This document is important, and you are advised to carefully read and understand its contents. If you are in any doubt about its contents or the action to take, kindly consult your Stockbroker, Accountant, Banker, Solicitor or any other professional adviser for guidance immediately.

"FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO THE SECTION ON "RISK FACTORS" COMMENCING ON PAGE 18 OF THIS PROSPECTUS

FEDERAL GOVERNMENT OF NIGERIA

Pursuant to the Local Loans (Registered Stock and Securities) Act, CAP. L17, LFN 2004 & Debt Management Office (Establishment) Act 2003

GREENWICH MERCHANT BANK LIMITED, STANBIC IBTC CAPITAL LIMITED & VETIVA CAPITAL MANAGEMENT LIMITED

on the authority of the

FGN ROADS SUKUK COMPANY 1 PLC

Offers for Subscription and are authorized to receive applications for

Up to ₦100,000,000,000 10-Year 15.64% Ijarah Sukuk due 2032

Issue Price: ₦1,000 per unit

Opening Date:	**November 21, 2022**
Closing Date:	**November 29, 2022**
Settlement Date:	**December 02, 2022**

Payable in full on Allocation/Application

Financial Adviser

BURAQ Capital Limited

RC: 1153581

Issuing Houses

GREENWICH MERCHANT BANK

RC: 189502

Stanbic IBTC Capital

RC: 1031358

VETIVA CAPITAL MANAGEMENT LIMITED

RC:485600

This Prospectus is dated [November 21, 2022]

TABLE OF CONTENTS

IMPORTANT NOTICE 3

DEFINITION OF TERMS 5

OVERVIEW OF THE OFFERING 10

STRUCTURE DIAGRAM 14

PRONOUNCEMENT 16

RISK FACTORS 18

USE OF PROCEEDS 21

DESCRIPTION OF THE ISSUER (FGN ROADS SUKUK COMPANY 1 PLC) 22

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS 25

OVERVIEW OF NIGERIA 26

OVERVIEW OF THE ROAD TRANSPORT INFRASTRUCTURE IN NIGERIA 81

NON-INTEREST FINANCE & SUKUK ISSUANCE 87

GENERAL INFORMATION 106

TERMS & CONDITIONS 110

SUBSCRIPTION AND SALE 123

PARTIES TO THE OFFER 126

IMPORTANT NOTICE

1. Presentation of Information

The information set forth herein has been obtained from public or official sources that are believed to be reliable but is not guaranteed as to the accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Prospectus nor any issue made hereunder or any future use of this Prospectus shall, under any circumstance, create any impression that there has been no change in the affairs of the Sponsor since the date hereof.

All financial and other information presented in this Prospectus have been derived from official publications of, and information supplied by, a number of agencies and ministries of the Federal Government of Nigeria ("**FGN**"), except for information expressly attributed to other sources. The presentation of certain information, including tables of receipts and other revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Federal Republic of Nigeria ("**FRN**") or the Issuer. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

A wide variety of other information concerning the Sponsor (herein defined) is available on the Sponsor's website (www.dmo.gov.ng) and other authorized publicly available publications. Any such information that is inconsistent with the information set forth in this Prospectus should be disregarded. No such information is a part of or incorporated into this Prospectus.

2. Statistical Information

Unless otherwise indicated, the statistical information regarding the Federal Republic of Nigeria indicated in this Prospectus have been derived from the official publications of, and information supplied by, a number of agencies and ministries of the FGN including the Central Bank of Nigeria ("**CBN**"), the Debt Management Office Nigeria ("**DMO**"), the Federal Ministry of Works and Housing ("**FMWH**"), the Federal Capital Territory Administration ("**FCTA**"), the National Bureau of Statistics ("**NBS**"), the Budget Office of the Federation, and the Office of the Accountant General of the Federation ("**OAGF**"). Some statistical information have also been derived from information made publicly available by the International Monetary Fund ("**IMF**"), The World Bank Group ("**WBG**") and other third parties. Where information has been so sourced, the source is stated where it appears in this Prospectus.

3. Rounding

Certain numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown in totals in certain tables may not be the arithmetic aggregation of the figures which precede them.

4. Forward-Looking Statements

Certain statements included herein and in any Prospectus may constitute forward-looking statements that involve a number of risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology.

Prospective investors should be aware that forward-looking statements are not guarantees of future development of the country as this may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus.

The Sponsor does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

5. Disclaimers

No person has been authorised to give any information or to make any representation not contained in or not consistent with this prospectus or any other information supplied in connection with the Programme and, if given or made, such information must not be relied upon as having been authorised by the Issuer or the Sponsor.

Neither this Prospectus nor any other information supplied in connection with the Sukuk: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Sponsor, any of the Issuing Houses that any recipient of this Prospectus or any other information supplied in connection with the Issue should purchase the Sukuk.

The Issuing Houses expressly do not undertake to review the financial condition or affairs of the Sponsor or Obligor throughout the life of the Sukuk or to advise any investor in the Bonds of any information coming to their attention. The Issuing Houses have not separately verified the information contained in this Prospectus and accordingly no representation, warranty or undertaking, express or implied, is made and to the fullest extent permitted by law, no responsibility or liability is accepted whether in contract or otherwise by the Issuing Houses as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Sukuk or their distribution. Each person receiving this Prospectus acknowledges that such person has not relied on the Issuing Houses or any person affiliated with any of them in connection with its investigation of the accuracy of this Prospectus or such information or its investment decision.

The receipt of this Prospectus or any information contained in it or supplied with it or subsequently communicated to any person does not constitute investment advice from any of the Issuing Houses to any prospective investor. Prospective investors should make their own independent assessment of the merits or otherwise of subscribing for the Sukuks offered herein and should take their own professional advice in connection with any prospective investment by them.

The distribution of this Prospectus and the offer or sale for issuance of Sukuk may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus or any Sukuk come must inform themselves about and observe any such restrictions.

