COMMUNIQUE ISSUED AT THE 2020 BUDGET SEMINAR THEMED "LEVERAGING THE 2020 BUDGET AND THE FINANCE ACT FOR THE GROWTH OF THE NIGERIAN CAPITAL MARKET" HELD ON 13TH FEBRUARY, 2020 AT THE EKO HOTELS AND SUITES, LAGOS

1. The Budget Seminar Series is a forum for evaluating the nexus between the Nigerian capital market and the annual Federal Government budget. Its major aim is to identify how the capital market can contribute, and in turn, benefit from the budget and its implementation.

2. In addition to the learning points, this communiqué is drafted to serve as the capital market's input to discourses at appropriate levels of government and in private institutions.

3. While providing a background on the Seminar theme, the lead paper highlighted key points from the 2019 budget and its outcome. The 2019 budget proposed N8.91trn as total expenditure with projected revenue of N6.99trn and a deficit of N1.91trn. However, the 2019 actual expenditure was ₦9.13trn, while revenue was ₦4.64trn , with a total fiscal deficit of ₦4.50trn.

4. The 2020 budget is tagged **"the budget of sustaining growth and job creation"** with approved revenue and expenditure estimates of ₦8.42trn and ₦10.59trn, respectively. This budget is predicated on specific plans/initiatives, including plans to leverage private sector funding for capital projects, raising VAT from 5% to 7.5%, strict implementation of the Treasury Single Account (TSA), setting revenue targets and cost-revenue ratios for Government Owned Entities (GOEs), among others.

5. In addition to signing the budget, the President also signed the Finance Bill into law in January, 2020. The new Finance Act has the following among others, as its objectives: promoting fiscal equity, reforming domestic tax laws to align with global best practices, introducing tax incentives for investments in infrastructure and capital markets,

supporting micro, small and medium size businesses, and raising revenues for government. The presentation therefore highlighted the provisions of the 2020 budget and amendments in the Finance Act that could help grow the Nigerian capital market.

6. Following a robust discussion by the panelists and audience, the following learning points and recommendations were made:

    a) Infrastructure development is necessary for Nigeria to achieve economic prosperity and sustainable development. Thus, the need to attract private and domestic capital to fund and support critical infrastructure is paramount;

    b) It is important that government 'walks the talk' by encouraging sanctity of contracts and transparency as well as plugging illicit outflows of revenue from the country;

    c) Government needs to work towards encouraging the participation of the private sector in the Nigerian business environment. There should be conscious efforts towards partnering with the private sector to mobilize domestic resources, create quality jobs and lift people out of poverty;

    d) Specific frameworks on Public-Private Partnership arrangements and concessions should be developed to address and finance Nigeria's huge infrastructure deficit;

    e) Provision of conducive business environment is necessary for the Small and Medium Scale Enterprises (SMEs) to thrive and adequately contribute to the development of the economy;

    f) Technology should be leveraged for trade. There should also be a focus on adding value to the agricultural sector which currently generates low income levels to become more beneficial to stakeholders. One way to achieve this is the provision of power for crop preservation to eliminate post-harvest losses;

g) It is necessary to ensure that the current out-of-school children return to school, while improving the quality of education, health and general wellbeing of the Nigerian youth. This is critical to the future of the economy and security of the country;

h) There is a need for capacity building by capital market participants and regulators in order to maximize and harness the huge opportunities available in the market;

i) More hedging opportunities should be created in the Nigerian capital market, to facilitate market liquidity and efficiency;

j) The Finance Act is one of the most significant financial policies in about two (2) decades, addressing various issues through several amendments. Some of these issues are of high importance to the development of the Nigerian capital market, including those relating to REITs, securities lending, stamp duties and taxation of holding companies;

k) Also, the Act's provision on taxation of insurance companies is expected to lead to improved performance and higher market valuation of these companies and ultimately, uplift the performance of equities;

l) Meanwhile, a number of complementary legislations are still required to support the Finance Act; these include the Petroleum Industry Bill, the Investment and Securities Act and the Companies and Allied Matters Act;

m) While the capital market community works on seeking further incentives from the government, it is equally necessary to identify existing disincentives that government could remove in order to further grow the capital market.

n) Shareholders in Nigeria are subjected to numerous taxes, making the effective tax rate on investors in Nigeria among the highest globally. Hence, a reduction in the effective tax rate on equity investments as well as further corporate tax cuts is necessary to increase Nigeria's competitiveness in attracting capital;

o) The Nigerian government has always budgeted for deficit. Although this may appear inevitable in the presence of weak government revenue, government still needs to design innovative ways of financing its budgets and avoid perpetual budget deficit.

p) Budget variances over the years have been large; suggesting the need to have more realistic budgets.

q) Advocacy efforts should be made to government to conserve the nation's scarce resources as this is fundamental to budget performance; and

r) Future budget seminar presentations should consider the aggregate budget, including sub-national figures, so as to capture the comprehensive impact of budget on the economy and the capital market.