling the Nigerian Customs Service (NCS) and eliminating revenue leakages. Certainly there will be more robust action from the Federal Internal Revenue Service (FIRS) in pursuance of an aggressive tax regime, to include non-oil taxes, while a new tax regime will ensure a difficult path for many corporate entities and high net worth individuals that are currently not paying any tax.

23. **NSR** notes the positive effects of the introduction of the Treasury Single Account (TSA) system in plugging loopholes or leakages in government finances. However, even with some noticeable negative effects of the withdrawal of government funds from the banks, it is now very clear that the policy will not be jettisoned as this is one of the important strategic platforms of *Buharinomics*. The good news is that massive shocks that had been envisaged from the withdrawal of almost three trillion Naira from the banks and domiciling these funds in the CBN have not occurred. With the recent discovery of N2.8 billion of looted pension funds now traced to a bank, **NSR** envisages more searchlights being beamed on the banking sector which had been known to assist 'looters' of government funds in 'parking' such illicit funds. Stricter enforcement of regulations by various Regulatory Agencies is therefore expected, including the imposition of

more punitive sanctions, like those meted to three banks that flouted the TSA directives by concealing some Nigerian National Petroleum Corporation (NNPC) accounts. Similarly, penalties should be expected for banks which flout instructions on non-remittance of export proceeds. MTN, the leading mobile telephone company, was recently fined United States $5.2 billion by the regulator for infraction of Nigerian Communications Commission (NCC) rules for failure to deactivate 5.2 million unregistered SIM cards. Guinness Nigeria Plc. was also fined N1 billion (about US$5 million) by the National Agency for Food and Drugs Administration (NAFDAC) for allegedly revalidating and destroying expired raw materials without involving them, while Sterling Oil Exploration and Energy Production (SEEPCO) was fined N68 million by the National Oil Spill Detection and Response Agency (NOSDRA) for failure to report an oil spill in Delta State. All these actions serve to bring discipline to the economy especially in the overall bid to clean up the banking and oil sectors.

24. Given Buhari's recent statement on the commitment of his government, despite the fall in oil prices, to the maintenance of macro- economic stability and investor confidence, **NSR** expects that the Economic Team may pursue policies to defend the Naira at present levels, even if it means that the operations of business may be negatively affected in the short term. Considering the modest results which some of the policies have achieved since June, including a rise of about 9 per cent or $30.69 billion in foreign reserve as at October 2015, **NSR** envisages a conscious and determined effort to sustain the Naira at present levels in the short to medium term at least, and also foresees more intervention in order to provide foreign exchange in the market to meet import needs. Further tightening of the operations of Bureaux de Change (BDC) should also be expected. More items may be brought under restriction with no access to foreign exchange on the excuse that it will encourage local domestic manufacture but many members of the Manufacturers Association of Nigeria are unimpressed with the current foreign exchange regime and the control measures. And the recent value of the Naira in the parallel market of about N248 to US$1.00 can defeat whatever measures the CBN intends to mount in the defense of the current value of the Naira. It will be interesting to see how soon the CBN will cave in to the real market forces.

25. The dwindling resources due to falling oil revenues will see the government devote full energy to the diversification of the economy, as well as, encouraging exports as a way of improving the nation's overall economy. It is therefore expected that policies which will complement the recent CBN initiative of PAVE (Produce locally, Add Value and Export your products and earn your foreign exchange for your imports), aimed at encouraging exporters to use their export proceeds to import whatever they need will be further enhanced. This is to serve as an encouragement for increased local production, including greater value addition to products**. NSR** also believes that other areas of diversification would be vigorously pursued, including the adoption of incentives for manufacturers and entrepreneurs. In particular, agriculture and mining sectors will be accorded top priority consideration in the hope that they will generate employment, ensure food security and the overall improvement of the economy. However, it must be stated that the Buhari administration's focus on solid mineral is unlikely to attract any traction in the short term because of falling commodity prices and the huge decline in the profit of major mining corporations in the world. In this regard, the recent announcement by Anglo American that it will lay off 85000 employees worldwide is a major pointer that the optimism of Buhari to use solid mineral as a major source of employment generation has to be balanced with reality of the global environment.