DEFINITION OF TERMS

TERM	MEANING
"Aggregate Sukuk Amount"	The total amount raised from the issuance of the Sukuk
"Allocated Lands"	The lands being roads designated as federal highways transferred to the Lessor by the Lessee under the Letter of Allocation for construction and/or rehabilitation of Roads as more particularly described on pages [x] of this Prospectus
"Allotment Date"	The date on which the Sukuk is allotted to investors
"Board" or "Directors" or "Board" of Directors"	The Board of Directors of FGN Roads Sukuk Company 1 PLC
"Board Resolution"	The Resolution of the Board of FGN Roads Sukuk Company 1 PLC dated [x] authorizing the Sukuk issuance
"Business Day"	Any day except Saturdays, Sundays, and public holidays declared by the FGN
"CAMA"	Companies and Allied Matters Act 2020 (as amended from time to time)
"CBN"	Central Bank of Nigeria
"Certificate(s) or Sukuk Certificate(s)"	The investment certificates of equal value issued by the Issuer/Trustee, representing the undivided ownership of the Sukukholder in the Trust Assets subject to the terms of the Deed of Declaration of Trust
"Certificate of Completion"	A document certified by the Engineer showing that the construction or rehabilitation of a road has been completed to the satisfaction of the Engineer and endorsed by the Project Monitoring Consultant
"CITA"	Companies Income Tax Act Cap. C21 LFN, 2004 (as amended by the Companies Income Tax (Amendment Act No. 11 of 2007) and Finance Act 2020
"Collection Account"	The non-interest account with commercial banks for collection of Subscription Amounts from investors provided on page 123 of this Prospectus
"Construction Agency Agreement"	The agreement between the Issuer and the Federal Government of Nigeria (represented by the Honourable Minister of the Federal Ministry of Works and Housing and the Honourable Minister of the Federal Capital Territory) in which the Issuer authorizes the FGN to select contractors to develop the Lease Assets on behalf of the Issuer
"Construction Contract"	The contracts for the construction, development, or rehabilitation of the Lease Assets
"Contractors"	Any third-party road construction company appointed by the FGN to undertake the Road construction works
"CSCS" or the "Clearing System"	Central Securities Clearing System PLC
"DMO"	Debt Management Office Nigeria
"Declaration of Trust" or "Trust Deed"	The trust deed between the Issuer, the FGN, and the Delegate Trustees, dated on or about the date of this prospectus, by which the Issuer constituted a trust over the Lease Assets in favour of the Sukukholders and appointed the Delegate

	Trustees as its delegate trustees under the trust to hold the interest of the Issuer's covenants in trust for the Sukukholders
"Delegate Trustees"	Apel Capital and Trust Limited, FBNQuest Trustees Limited and any other party or parties as may be appointed by the Issuer/Trustee to act as agent of the Issuer/Trustee in performing the role of delegate trustee
"Dissolution Date"	The date on which the FGN will purchase the Roads in accordance with the Purchase Undertaking
"Dissolution Distribution Amount"	The Purchase Price for the Lease Assets payable upon final redemption thereof as specified in the Purchase Undertaking or such relevant Transaction Document as the Parties may agree
"Effective Date"	The date of the Transaction Documents
"Engineer"	The Director of Federal Highways in the Federal Ministry of Works & Housing of the FGN, The Director, Engineering Services in the Federal Capital Territory Administration, or such other person as may from time to time be appointed to act in that capacity
"Event of Default"	Any of the events or circumstances described as such in the Lease Agreement
"Exchange(s)"	Nigerian Exchange Limited and/or the FMDQ Securities Exchange Limited
"Federal Government" or "FGN"	Federal Government of Nigeria
"FCTA"	Federal Capital Territory Administration
"Financial Adviser"	Buraq Capital Limited
"FIRS"	Federal Inland Revenue Service
"FMDQ"	FMDQ Securities Exchange Limited
"FMWH"	Federal Ministry of Works and Housing
"Forward Ijarah Agreement"	The forward lease agreement between the FGN and the Issuer for the lease of the Lease Assets
"FRACE"	Financial Regulation Advisory Council of Experts
"GDP"	Gross Domestic Product
"ISA" or "the Act"	Investments & Securities Act No. 29 of 2007 (as amended from time to time)
"Issue Date"	The date on which the Sukuk is issued as evidenced by the Certificate
"Issuer" or "SPV" or "Trustee"	FGN Roads Sukuk Company 1 PLC
"Issuing Houses" or "Co-Issuing Houses"	Greenwich Merchant Bank Limited; Stanbic IBTC Capital Limited; and Vetiva Capital Management Limited
"Issue Proceeds Account"	The non-interest account with the CBN into which the Subscription Amount received from the Sukukholders shall be deposited
"Lease"	The lease of the Lease Assets (created under the Forward Ijarah Agreement) by the Issuer to the Lessee or Obligor

"Lease Assets"	The assets sought to be leased by the Lessee from the Lessor pursuant to the Forward Ijarah Agreement
"Lease Commencement Date"	The date of signing the Forward Ijarah Agreement
"Lease Period"	The term of the forward lease of the Lease Assets by the Lessee from the Lessor, as set out in the Forward Ijarah Agreement
"Lease Rental(s)" or "Rental"	The rent payable by the Lessee to the Lessor in respect of the lease Assets
"Lessee"	The FGN represented by the Honourable Minister of Works and Housing and the Honourable Minister of the Federal Capital Territory
"Lessor"	FGN Roads Sukuk Company 1 PLC
"LFN"	Laws of the Federation of Nigeria
"Letters of Allocation"	The Letters of Allocation are the documents by which the FGN through the following Ministers: ✓ Honourable Minister of Works and Housing; and ✓ Honourable Minister of Federal Capital Territory transfer to the Issuer interest in the lands comprising of the Allocated Lands, for construction and/or rehabilitation as detailed on pages [x] of this Prospectus
"Maturity Date"	The date falling [x] years from the Issue Date
"Naira", "NGN" or "₦"	The Nigerian Naira
"NBS"	National Bureau of Statistics
"NGX"	Nigerian Exchange Limited
"Nigeria"	The Federal Republic of Nigeria and the term "Nigerian" shall be construed accordingly
"Obligor"	The FGN represented by i. the Honourable Minister of Works and Housing ii. the Honourable Minister of Federal Capital Territory
"Originator"	The FGN represented by the DMO
"OTC"	Over-the-counter
"Participant(s)"	Potential Investors who intend to, and have the capacity to purchase the Sukuk, and who submit the duly completed application form during the offer period
"Participation Amount"	Subscription amount indicated on the application form of interested investor
"Paying Agent" or "Registrar"	Central Bank of Nigeria
"Payment"	Payments made or to be made by the Lessee to the Lessor pursuant to the Forward Ijarah Agreement and/or the Purchase Undertaking (Lease Rentals and Dissolution Distribution Amount, as applicable)
"Payment Date"	A Rental Payment Date or Maturity Date, as applicable
"Pension Act"	Pension Reform Act 2014 (as amended from time to time)
"Periodic Distribution Amount"	The amount to be paid to the Sukukholders every six months commencing from the date of the Forward Ijarah Agreement

