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#PMBMid-term Economic Scorecard by @nairametrics

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Two years of ups and downs 29/5/2015-29/5/2017

Upon resumption of power on May 29, 2017 millions of Nigerians basked in the euphoria of a Buhari Presidency. The stock market soared higher, after crash just months before, economic sentiments were positive and many chanted the new buzz word “body language”.

Four months into the presidency, Nigerians witnessed a glimmer into what this government will eventually be notorious for. It took almost 5 months to appoint a cabinet and over a year to appoint heads of parastatals and MDA’s.

By October, the economy was in a tailspin with foreign investors scampering to safety. JP Morgan yanked Nigeria off their emerging market bond index, leaving with them billions of dollars in foreign investments. Budgets were cut and the businesses groaned of a lack of foreign exchange to facilitate their transactions. Consumer demand tanked and the naira hit multiple lows in the black market. Within a year into this government analysts were sure Nigeria was neck deep in a recession. This was confirmed by the second quarter of 2016 along with galloping inflation rate that ensured that we were not only in a recession but in what economist call a stagflation. Foreign investments depleted, oil price tanked, fuel queues resurfaced, electricity prices rose and millions of Nigerian lost jobs.

Despite all of this, the government to its credit had recorded modest success in the area of diversifying the economy while striving to stamp out corruption. They have also appeared more often than not to learn from their mistake and align with policies more in tune with the turn that remain as outliers, a state synonymous with the CBN governor.

This report looks at the Mid-term fact sheet presented by the government, providing Nairametrics opinion on the performance of the government so far on matters related only to the economy.

Factsheet	Nairametrics View	Score card
1.Agriculture and Solid Minerals: Decent Growth The number of sub-sectors of the economy experiencing negative growth has almost halved; falling from 29 sub-sectors for the whole of 2016 to 16 in Q1 2017.The manufacturing sector has returned to positive territory after five quarters of negative growth. It grew by 1.36% in Q1 2017 after falling to -7.0% in Q1 2016. Agriculture and Solid Minerals –both priority sectors of the administration– saw improved performance, despite the recession. Agriculture grew by 4.11% in 2016, while Solid Minerals recorded a 7% increase. The contribution of the Ministry of Solid Minerals to the Federation Account tripled to about N2 billion in 2016, up from N700m in 2015.	Despite modest GDP growth in the agric sector, Nigerians are yet to feel the effect. Food inflation continues to rise, clocking 19.3% in April –the 10^{th} highest in about 172 months of tracking food inflation rate (since 2005). We have also seen reports of farmers complaining about poor access to fertilizers, inability to access promised concessionary loans as well as obvious challenges within the distribution value chain. In terms of solid minerals, it has been all talk and no action from the government. Nigeria still relies heavily on oil for its mineral export earnings. No new laws have been passed and investment in the sector is still negligible.	**4/10** **Food security objective not yet met, as food prices remain high.**

2. Subsidies to the Agric Sector: The Anchor Borrower Programme and the Presidential Fertilizer Initiative. The Anchor Borrower Programme of the Central Bank of Nigeria substantially raised local production of grains in 2016 (yields improved from 2 tonnes per hectare to as much as 7 tonnes per hectare, in some States) and produced a model agricultural collaboration between Lagos and Kebbi States. Nigeria's rice imports subsequently fell from 580,000 MT in 2015 to 58,000MT in 2016 – a 90% drop. **The Presidential Fertilizer Initiative** (which involved a partnership with the Government of Morocco, for the supply of phosphate), has resulted in the revitalization of 11 blending plants across the country. The benefits include annual savings of US$200 million in foreign exchange, and ₦60 billion annually in budgetary provisions for Fertilizer subsidies. The Scheme has also made it possible for Farmers to purchase Fertilizer at prices up to 30 percent cheaper than previously available.	Again, the results here speak volumes. While rice imports have fallen on account of the revised fertilizer policy, the gains from the fertilizer initiative are not yet widespread as some sections of farmers still lack access to fertilizers. There has also been some controversy about the export of fertilizers which is contradictory to the policy of the government. The government prefers that locally manufactured fertilizers be sold locally rather than being exported. However, the subsidies – which is essentially a price ceiling– imposed by the government means that local manufacturers have a better incentive to sell abroad as prices there are higher. As far as the rice policy goes, the government still finds itself in a conundrum – locally made rice is still more expensive than imported rice, despite the surge in local production. This means that costs are still structurally high owing to inefficiencies embedded in the value chain, and of course, the lack of infrastructure.	# 5/10 **While some objectives were achieved through the administration's sheer force of will, underlying problems still persist, especially in the value chain.**