26. The efforts aimed at curbing corruption are certain to continue unabated in a meticulous and painstaking manner, hopefully, within the ambit of the rule of law. **NSR** expects that apart from two former State Governors and a former Minister recently arraigned by the anti-graft agency, Economic and Financial Crimes Commission (EFCC), many other high level individuals (both current and former politicians and businessmen and women, more accurately described as rent seekers) will be facing law enforcement and judicial process in the anti-corruption war by the Buhari government. The recovery and forfeiture of the various proceeds of corruption to government, coupled with the repatriation of illicitly acquired assets/funds stashed away in foreign countries, should give the government additional leverage in the efforts to improve its revenue and finances. Furthermore, the recent agreement with the Government of Ghana on the structured payment of debt owed to Nigeria for gas supplies shows that government will equally call in the debts owed by other neighbouring countries for the supply of gas. Lean governance structures, especially the reduction of government Ministries to 24 from the previous 28, drastic reduction in pay and perks of office for Ministers and other high level government officials, all represent additional avenue for savings and thus additional resources for government. To give effect to this, government has established an Efficiency Unit (e-Unit) in the Ministry of Finance to drive expenditure reforms across the entire government. It will be interesting to see the result of these various initiatives at the end of 2016.

Buhari's Team

27. President Buhari's cabinet of 36 Ministers, deployed to 24 ministries can be organised around four thematic clusters consisting of the Economic team, Social team, Infrastructure team, and the Security and Foreign Policy team. Each of these clusters will contribute in diverse ways to the three main challenges that the country currently confronts, notably creating an environment of peace and security, reviving economic growth, including diversification of the economy from dependence on oil and gas, and making Nigerians feel the dividends of resumed growth.

A. Economic Cluster Team

28. In reducing and restructuring the Ministries, Buhari has excised Budget from Finance, merging it with National Planning. Kemi Adeosun, with experience and exposure in the corporate world in the UK and Nigeria including a stint in Price Waterhouse Coopers, and former Commissioner of Finance in Ogun State, is the Minister of Finance; Udo Udoma, a renowned lawyer with corporate and boardroom experience, is in charge of the Ministry of National Planning and Budget with Zainab Ahmed as Minister of State. Even though some critics do not necessarily consider them to be the best suited for the portfolios, many also are of the view they are suitable for the roles assigned to them. The status of the National Planning Commission, whether it remains or is to be absorbed into the new Ministry, is yet to be clarified. The removal of Budget functions from the Ministry of Finance could pose some problems of coordination, and even rivalry. However, with Buhari's hands-on approach, this is unlikely to become a major issue. Of paramount importance, particularly for the operators of the economy, as well as, investors, including domestic and foreign, is how soon clear macroeconomic policies and strategies of the Administration would be elaborated so that all can see clearly the direction of government's economic programmes.

29. On oil and gas, Buhari has lived true to **NSR 3** prediction that he would directly supervise the sector, assisted by Ibe Kachikwu as Minister of State/GMD of NNPC until the clean-up of the sector is completed including separating the regulatory from the business aspects of the Corporation. The intention is to reposition the sector to minimise corruption, reduce waste and generate more revenue for the government. Major reforms are, therefore, expected from the sector as the new team in this sector has the capacity and determination to achieve the objectives it has set itself.

30. President Buhari and the APC have chosen agriculture, solid minerals development, manufacturing, creative arts, youth and sports development and security as the arrowhead for the diversification of the country's economy, while still paying attention to the reform of the oil and gas sector as reported in **NSR 3**. In agriculture, two products - rice and wheat - have been identified to achieve self-sufficiency within 26-30 months. The CBN, major producers and processing companies, farmers associations and State Governors have already been mobilised as vehicles to deliver on the target. With CBN providing N2.5b to fund the scheme, major farming corporations, such as, Dangote, Julius Berger, Leventis, Elumelu, Stallion, Olam, and Bua Groups are poised to play pivotal roles in the agricultural awakening. In this endeavour, Federal and State governments in collaboration with the CBN are initiating far reaching policies to encourage and mobilise medium and small size farmers to achieve the goal. Audu Ogbe, a former academic and Minster of Communications and well known as a committed and passionate farmer, has this task as the Minister of Agriculture assisted by Heineken Lokpobiri. Ogbe has indicated that he would build on the foundation laid by his predecessor, Akinwumi Adesina, now heading the African Development Bank (AfDB), and root out some elements of corruption that had remained in the system.