"PFAs"	Pension Fund Administrators
"PITA"	Personal Income Tax Act, Cap P8, LFN 2004 as amended by the Personal Income Tax (Amendment) Act 2011 & Finance Act 2021 (as may be amended)
"PMC"	The Project Management Consultant appointed by the Delegate Trustees to supervise the Projects
"Professional Parties"	Professionals engaged by the Sponsor to facilitate the Sukuk issuance
"Projects"	Road construction/rehabilitation projects as listed on page [x] of this Prospectus
"Purchase Price"	The price at which the Obligor/Lessee purchases the Lease Assets pursuant to the Purchase Undertaking
"Purchase Undertaking"	The deed entered into by the Lessee on or about the date of the Forward Ijarah Agreement, in which the Lessee undertakes to purchase the Lease Assets, on the terms of the Purchase Undertaking
"Register"	With respect to each Sukuk, the books kept by the Registrar as evidence of the ownership, registration, transfers, and/or other disposals of the Sukuk Certificates
"Rental Commencement Date"	The date on which the Sukuk are issued to the identified subscribers; also construed as the Issue Date
"Rental Payment Date"	[x] and [x] of each year of the Sukuk tenor, with the first payment date being [x]
"Rental Period"	Each period beginning on (and including) the Rental Commencement Date and ending six months after the Rental Commencement Date and every six months thereafter up to and including the Maturity Date
"Rental Rate"	Fixed-rate of 15.64% per annum to be distributed every six months to the Sukukholders, expressed as a percentage of the Sukuk Size being the lease rental payable by the Lessee
"Roads"	The developed roads or sections of the roads financed from the Sukuk Proceeds and bearing the same meaning as the Lease Assets
"Road Contractor"	An entity appointed by the Federal Ministry of Works and Housing or the Federal Capital Territory Administration to construct a road pursuant to a construction contract
"Rules and Regulations"	The Rules and Regulations of the SEC 2013 (or as amended from time to time), issued by the SEC pursuant to the ISA
"S4"	The Scripless Securities Settlement System of the Central Bank of Nigeria
"Sale Undertaking"	The deed entered into by the Lessor on or about the date of the Forward Ijarah Agreement, in which the Lessor undertakes to sell the Lease Assets on the terms of the Sale Undertaking
"SEC" or the "Commission"	Securities and Exchange Commission
"Service Agency Agreement"	The agreement entered into by the Lessor of the Lease Assets under the Forward Ijarah Agreement for the appointment of the FGN to be its service agent to undertake major maintenance of the Lease Assets after construction/rehabilitation
"Settlement Date"	The date by which the investor must pay for the allotted Sukuk

"Sponsor"	FGN through the DMO
"Subscription Amount"	The amount paid by investors for purchase of their subscription to the Sukuk
"Sukuk Size"	Up to ₦100,000,000.00 (One Hundred Billion Naira)
"Sukukholder(s)" or "Holder(s)"	Any registered owner or beneficial owner of the Sukuk to be issued
"Taxes"	Any charges, fees, levies, or assessments imposed by any government authority in Nigeria on all or any of the Trust Assets
"Terms and Conditions"	The terms and conditions of the Sukuk as set out in this Prospectus
"Transaction Documents"	The Prospectus, Letter of Allocation, Deed of Declaration of Trust, Forward Ijarah Agreement, Purchase Undertaking, Sale Undertaking, Construction Agency Agreement, and the Service Agency Agreement
"Trust Asset(s)"	(a) the interest, rights, title, benefits and entitlements, present and future, of the Sukukholders represented by the Issuer/Trustee in, to and under the Roads and any proceeds from the Roads; (b) the interest, rights, benefits and entitlements, present and future, of the Sukukholders represented by the Issuer/Trustee in, to and under the Transaction Documents; (c) all moneys standing to the credit of the Issue Proceeds Account from time to time; and (d) all proceeds of the foregoing.
"Trustees Act"	Trustees Investments Act Cap T22, LFN 2004
"WHT"	Withholding Tax

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Sukuk. Each investor should read the entire Prospectus carefully, and contact and inform its professional advisors before making an investment decision. Words and expressions defined in "Definition of Terms" and "Terms and Conditions" shall have the same meaning in this summary.