3. Foreign Reserves: Nigeria's External Reserves has grown by US$7 billion since October 2016, in spite of the relatively low oil price environment, thanks to stable production and an uptick in oil prices caused by OPEC output cuts. The Sovereign Wealth Fund saw inflows of US$500m in 2016 and 2017 (the first, since the original US$1bn with which the Fund was capitalized in 2012). The Excess Crude Account also saw inflows of US$87m, in 2017.	Whilst Nigeria's Foreign Reserves saw some accretion, it came at significant costs to Nigerians. The forex policy of the CBN, which was dominated by capital controls resulted in the lowest injection of forex into the market in recent times. CBN provisional data revealed that total forex outflows stood at about $25.5 billion in 2016, compared to $41.3 billion and $56.2 billion in 2016 and 2015 respectively. Inflows was also $154.2 billion, $99.7 billion and $62.7 billion in 2014, 2015 and 2016 respectively. In fact, forex sale to the BDC segment was $58.2 million in 2016 compared to $3.9 billion in 2015. The WDAS and RDAS segment also witnessed a huge drop with about $15.8 billion sold in 2016 compared to $33.3 billion, $48 billion and $35.2 billion sold in 2015, 2016 and 2017 respectively.	**3/10** **Forex Savings was beneficial for the headline statistics, but the wider economy suffered for it.**

4. The Micro, Small and Medium Enterprise Sector The Administration launched a series of funding and capacity development initiatives designed to support MSMEs across the country, as follows: • The new Development Bank of Nigeria (DBN) is finally taking off, with initial funding of US$1.3bn (provided by the World Bank, German Development Bank, the African Development Bank and Agence Française de Development) to provide medium and long-term loans to MSMEs • The MSME Clinic, brings relevant Government Agencies and their managements together with small businesses operating in various cities across the country, to enable the Agencies provide direct support to these businesses. The Interactions allow the Agencies to better understand the issues facing small businesses, and provides a platform for speedy resolution. • The Government Enterprise and Empowerment component (GEEP) of the Social Intervention Programme (SIP) was instituted. The Ease of Doing Business Reform Programme was also instituted (see below).	The government has in the past, made MSME support a major economic policy. However, like the preceding policies, the results are the same. Commercial banks still charge MSME's interest rates not less than 25%. Lucky enterprises who get access to funding from the Bank of Industry are given concessionary rates, which often can be single digits. However, the timeline for securing such loans, often render its usage ineffective. There has been significant success in the government's strive to improve ease of doing business. The difficulty in getting several agencies of government to work together to achieve seamlessness and the desired ease in the country's business environment should not be taken for granted. It will need more time. The government has issued executive orders, brought MDA's together under the auspices of the PEBEC and have tabled a bill with the National assembly to this effect.	**7/10** **This has so far been the shining light of the government.**

5. Infrastructure: • The Buhari Administration has demonstrated a single-minded commitment to upgrading and developing Nigeria's Transport Infrastructure. • Road projects are ongoing across every State of the Federation; many of these projects had been abandoned in previous years because of mounting debts owed by the Federal Government to contractors. • The Administration is also pushing ahead with the revitalization of Nigeria's 3,500km network narrow-gauge railway. In March 2017 a consortium led by General Electric, and comprising Transnet of South Africa, APM Terminals of the Netherlands and Sinohydro Consortium of China submitted the sole bid for the concession of the Lagos-Kano Railway Narrow-gauge Line. (Transaction Advisers were approved for the project in 2016). In May 2017 the Federal Executive Council (FEC) approved the commencement of negotiations with	The government it has cash backed nearly all of its budgeted capital expenditure in 2016. The problem, however, is that spending started very late into the year, having just passed the 2016 budget in May. In fact, some of these projects are still in their early stages and may not be completed by 2019. It is also important to note that some of the major roads in the country are yet to be upgraded. The Lagos Ibadan Expressway, Apapa Oshodi Expressway, Abuja Lokoja Road, Benin Ore Expressway, Niger Bridge, Porthacourt-Aba road still need major rehabilitation. Railways are still in the MOU phase as contractors are yet to mobilize to site. Some of the commissioned railway projects were initiative by the GEJ regime. Whilst we acknowledge major moves towards actualizing these projects, we believe the government has mostly under achieved in this area. Funding was indeed a challenge.	**4/10** **This sector remains a work-in-progress**

