To manage the current cash crunch in Nigeria, state governments must go beyond aggressive drive for internal generated revenue (IGR) from businesses and individuals, who are already being taxed by the combined impact of naira devaluation, rising inflation, and recurrent fuel scarcity.

The Executive Director, Dr. Ifediora Amobi gave this submission at the monthly development policy seminar (Enugu Forum) held on August 21, 2015. The theme of the Forum was “Federal Government Bailout To State Governments”.

In his presentation titled, “State Government Insolvency”, the ED bemoaned the situation where 78% of the states rely solely on the Federation Accounts Allocation Committee (FAAC) for 80% of their revenue, adding that 40% of the states are insolvent – high risk of defaults and rescheduling.

Dr. Amobi further observed that in the past one year, the FAAC revenue pool has shrunk sharply by 45% to ₦409.3 billion in June 2015, correlating strongly with a similar percentage fall in oil prices to $45 per barrel over the same period. He disclosed that negative impact of lower oil prices and the resultant collapse in oil revenues available for the federation to share had made some states to be at the mercy of the federal government for workers salary. He added that it would be good to ask the critical questions on whether the revenue from the center be sustained, how to resolve the cash flow crunch and whether the so called bailouts are sustainable.

“Whereas the Federal Government has been able to augment its own share of the revenues with domestic and external borrowings to fund recurrent expenditure, states have not been so lucky and they are making tough choices between paying workers' salaries, servicing existing debt
AfriHeritage Challenges Nigerian States on Bailout

The Director General of the Debt Management Office (DMO), Dr. Abraham Nwankwo has said that unless Nigerian government makes efforts to diversify the revenue base of the country, state governments will continue to borrow to meet their statutory obligations.

Speaking at the Special Enugu Forum on “Deploying Debt Management Operations to Fiscal Balance of States” on September 21, 2015, Dr. Nwankwo noted that the situation also reflects the abysmally poor performance by Nigeria over several decades in converting oil revenue to new forms of capital assets that give sustainable revenue streams. He however added there is still a broad resources base for diversifying and industrializing the economy, saying, “With appropriately structured financing, Nigeria should be able to programme a trajectory of long-term fiscal stability and self-sustaining growth. Needless to say, having squandered the opportunity provided by easy oil money over several decades for physical and human capital formation, we have no option now than to prospect for relatively harder financing”.

Speaking earlier on the intervention of the Federal Government in non payment of salaries by some states, the DMO boss disclosed that immediate stabilization measures were required to enable the governments; particularly state governments clear arrears of salaries, pension obligations and other short-term liabilities.

According to him, each bank's loans to States will be converted to FGN Bonds and in terms of debt stock, the restructuring option with FGN Bonds would just amount to a replacement of the existing loans to be refinanced with the new debt (the Bonds) and therefore, not result into any increase in the country’s total public debt stock. He opined that it, therefore, cannot worsen the debt sustainability situation but would rather improve it marginally by reducing Debt Service/Revenue ratio. On the benefits for banks and the banking system, the DG said short-term sub-sovereign loans faced by non-performance will be placed with long-term sovereign, high quality loans and this will also enhance liquidity and no asset-liability mismatch because FGN Bonds have a reliable secondary market, he noted.

The Executive Director, Dr. Ifediora Amobi while welcoming the participants, said AfriHeritage organised the Forum to fulfil its promised to bring the DG of DMO to personally make his presentation as the participants had requested. The event was attended by the academic community, state government parastatals in the South East, organised private sector, students, civil society organisations and the media.

Danger of Over Dependence on Oil – Dr. Abraham Nwankwo

The Forum was attended by representatives of Ministry, Department and Agencies, including the Nigeria Investment Promotion Council, the south east state governments, Mr. Mbaeke Obinna, Commissioner for Human Capital Development and Poverty Reduction, Enugu State, traditional institutions, organized private sector, academic community, UNICEF regional office, civil society organizations, no governmental organizations, the media and others.
Dr Amobi Chairs African Settlements Research Group Workshop

The Executive Director, Dr Ifediora Amobi has said that the proposed research on disconnect between rural areas and urban centres in Nigeria by African Settlements Research Group, was a positive move in the development of the most suitable form of economic planning.

Dr. Amobi presided over the workshop held at the University of Nigeria, Enugu Campus, on August 28, 2015 to usher in the study. He noted that the Group had the capacity to make necessary recommendations that would help countries in the continent break free from their economic woes.

African Settlements Research Group is made up of lecturers from University of Nigeria, Nsukka. The Council for Development and Social Science Research in Africa, Dakar, Senegal, is the sponsor of the project.

The workshop was titled, "An analysis of the Informalisation of African Cities: Case study of two cities in South Eastern Nigeria".

The Coordinator of the Group, Dr. Donald Okeke, said the proposed research would seek to recommend an acceptable developmental strategy for the African continent. Dr. Okeke added that economic planners needed to make sure that empty spaces in the rural areas and hinterlands were converted to plantations which would service the modern sector. The Workshop was attended by lecturers, non academic staff and students of the UNEC as well as sponsors of the project.

FG commended on TSA

The Executive Director, Dr. Ifediora Amobi has described the Treasury Single Account (TSA) for the MDAs being spearheaded by the federal government of Nigeria as the right step in the right direction. Dr. Amobi gave this commendation on September 10, 2015 on Dream FM radio programme tagged “Political Forum”.

He said the issue of TSA had always been there but most agencies of government refused to comply with it, adding that President Buhari’s government directive that it should be strictly complied with would help to curb corruption, and enhance reconciliation issues.

According to him, all the MDAs need to do is to consolidate their revenue currently being run in different accounts into one account where disbursement is drawn. Dr. Amobi assured that though it might affect the commercial banks in the short run, it would have positive impact on government’s capacity to save for capital development in the medium to long time.

He urged the new government to develop a consumption led economic blueprint which “would ensure that there is money in the pockets of our people that will help to create the needed market for whatever commodities produced in the economy.”

AfriHeritage at NES#21

Towards its drive for networking to achieve development, AfriHeritage participated in the 21st edition of the Nigerian Economic Summit held in Abuja between October 12 to 14, 2015. Dr. Ifediora Amobi facilitated the conversation on “Sub-National Competitiveness: A Conversation with State Governors”. This session comprising governors of the South East geo-political zone, was held on the second day of the Summit; October 14th, 2015.

The session which employed six parallel breakout sessions according to Nigeria’s six-geo political zones sought to explore the competitive advantage of each region and determine actionable steps required to harness opportunities in the region to make it more competitive. It also sought to reveal practical measures to increase the contribution of each region to national output; set an economic agenda & leverage each geo-political competence towards achieving inclusive economic growth and sustainability.

The overall theme of the 2015 Summit was “Tough Choices: Achieving Competitiveness, Inclusive Growth and Sustainability”.

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Federal Government Bailouts To States Governments was reported in Newswatch Times, The Nation, BusinessDay, The Guardian, Sun, Nigerian Tribune between August 31, Sept 2,3. ED at African Settlements Research Group was reported by NAN in September 4. DMO DG on States' Fiscal Balance was reported by AIT and The Guardian on September 10.