Final Terms of the Issue	
Issuer/Trustee:	FGN Roads Sukuk Company 1 PLC, a public limited liability company incorporated by the Federal Government of Nigeria through the Ministry of Finance Incorporated by the DMO
Administration of the Issuer:	The Issuer will be administered by the DMO and the Delegate Trustees
Financial Adviser:	Buraq Capital Limited
Issuing Houses:	Greenwich Merchant Bank Limited; Stanbic IBTC Capital Limited; and Vetiva Capital Management Limited
Description:	Up to ₦100 Billion 10-Year FGN Sovereign Sukuk due 2032 at a return of 15.64%
Delegate Trustees:	Apel Capital & Trust Limited and FBNQuest Trustees Limited
Paying Agent:	Central Bank of Nigeria on behalf of the Sponsor
Issue Size:	Up to ₦100,000,000,000
Unit of Issue:	₦1,000 per unit
Minimum Subscription:	Minimum of ₦10,000 (i.e., 10 units @ ₦1,000/unit) and in multiples of ₦1,000 (1 unit) thereafter
Oversubscription:	Oversubscription may be absorbed based on the discretion of the Issuer, subject to provision of additional assets
Under subscription:	In case of under subscription, the Issuer may re-open the Offer
Issuer's Right on Subscription:	The Issuer reserves the right to issue additional units of the Sukuk to accommodate oversubscriptions, subject to provision of additional assets. The Issuer may also reduce units available for allotment or decide not to allot securities to any subscriber based on the FGN's funding needs
Specified Currency:	Naira ("₦")

Trust Assets:	The Trust Assets are: (a) the interest, rights, title, benefits and entitlements, present and future, of the Sukukholders represented by the Issuer/Trustee in, to and under the Roads and any proceeds from the Roads; (b) the interest, rights, benefits and entitlements, present and future, of the Sukukholders represented by the Issuer/Trustee in, to and under the Transaction Documents; (c) all moneys standing to the credit of the Issue Proceeds Account from time to time; and (d) all proceeds of the foregoing.
Limited Recourse:	Each Certificate represents an undivided beneficial ownership interest in the Trust Assets. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the Trust Assets Sukukholders have no recourse to any assets of the Issuer (other than the Trust Assets) or the FGN (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) or the Delegate Trustees or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Issuer and the Trustee shall be extinguished Sukukholders will not be able to institute against or join with any other person in instituting against, the Issuer under any bankruptcy, reorganization, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law
Enforcement:	Following the distribution of the proceeds of the Trust Assets in respect of the Sukuk to the Sukukholders, in accordance with the Conditions and the Declaration of Trust, the Delegate Trustees shall not be liable for any further sums and, accordingly, the Sukukholders may not take any action against the Delegate Trustees (to the extent that they have fulfilled their obligations under the Transaction Documents) to recover any such sum in respect of the Sukuk Certificates or the Trust Assets
Status of FGN's Obligations:	The payment obligations of the FGN (acting in any capacity) under the Transaction Documents are direct, senior unconditional, and unsecured obligations of the FGN which rank *pari passu*, without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured obligations of the FGN
Issue Proceeds:	₦[x]
Use of Proceeds:	The proceeds of the issue of the Certificates will be used by the Issuer/Trustee for the payment of the construction/rehabilitation of the Roads under the Construction Agency Agreement