• GE to conclude the concessioning. • In addition, Abuja’s Light Rail system will also go into operation (test-run) in 2017. The first line to be launched will connect the city center with the Airport, with a link to the Abuja-Kaduna Railway Line. The test-run will start in November 2017, ahead of full commencement of operations in Q1 2018. • The Buhari Administration successfully completed the reconstruction of the Abuja Airport runway within the scheduled six-week period (March — April 2017).		

6. Alignment of Monetary, Fiscal and Trade Policies: Landmark initiatives here include: • Ongoing FX market reforms by the Central Bank, resulted in some stability this year, and increased appetite for Nigerian stocks by foreign portfolio investors. Reforms include the targeting of FX supplies to a manner of economic participants and the eventual creation in April 2017 of a New FX Window for Investors and Exporters. The new window has proven to be a game-changer, having attracted up to $1.4bn in its first four weeks of operation, according to data from the Central Bank of Nigeria. • Revision of the List of 41 Items initially excluded from the Central Bank FX Window, in line with a request from the Manufacturers Association of Nigeria (MAN) • The establishment of the Nigerian Office for Trade Negotiations by the Economic Management Team (EMT), and • The Introduction of a new trade policy by the CBN, aimed at boosting domestic Tomato production.	The Emefiele-led CBN will be mostly remembered for the way it handled the forex crises. Its policy inconsistency indeed made the apex monetary institution a target of ridicule both domestically and internationally. There was a loss of confidence in the Nigerian economy which resulted in massive capital flight and made Nigeria the least attractive emerging economy to invest in. Capital importation fell from about $26 billion in 2014 to about $9.6 billion and $5.1 billion in 2015 and 2016 respectively. A stock market crash ensued, with over N2 trillion wiped off the equities market. We also recorded an exchange rate depreciation of over 50% rising from N197 to about N400 and at some point in 2017, the exchange rate depreciated to as high as N520 on the black market. Small business, manufacturers also complained of the negative effect of the ban on 41 items with many of their manufacturing inputs wrongly included as part of the banned items. Local manufacturers whom the government also claimed to be supporting with the forex policy, also could not access forex, leading to company shut downs, loss of jobs, inventory cut down etc.	**5/10** **While some may insist that this was the government at its worst, Nigeria currently enjoys some stability and fares relatively better than some of its EM counterparts. The CBN has also started to align, especially with trade policies, to achieve greater economic cohesion.**

7. Housing A new Social Housing Programme is kicking off in 2017. The 'Family Homes Fund' will take off with a 100 billion Naira provision in the 2017 Budget. The rest of the funding will come from the private sector. A pilot component has already kicked off (to construct the first set of homes for the Programme)	This is still in the pipes and can't be considered as an achievement. Cement prices are still high, land reforms are yet to be done and mortgage rates are still beyond the reach of tens of millions of Nigerians.	**0/10** **Nothing tangible has been achieved in this sector.**
8. Fiscal Policy 1.2 trillion naira was released for capital expenditure in the 2016 budget, since implementation started in June 2016. This was the largest ever capital spend within a single budget year in the history of Nigeria. This investment enabled the resumption of work on several stalled projects — road, rail and power projects — across the country.	We mentioned this above when we reviewed progress on the infrastructure front. This is commendable considering that previous governments never achieved a 100% cash backed capital expenditure budget. It is interesting to note that the government continued to rely on the CBN for funding leading to a ballooning of CBN's lending to the government beyond the ways and means provisions of the CBN.	**6/10** **We recognise the difficulty in attaining a 100% cash backed capital expenditure budget. We however, are circumspect about actual spending.**