31. Former Governor Kayode Fayemi and Bawa Bwari, a former member of the House of Representatives, have been assigned solid minerals development with the goal of overtaking oil and gas as the leading revenue generator for Nigeria. They have the mandate to initiate friendly mining policies and to explore abandoned minerals deposits with a view to attracting FDI into the sector. With the global downturn in prices of many minerals, they will have to be very creative and ingenious in attracting foreign investment to this sector. Fayemi has headed the APC Policy Research and Strategy Directorate which organised the Policy Dialogue on the implementation of the Agenda for Change in May 2015. Though a Minister, **NSR** postulates that Fayemi would remain as the arrowhead of the kitchen cabinet with the task of bringing the government's vision to reality. Buhari is bringing policy coordination, implementation, monitoring and evaluation to the front burner of governance as a guarantee for success.

32. Amina Mohammed, a former Head of Millennium Development Goals (MDGs) under Jonathan, and former Advisor to the United Nations Secretary General on MDGs is the Minister of Environment. She is expected to raise the stakes and work with her colleagues in Agriculture, Solid Minerals, Oil and Gas, Water Resources, Infrastructural Development and the international community, especially UN Agencies, to harness, harvest, protect and preserve Nigeria's environment.

33. Okechukwu Enelamah, an investment and finance expert, assisted by Aisha Abubakar, has the duty of creating investor friendly policies and climate to drive higher inflow of FDI and create the

necessary industrial base whilst facilitating the growth of the existing manufacturing sector. They also have the creative arts (Nollywood) to grow into a healthy revenue earner for the country. Indications are that they are new to the job but are ready to learn and to deploy their best efforts to succeed.

34. President Buhari's approach to governance, in general, and the economy in particular, is a collective/integrative one without an obvious designated team as was the case when Ngozi Okonjo-Iweala was in charge as Coordinating Minister of the Economy in the Jonathan government. Vice President Prof. Yemi Osinbajo, a successful lawyer with corporate and government experience as Chair of the Economic Council has the responsibility for the coordination of major economic programmes. A seeming weakness of Buhari's Cabinet is the absence of economists and a preponderance of lawyers and accountants. The economists are reserved for advisory roles because Buhari is essentially on a rescue mission to reset the fundamentals of governance; and by this restart and grow the economy. He fervently believes that good governance rather than economic theories is the best panacea for growing the Nigerian economy. It is therefore not surprising that Buhari has the ears of several world leaders and the Heads of major global institutions and can therefore harness the goodwill and advice to drive his economic programmes. In addition, Vice President Osinbajo has an excellent understanding of the state of the economy and the measures required to tackle the myriad of problems currently facing Nigerians. While **NSR** has no doubt about Buhari's commitment to drive the process to its logical conclusion, the big question is whether Nigerians have the capacity or patience to cope with the pains that macroeconomic policies will inflict in the short run as it is certain that there will be no tangible results to show in Buhari's first year in office.

B. Social Cluster Team

35. Former Senator and Governor, Chris Ngige, a medical doctor turned politician, with a renowned lawyer James Ocholi, in charge of Labour and Employment, Solomon Dalung responsible for Youth and Sports and Aisha Jummai Alhassan in Women Affairs, have the task of working across the sectors to create synergies that would generate jobs that pay economic wages. Here is the connection with the enablers like former Governor Babatunde Fashola at Power, Works and Housing, Isaac Adewole and Osagie Ohanire at Health and Adamu with Anthony Onwuka at Education, to create the jobs, provide the much needed skill, training and standards. The key sectors of agriculture, oil and gas, manufacturing, solid minerals and creative arts are the nucleus for wealth and job creation. However, there are questions as to whether Ngige and Adamu are suited for their portfolios judging by their backgrounds and antecedents. Yet, it is argued that the President is convinced that both Ministers will deliver on APC promise to the amazement of Nigerians.

C. Infrastructure Cluster Team

36. In the infrastructure cluster of Ministries, the arrowhead of the team is Babatunde Fashola who transformed Lagos State's decayed infrastructure and chaos as governor from 2007-15 into a livable State. There is excitement and optimism among Nigerians that the "wonderboy of Lagos" has been assigned the "super" Ministry of Works, Power and Housing. This is based on his outstanding performance in Lagos State which protagonists and antagonists alike acknowledge