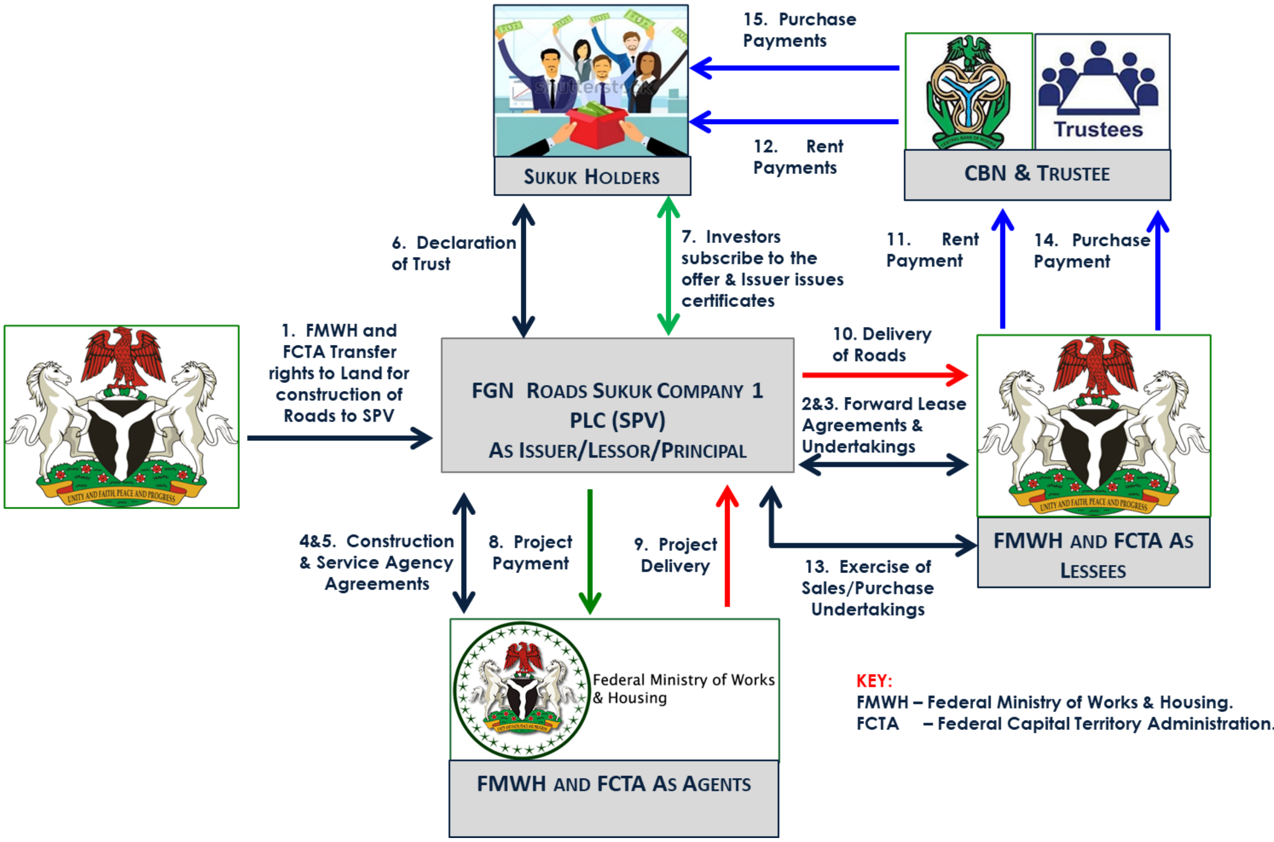
OVERVIEW OF THE OFFERING

Issue Date:	[x], 2022
Maturity Date:	[x], 2032
Periodic Distribution Dates:	Rentals shall accrue for the use of the Lease Assets, from the Issue Date and is payable semi-annually in arrears in the form of a rental payment from the FGN
Periodic Distributions:	On each Periodic Distribution Date, Sukukholders will receive a Periodic Distribution Amount at the Rental Rate of 15.64% per annum of the initial Sukuk Amount
Day Count Fraction:	Actual/Actual
Business Day Convention:	Where a Rental Payment Date falls on a non-Business Day, such payment shall be postponed to the next day which is a business day
Change of Rental or Redemption/Payment Basis:	Not Applicable
Status:	• The Sukuk payments as long as the Sukuk asset are under lease by the Lessee will constitute an irrevocable obligation of the Federal Government of Nigeria and shall rank *pari passu* in all respect with its existing debt obligations • Qualifies as "securities" in which the Pension Fund Administrators may invest under the Pension Reform Act, Cap P4, LFN 2014 • Qualifies as "securities" in which Trustees may invest under the Trustee Investments Act, Cap T22, LFN 2004 • Qualifies as "Government securities" within the meaning of CITA and Personal Income Tax Act ("PITA") for Tax Exemption for Pension Funds Administrators, amongst other investors. • Qualifies as eligible instruments and liquid assets for computation of liquidity ratio of Deposit Money Banks and other financial institutions under the supervision of the Central Bank of Nigeria • Eligible as collateral for financing or lending or repo at the CBN window • Zero risk weighting for the purpose of computing Capital Adequacy Ratio by Deposit Money Banks and other financial institutions
Security:	Backed by the full faith and credit of the Federal Government of Nigeria
Rating:	The Sukuk payment is a direct obligation of the Federal Government of Nigeria and bears its credit rating

Dissolution Distribution Amount:	The Purchase Price for the Trust Assets as defined in the Purchase Undertaking
Scheduled Dissolution of the Trust:	Upon receipt by the Issuer (i) of the Purchase Price payable in accordance with the terms of the Purchase Undertaking, and (ii) any outstanding Rental payment payable in accordance with the Forward Ijarah Agreement, and unless the Sukuk Certificates are previously redeemed or purchased and cancelled, the Issuer will apply the Dissolution Distribution Amount to redeem each Sukuk Certificate and the Trust will be dissolved by the Issuer on the Scheduled Dissolution Date
Form and Delivery of the Sukuk Certificates:	The Sukuk Certificates will be dematerialized and delivered via e-allotment to the CSCS and/or S4 accounts of the Sukukholders
Clearing System:	Central Securities Clearing System (CSCS), operated by the Central Securities Clearing System PLC
Listing:	NGX and FMDQ
Method of Distribution:	Fixed price offer for subscription
Paying Agent:	Central Bank of Nigeria
Taxation:	The Sukuk will qualify as securities issued by the Federal Government of Nigeria and as such will be exempted from Companies Income Tax, Capital Gains Tax, and Value Added Tax
Governing Law:	The Sukuk will be governed by and construed in accordance with the laws of the Federal Republic of Nigeria as well as relevant sections in the Islamic law of commercial transactions (Mu'amalat) as interpreted by the CBN FRACE
Selling Restrictions:	There are no restrictions on the distribution of this Prospectus. It is open to all interested investors. You are advised to carefully read and understand its contents. If you are in any doubt about its contents or the action to take, kindly consult your Stockbroker, Accountant, Banker, Solicitor, or any other professional adviser for guidance immediately. However, this Prospectus does not constitute and may not be used in connection with an offer or solicitation in jurisdictions where offers or solicitations are not permitted by law
Trading:	Trading of the Sukuk will commence once construction or rehabilitation of the Roads commences

STRUCTURE DIAGRAM

Below is a broad schematic illustration of the transaction structure, process flow, key contracts and parties:



The Federal Government of Nigeria has incorporated FGN Roads Sukuk Company 1 PLC ("Issuer") to issue Sukuk Certificates on its behalf.

1. The **Federal Ministry of Works & Housing (FMWH)** and **Federal Capital Territory Administration (FCTA)** respectively issue Letters of Allocation of specific sections of land to the Issuer for construction/rehabilitation of identified Roads.

2. FMWH & FCTA respectively execute Forward Ijarah Agreements with the Issuer to lease the Roads.

3. Unilateral Purchase Undertakings are executed by FMWH & FCTA respectively to purchase the Roads from the Issuer at maturity of the Sukuk. Unilateral Sales Undertakings are executed by Issuer to sell the Roads to FMWH & FCTA respectively at maturity of the Sukuk.

4. The Issuer enters into Construction Agency Agreements with FMWH & FCTA respectively to appoint contractors to construct/supervise the road construction/rehabilitation.

5. The Issuer also enters into Service Agency Agreements with FMWH & FCTA respectively to undertake major repairs on the Roads after construction/rehabilitation.

6. The Issuer declares a trust over the Roads in favour of the Sukukholders under a Declaration of Trust Deed and appoints Trustees (the "Delegate Trustees") to carry out its functions as Trustees under the trust.