9. All 4 components of the Social Investment Programme (SIP) have now taken off. • The SIP is the largest and most ambitious social safety net programme in the history of Nigeria, with more than 1 million beneficiaries so far — 200,000 N-Power beneficiaries (160,000 of them have had their details validated and are now receiving the monthly N30,000 stipend, while the rest are undergoing verification. • 3,162,451 people belonging to 26,924 registered cooperatives have been registered for the Government Enterprise and Empowerment (GEEP) Scheme. 57,234 interest-free loans (except a one-time administrative fee) have been issued, across 28 States and the FCT. 56% of loans so far disbursed has gone to female beneficiaries. • 1,051,000 Primary School Pupils are currently benefiting from the Homegrown School Feeding Programme (HGSFP), in 8,587 schools across seven States. More than 11,000 cooks have been employed under the HGSFP. • Under the Conditional Cash Transfer (CCT) Programme, 26,942 beneficiaries are now receiving the monthly N5,000 stipend in 9 States and 84 Local Government Areas. The States are Borno, Cross River, Niger, Kwara, Ekiti, Kogi, Oyo, Osun and Bauchi.	Though, this started late, it has so far gone well even though there have been notable reports about the funds not getting to the end users or some people collecting more than once. However, we do acknowledge that a lot of work has been done here. While not agreeing with the principle of an SIP that is difficult to assess in terms of impact to the beneficiaries and wider effect on the economy, it has always been one of the major policy goals of the government	**7/10** **The ability to transfer billions of naira to ordinary Nigerians is a significant achievement for us. The lessons learnt from here will be immense. It can only get better**

10. Strategic Engagements with OPEC and in the Niger Delta have played an important part in raising our expected oil revenues. Already, Nigeria’s External Reserves have grown by around $7 billion in the last six months. In the same period we have added $87m to the Excess Crude Account, and $250m to the Sovereign Wealth Fund.	This in our view is a mix bag of modest gains and self-inflicted disasters. Firstly, the government’s approach towards the renewed Niger Delta bombing was a costly mistake. Rather than confront the issue through negotiations and outreach to key stakeholders, the government favoured a high-handed approach that worsened the situation. The result was incessant bombing of pipelines and Nigeria’s export facilities, reduction in crude oil exports and crippling of the oil and gas sector. Thankfully, the government made a U-turn and commenced negotiations and engagements. It also increased the budget for rehabilitation of Nigeri Delta militants after previously threatening to cut it. Relative stability has returned with nearly all export terminals approaching full export capacity. Nigeria has also been able to successfully work hand in hand with OPEC countries to agree a crude oil production cut with Nigerian excluded from cuts and holding on to its quota of about 2.2mbpd.	**4/10** **We acknowledge the government’s U-turn which shows that they learnt from their mistakes albeit with costly consequences.**

11. Beneficial Government-to-Government Partnerships with China and Morocco: President Buhari's April 2016 Official Visit to China has unlocked billions of dollars in infrastructure funding. Construction work has commenced on the first major product of that collaboration, a 150km/hour rail line between Lagos and Ibadan.	A lot of big talk after the famous Buhari visit with China. At first it was the China Swap deal that never saw the light of day, then came the numerous MOU's signed nearly every month. Data from the National Bureau of Statistics however reveals that only $27 million in capital importation came through China. The fertilizer deal with Morocco is still under scrutiny and most critics believe it is lopsided and may not favour the local market.	**4/10** **a lot of big talk which can only be classified as work in progress at best. Nigerians are yet to see the full benefits of these partnerships.**

12. The National Economic Recovery and Growth Plan (NERGP), the Federal Government's medium-term Economic Plan, launched by President Buhari in April 2017, charts a course for the Nigerian economy over the next four years (2017–2020).

The Vision of the NERGP is to restore economic growth, invest in Nigerians, and to build a globally competitive economy. The Plan aims to achieve these by focusing on five execution priorities:

- Stabilizing the macroeconomic environment;
- Achieving Agriculture and Food Security;
- Ensuring energy efficiency (especially in power and petroleum products);
- Improving transportation infrastructure; and
- Driving industrialization primarily through SMEs.

The ERGP will return Nigeria's economy to sustainable, inclusive and diversified growth, and transform Nigeria from an import-dependent to a producing economy; a country that grows what it eats and consumes what it produces.