and accept. Consequently, there are those who perceive him as the "prime minister" in this government. **NSR** believes that this will not be an accurate manner of defining his role in this government as he is not in charge of coordinating and implementing the whole gamut of governmental policies. Former governor Rotimi Amaechi, with Hadi Sirika, a pilot, is expected to be strong on delivery in Transport and Aviation. Similarly, former Governor Ogbonnaya Onu, a calm, competent and experienced scientist and administrator as Minister of Science and Technology, is a perfect fit for the responsibility. Usani Uguru at Niger Delta Ministry, with Claudius Omoyele Daramola as Minister of State and Suleiman Adamu, a water engineer in Water Resources, seem well fitted for their assigned roles. The only concern in this sector is the appointment of a lawyer, Adebayo Shittu, to the Ministry of Communication. There is confusion as to why Buhari restructured the Ministry of Communications Technology to just Ministry of Communication and appointed a Minister with no competence in technology. Could this be a policy shift? If so, it would be a big mistake because Nigeria is lagging in this area and needs the type of focus, attention and expertise which the last Minister in the Jonathan administration provided. Shittu will, therefore, have to demonstrate extraordinary performance to invalidate the skepticism regarding his assignment to the Ministry.

D. Security and Foreign Policy Cluster

37. Finally, the security and foreign policy cluster looks strong with the combination of Mansur Mohammed Dan Ali, Abdulrahman Dambazau, Abubakar Malami, and Geoffrey Onyeama at Defence, Interior, Justice and Foreign Affairs, respectively. Dan-Ali and Dambazau are retired generals; Malami an experienced lawyer and Senior Advocate of Nigeria, while Onyeama is a lawyer with solid diplomatic experience from the World Intellectual Property Organisation (WIPO). He will be assisted by Khadija Abubakar Abba Ibrahim, an experienced legislator, as Minister of State. With the Chief of Defence Staff and Service Chiefs already at work to win the war against insurgency, Buhari has a very competent team to deliver in this cluster. A better and more secure home front will certainly enhance the Foreign Minister's capacity to prosecute the foreign policy agenda of the Buhari government particularly in the ECOWAS region and on the continent.

Conclusion

38. With the long-awaited composition of Buhari's cabinet, Nigerians envisage that the hitherto seeming tardiness that had characterised his governance style will henceforth give way to urgency in tackling the many weighty economic and social issues that form the plank of the campaign manifesto of the All Progressives Congress (APC). The President's promise to inject integrity, probity and accountability into governance had fired the zeal of Nigerians and their faith in his capacity and capability to turn Nigeria into a socially responsive and an economically viable and competitive nation.

39. While the choice of some members of his ministerial team may not have surprised many Nigerians, Buhari's constriction of the number of Ministers and Ministries underscores his determination to eschew avoidable financial and fiscal profligacy. His intentions on the direction of many aspects of the economy and of the consequent governance clusters are predicated on the road map for his determination to enable a welfare state and on which crest the ruling APC was

swept to power. This is amplified by the government's economic programmes. The mobilisation by the Government of many agricultural producers and processing companies is also an indication that agriculture is a major plank of his government programme.

40. Furthermore, the Government's decision and efforts to offer investors a stable and conducive business environment are aimed at incentivising local and foreign investors whose participation in the country's economy will help in transforming Nigeria into an attractive investment destination. This will expectedly ensure the creation of jobs and, consequently, wealth for Nigerians. It is also a demonstration of Government's determination to offer hope to long-suffering Nigerians by reducing the nation's crippling social burden in order to achieve a welfare state. But some snippets of his economic policies seem to run counter to his intentions. Clarity is still being awaited by all operators in the economy and without clarity, there can be no confidence.

41. The commitment of the President and his team to pursue these arduous agenda is not in doubt for Buhari needs to show some element of success and, indeed, a vindication of his party's programmes. However, the current macroeconomic realities show that the road ahead, particularly in 2016, will be tortuous. While the Federal Government is projecting a 6 to 7% growth in the GDP in 2016, the more accurate projection will align with IMF forecast of a modest 4%, considering that seven months of 2015 were virtually lost to uncertainty, particularly in the macroeconomic front. If the macroeconomic environment in 2016 is structured to rebuild confidence in the economy, the downward slide would be halted before the last quarter of 2016; and recovery can begin in earnest in 2017. At this time, it is rather too early to know whether the very ambitious GDP growth of 8 to 12% projected for 2017 by the Buhari Administration can be achieved. **NSR** posits that success or lack of it will largely depend on the price of Bonny Light in 2016 and 2017.

JKS & Associates Ltd.
Abuja, Nigeria.
10 December 2015.