7. On the back of these contracts, the Issuer issues dematerialized investment certificates to investors in an offer for subscription and funds realized are utilized to execute the Road projects.
8. The Issuer pays the contractors through its Agents, FMWH and/or FCTA respectively for construction or rehabilitation of Roads from the Sukuk proceeds after the work done by the contractors are certified by FMWH & FCTA respectively and the Delegate Trustees.
9. The contractors deliver the completed Roads to the Issuer, through FMWH and/or FCTA respectively.
10. The Issuer (as Lessor) delivers the Roads to FMWH and/or FCTA (as Lessees) respectively, pursuant to the Forward Ijarah Agreements.
11. FMWH and/or FCTA respectively pay periodic rentals for the use of the Roads to the designated repayment account with the CBN for the entire tenor of the Sukuk.
12. The CBN, as Paying Agent, transfers the periodic rental distribution amounts to Sukukholders on the scheduled dates.
13. At maturity of the Sukuk, the Issuer exercises the Purchase Undertakings and the Roads are purchased by FMWH and/or FCTA respectively.
14. FMWH and/or FCTA respectively pay in full the purchase amount to redeem the principal investment made by investors to the designated repayment account with the CBN.
15. The CBN, as Paying Agent, transfers the purchase amounts to Sukukholders at maturity of the Sukuk in bulk and the SPV cancels the Certificates.

STATEMENT OF CERTIFICATION OF FEDERAL GOVERNMENT OF NIGERIA SUKUK OF 2022 BY THE CENTRAL BANK OF NIGERIA FINANCIAL REGULATION ADVISORY COUNCIL OF EXPERTS (FRACE), ISSUED SEPTEMBER 2022

The Financial Regulation Advisory Council of Experts (FRACE) of the Central Bank of Nigeria has reviewed the structure and transaction documents of the FGN Roads Sukuk Company 1 Plc Public Offer of Sukuk Al Ijara, issued on behalf of the Federal Government of Nigeria (FGN).

The Sukuk proceeds shall be for the construction of specific roads and bridges and subsequent lease of the roads and bridges based on a Forward Ijarah Agreement (Ijarah al Mawsuf fil Dhimmah) between the Sukuk Issuer and the FGN, and the ultimate sale of the roads and bridges to the FGN.

FRACE reviewed the transaction documents of the Sukuk issuance which consist of:

i. Forward Ijarah Agreement;
ii. Declaration of Trust Deed;
iii. Prospectus;
iv. Construction Agency Agreement
v. Purchase Undertaking Deed;
vi. Sale Undertaking Deed;
vii. Service Agency Agreement; and
viii. Letter of Allocation.

FRACE approves the structure as being in conformity with the terms and conditions of a forward Ijarah contract in the Shari'ah, as well as with the terms and conditions of a sale and purchase contract predicated on unilateral sale and purchase undertakings.

FRACE also resolves that the FGN Sukuk may only be listed for trading on relevant exchanges, after the commencement of works on the Road Project for the construction of the Sukuk assets. This is in order to create a pool of non-financial and financial assets that could be freely traded, while avoiding the prohibition of dealing in interest-based transactions arising out of sale of debt and exchange of currency not at par

We hereby approve the Sukuk and issue this Certification to confirm same.

And Allah knows best.

1. Sheikh Shariff Ibrahim Saleh Al Husaini	(Chairman)
2. Dr. Bashir Aliyu Umar	(Deputy Chairman)
3. Prof. Abdul-Razzaq Abdul-Majeed Alaro	(member)
4. Dr. Mohammed B. Arbouna	(member)
5. Sheikh Abdullahi Garba U. Ogbede	(member)
6. Prof. Dr. Mohamad Akram Laldin	(member)
7. Prof. Usman Muhammad Shu'aib	(member)

Dated this 1st Day of September 2022

RISK FACTORS

The Sukuk, like any other investment, involves a reasonable amount of risk. These risks, as discussed below, should be considered alongside all other relevant information contained elsewhere in this Prospectus. The risk factors set out below are not exhaustive and do not discount the possibility of other risks emerging in the course of the Sukuk's tenor. In addition, risks that are currently considered immaterial may also become material through the life of the Sukuk.

COUNTRY RISKS

Political Risk

Nigeria has witnessed periods of political instability since its independence in 1960. Following the election of the Obasanjo government in 1999, a democratic government was reinstalled after 16 years of military rule. The subsequent democratically transferred power from President Obasanjo to President Umar Musa Yar'Adua in 2007, President Goodluck Jonathan in 2010, and then to President Muhammadu Buhari marked the first, second, and third times in Nigeria's history that power was passed democratically from one elected government to another consecutively. Although there are indications that Nigeria's democracy is maturing, Nigeria's complex political, religious, and ethnic environment has resulted in power conflicts between opposing factions.

Security remains a major concern for the Nigerian government in 2022. Despite significant progress in the fight against insecurity and insurgency in Nigeria and the rest of Africa, the country still faces massive security issues, attacks, and kidnappings, notably in the North-East, North-West, and South-South regions. The Federal Government has recently been successful in limiting the activities of the Boko Haram group, including the recapture of previously controlled territories. The humanitarian situation, on the other hand, has deteriorated. In addition, rising sectarian conflicts in Nigeria's middle belt and eastern regions continue to pose a threat to the country's political stability.

Consequently, despite the efforts of the Federal Government, persistent criminal activity, unrest, political and religious divisions in the country may result in lower revenue generation, dwindle Foreign Direct Investments in Nigeria, discourage investment in certain areas, and promote political instability. Any of these events could have a significant negative impact on public safety, the regional and national economy, as well as the Country's overall revenue-generating capacity.

Lastly, potential changes in government policies could have an adverse effect on the economy. The general election of Nigeria is proposed for next year 2023 and as such, if the Federal Government is unable to resolve all of these concerns, the risks will continue to exist, posing a threat to Nigeria's political and economic stability.

RISKS RELATED TO THE MACROECONOMY

Economic Risk

Nigeria's economy is highly sensitive to changes in global oil prices due to its dependent on oil for its exports and foreign exchange earnings. NBS reports oil contribution as 6.33% to total real GDP in Q2 2022, down from figures recorded in the corresponding period of 2021 and the preceding quarter, where it contributed 7.42% and 6.63% respectively.