The almost 8-fold oversubscription of our recent Eurobond (**orders in excess of US$7.8 billion compared to a pre-issuance target of US$1bn**) demonstrates strong market appetite for Nigeria, and shows confidence by the international investment community in Nigeria's economic reform agenda.

Typically, when an economy is in peril and facing a recession, a concise economic plan is anticipated not after the recession has been confirmed but before. This is also expected of a newly elected political party with control of the two major arms of government.

What did we get? It took the government nearly two years of its existence, and 9 months after the NBS revealed we were in a recession, to release a plan called the National Economic Growth Recovery Plan.

Though, the plan has also been widely criticized as a work of fiction, we believe that a plan beats no plan.

It is also likely that a new government (even from the same party) could ditch this plan.

3/10

The plan is yet to be fully implemented and could take longer than 2019 to start to show its effect. Our rating is also based on the delay in releasing a plan. The Plan came too late.

13. Power Sector: • Power Sector Reform is on course with the launch of the 701 billion Naira Payment Assurance Programme designed to resolve the liquidity challenges in the Power Sector by guaranteeing payments to Generating Companies and Gas Suppliers, while the Federal Government undertakes the much-needed reform and strengthening of Distribution Companies. • In addition to the Payment Assurance Programme was a much more comprehensive Power Sector Recovery Programme, launched in March 2017 and which has received the endorsement of the World Bank.	When the government was newly elected in May 2015, Nigerians surprisingly witnessed stable power supply for about three months. It shocked many and led to the situation being classified as an effect of President Buhari's "body language". Unfortunately, that euphoria was short-lived as it has slid downhill since then. Despite an increase in electricity tariffs, power supply remains erratic and Nigerians are yet to be metered. The promise of the power sector privatization of November 2013 is nowhere near fulfilled and this government has done nothing to help. Rather, that show leadership and understanding of the challenges in the power sector value chain, the government has irresponsibly engaged themselves in blame games. There has even been talk of a reversal of the Power sector privatization! The so called N701 billion facility is yet to be disbursed and is unlikely to resolve the problem in the sector. The tariff structure is not cost reflective, laws and regulations are yet to be updated and proper evaluation of the viability of some of the discos to deliver is yet to be carried out or published.	**1/10** **This should have been zero but for recent moves initiated by the Vice President to resolve the funding crisis within the generating and gas value chain.**

14. Improved Local Refining Capacity: The total amount of Crude refined by the NNPC's three Refineries (Port Harcourt, Warri and Kaduna) grew from 8m barrels in 2015 to 24m barrels in 2016, and 10m barrels in the first quarter of 2017.	The government since day one had a two-pronged strategy for refineries. First was to privatise and if they found labour resistance, the second plan was to partner with operators. They have since settled for plan B. Some of the refineries appear to be working but they still operate way below their full capacities. Capacity utilization was 7.55% and 36.7% in December 2016 and January 2017 respectively. Nigeria still spends hundreds of billions on fuel subsidy with over N400 billion spent in the first quarter of 2017 alone. The refineries are also operating at a loss according to reports from the NNPC.	**5/10** **For effort at revamping the refineries. We understand how much of a challenge this has been for successive governments. Any modest success here is immense in our view.**

- We acknowledge renewed efforts to improve the state of the economy and navigate Nigeria out of its recession.
- We also observe that the government has stepped up efforts to pass enabling laws to improve investments in the country, improve ease of doing business, stabilize Nigeria's foreign currency position and diversify the economy away from dependence on oil.
- However, some of these moves have come rather late into the administration of President Buhari and may not materialise into any success that can accrue to the government before 2019.
- Following this review, Nairametrics team of analysts scores this government a total of 58 points out of a possible 140. This amounts to a total achieved percentage of 41.4%.

Total achieved - **41.4%**

This report was put together by Nairametrics team of analysts. No external input, whether by commentary, advice, suggestion or opinion was sought in arriving at our score card.

The score card is purely the opinion of Nairametrics and its team of analysts. It is not meant to be used for any investing decision, political aspirations and is certainly not a political statement. Nairametrics is not a political party and does not belong to or plan to ever belong to or associate with any political party.

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