In 2020, global oil demand dropped largely due to the pandemic, which adversely affected the world leading to a global recession. In a bid to contain the spread of COVID-19, governments adopted various strategies including restriction of travel – limiting trade between countries and leading to a decrease in revenue. The over-reliance of Nigeria on oil production for revenue generation combined with local un-diversified revenue and export bases can lead to further economic shocks

Bureaucracy, bribery, and corruption are other major impediments to doing business in Nigeria, stifling economic growth and social development. Nigeria recently moved up 14 places to rank 131 out of 190 countries in the World Bank's 2020 Doing Business Index, an improvement from 146 in 2019. While this is an improvement, the country continues to struggle with generating revenue via taxes, enforcing contracts, and cross-border trade. This has continued to have a detrimental impact on tax income, investor confidence, and mobility of goods for trade.

Any worsening of Nigeria's economic situation as a result of these or other factors, such as a significant depreciation of the Naira or an increase in aggressive interest rates, might have a material and negative impact on the Federal Government. However, the current administration is devoted to economic reforms aimed at diversifying Nigeria's economy and improving macroeconomic stability while supporting a market-driven private sector economy.

Inflation Risk

Inflationary impacts can reduce an investor's cash flow purchasing power. Investors may be exposed to the prospect of diminished purchasing power if the inflation rate increases. Prices of goods and services, which are subject to Value Added Tax (“VAT”), have continued to increase albeit at a slower rate. In October 2022, the inflation rate increased to 21.09% on a year-on-year basis from 15.99% recorded in the corresponding period of 2021. Also, Food inflation stood year-high at 23.72% in October 2022 compared to the rate recorded in the corresponding period of 2021 which stood at 18.34%. The rate of changes in food prices compared to the same period last year was higher due to supply disruptions caused by widespread flooding and higher import costs.

The CBN in its effort to curb inflation in the country has continued to engage in tightening monetary policies to keep inflation at bay.

RISKS RELATED TO THE SUKUK

Credit Risk

This is the risk that the Issuer will default on its obligations leading to the non-payment of the rentals, and the principal at the time of maturity. However, because the Sukuk is a direct obligation of the FGN, this risk is remote and unlikely to crystalize as the FGN has never defaulted on its debt commitments or engaged in any sort of creditor arrangements.

Regulatory Risk

The Sukuk is governed by the laws of the Federal Republic of Nigeria and is issued in accordance with the current legislative framework as of the date of this Prospectus. This would be Nigeria's fifth sovereign Sukuk issuance to put the existing regulatory framework into action. The Sponsor has, to the extent necessary obtained regulatory clarification from relevant fiscal and monetary authorities as regards the status of the Sukuk. However, there are no precedents on how the laws would be applied by the courts.

Changes in the Statutory and Regulatory environment can result in amendment of laws or policies that may not be favorable to the Sukuk. However, the Nigerian securities laws have been stable over the last decade and a material change that may affect the Sukuk is unlikely to occur.

Shari’ah Non-Compliance Risk

The Sukuk is required to remain Shari’ah-compliant at all times until maturity. However, the presence of different schools of thought in Islamic commercial jurisprudence implies that the Sukuk may be considered to be Shari’ah compliant to some scholars and not to others.

The Sukuk has been structured by Financial Adviser with expertise in Islamic finance and under the guidance of their Shari’ah board. The Ijarah structure underpinning the Sukuk is widely used and well recognized structure internationally. In addition, this issuance has been reviewed and adjudged to be Shari’ah compliant by the Financial Regulation Advisory Council of Experts (“FRACE”) of the Central Bank of Nigeria. The FRACE is comprised of qualified scholars in the field of Islamic commercial jurisprudence.

Rate of Return Risk

Sukuk structures based on fixed annual Rental rates are exposed to this risk which may adversely affect the price of the Sukuk issuance on relevant exchanges. When market interest rates rise, the value of fixed income Sukuk drop. Consequently, the yield on the Sukuk may fall below the fixed annual rental rate unless the Sukuk is held until maturity.

There is also a dimension of reinvestment risk and the opportunity cost of investing at the new rate, particularly if the asset is not liquid.

Liquidity Risk

The certificate holder is exposed to liquidity risks even though the Sukuk will be listed on regulated exchanges similar to previous issuances. Secondary market liquidity may be limited and is highly dependent on the size and number of participants willing to trade on the exchange. Therefore, a possibility that the Sukuk may not be easily disposed of at prices and volumes deemed appropriate by holders before maturity exists.

Other macroeconomic indicators such as interest rates, inflation and technological advances in local and international capital markets may also affect the price of the Sukuk in an unpredictable manner. The objective of the Sponsor is to deepen the domestic Sukuk market, with its active participation in the primary market which is expected to further deepen the secondary market.

Construction Risk

The proceeds of the Sukuk will be used to construct/rehabilitate roads which will be leased to the FGN. The Issuer, on behalf of the Sukukholders, is responsible for ensuring that the roads are built. As a result, if the Road Contractors fail to construct/rehabilitate the roads, the legitimacy of the rent paid to Sukukholders will be compromised. However, because the Federal Government oversees the appointment of contractors for the road project, and only highly regarded (grade 'A') firms have been appointed, this risk is limited. The Delegate Trustees will also engage the services of a project management consultant to supervise the road construction/rehabilitation, and contractors will be paid based on milestones.

Taxation

By virtue of the Companies Income Tax (Exemption of Bonds and Short-Term Government Securities) Order 2011, the Personal Income Tax (Amendment) Act 2011 and Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order 2011, all bonds issued by the Federal Government of Nigeria are exempt from companies' income tax, personal income tax and value-added tax. The Sukuk represents a non-interest variant of a bond. The Sponsor has obtained written confirmation from the FIRS that the Sukuk is given equal tax treatment with conventional bonds, and therefore covered by the exemption order. In the unlikely event that these exemptions are reversed, the Sukuk will be subject to the relevant tax laws in Nigeria, including the Finance Act, 2021.

USE OF PROCEEDS

The proceeds of the issue of the Sukuk Certificates, amounting to ₦[x] will be used to construct parts of [x] major road projects across the six geopolitical zones of the country and under two ministries as detailed below:

1. **FEDERAL MINISTRY OF WORKS & HOUSING**

2. **FEDERAL CAPITAL TERRITORY ADMINISTRATION**

DESCRIPTION OF THE ISSUER (FGN ROADS SUKUK COMPANY 1 PLC)

The FGN Roads Sukuk Company 1 PLC is a special purpose vehicle set up with the sole purpose of raising capital from the local and/or international capital markets through the issuance of investment certificates of equal value which evidences undivided interest and/or ownership of tangible assets or usufructs in compliance with Shari'ah principles (Sukuk) and in such amounts as may from time to time be determined by the DMO, and the Board of Directors of the Issuer for the construction, development or rehabilitation of roads in Nigeria.

Following its incorporation in 2017, the Issuer has raised about ₦612.56 billion through the issuances of Sukuk I, II, III & IV in the domestic capital markets.

The Shareholders of FGN Roads Sukuk Company 1 PLC are the Ministry of Finance Incorporated and the DMO in accordance with the below table:

Shareholder	Number of Shares	Shareholding (%)
Debt Management Office Nigeria	400,000	40%
Ministry of Finance Incorporated	600,000	60%
Total Share Capital	**1,000,000**	**100%**

PROFILE OF THE BOARD OF DIRECTORS

ADEKUNLE AWOJOBI

Adekunle Awojobi is currently the Managing Director of FBNQuest Trustees Limited. He is a Fellow of the Institute of Chartered Accountants of Nigeria, Associate Nigerian Institute of Management, Associate Certified Fraud Examiner, and Member Institute of Internal Auditors. He also holds a Bachelor of Science Degree in Economics with First Class honors from Ogun State University (Olabisi Onabanjo University), Ago-Iwoye, Ogun State. Prior to joining FBNQuest Trustees Limited in 2002, he was an Audit Senior with KPMG Audit (1996-1997); Internal Auditor with Texaco Nigeria PLC (Now Chevron Oil Nigeria PLC (1997-2000), and Head, Internal Audit at CarnaudMetalBox (Now Nampak) Nigeria PLC (2000 – 2002).

Kunle has attended various courses including Euro-money Bond & Fixed Income Academy (UK); Fundamentals of Real Estate Finance Programme (UK); Corporate Finance Programme (Lagos) and the Bond Programme (Lagos) all organized by Euromoney. He also attended Trustee Essentials Course by the Associate Pension Fund and Investment Managers, United Kingdom.

OLUFEMI OKIN

Olufemi holds a Law Degree (LL.B) from Obafemi Awolowo University, Ile-Ife, and was called to the Nigerian Bar in 2008 after obtaining his Barrister at Law (B.L) degree from the Nigerian Law School. Prior to joining FBNQuest Trustees Limited, Olufemi worked with the Corporate Commercial Unit of the law firm of Paul Usoro (SAN) & Co. where he gained experience in transactions related to Maritime law, Banking & Finance, Project Finance, Telecommunications law, and labour matters.

Since joining FBNQuest Trustees, Olufemi has, alongside the team members, managed trust mandates in Government Bonds, Corporate Bonds, Syndications, Collective Investment Schemes, and Reserve Funds with values in excess of US$3 Billion. He currently heads the Public Trust Unit of FBNQuest Trustees Limited.

FUNMI EKUNDAYO

Funmi Ekundayo is an alumna of the prestigious Harvard Business School and a member of the Institute of Chartered Secretaries & Administrators, United Kingdom, and Nigeria. She holds a Bachelor of Law degree and Master of Laws degree from the University of Lagos. A member of the Nigerian Bar Association, Funmi is also a Fellow of the Institute of Chartered Secretaries & Administrators of Nigeria (FCIS) and a Member of the Governing Council of the Institute. She is also the immediate Past President of Association of Corporate Trustees of Nigeria.

She joined STL Trustees Limited (Formerly Skye Trustees Limited) 9 years ago as an Assistant General Manager, Business Development, from where she rose to become the MD/CEO of the Company. Funmi has distinguished herself in her area of core competence as a seasoned trust specialist engaging in the structuring of complex legal, financial, and trust instruments.

AKIN ONI

Akin holds a Bachelor's degree in Law and a Master's degree in Law from the Obafemi Awolowo University, Ile Ife. He has several years of experience in private legal practice and as in-house counsel to corporate organizations. He worked with Standard Alliance Insurance Plc before joining STL Trustees Limited 10 years ago.

ADEOLA SUNMOLA

Adeola is a partner in Udo Udoma and Belo-Osagie's banking and finance (including Islamic finance); power, projects and infrastructure, and compliance and investigations teams. Her specializations include syndicated lending; debt restructuring; financing for power; manufacturing and infrastructure projects; project development and project finance; Islamic finance, as well as anti-corruption compliance and corporate investigations in Nigeria.

She routinely advises local and international clients and banks in connection with financing transactions involving various sectors of the Nigerian economy, including transactions relating to oil and gas assets, gas-fired power plants, renewable energy, steel mills, and a greenfield cement plant as well as those which have "cross-border" elements.

Adeola is ranked as a 'Highly Regarded' Lawyer by IFLR1000, in its 2020 rankings, for her work in the following practice areas: Banking and finance; Project development, and Project finance. She has also been recognized as a "Next Generation Lawyer" and noted as a "key figure" in her team by The Legal 500 in its Energy and Natural Resources ranking (2019). She is a recipient of an award by the Nigerian Legal Awards, titled 'Nigerian Rising Star: 40 under 40' presented to young lawyers under the age of 40 who will shape the future of the legal profession.

OMOLOLA IYINOLAKAN

Omolola Iyinolakan holds a Bachelor of Law degree, LL.B. (Hons) from the Olabisi Onabanjo University, Ago-Iwoye, Ogun State and a Masters of Law degree from LL.M from University of Lagos Akoka, Lagos. She is a member of the Nigerian Bar Association, and Associate member of the Institute of Chartered Secretaries & Administrators, London.

She has over 14 years' experience which spans across legal practice and the financial services sector. She began her career in the financial sector in Zenith Bank Plc 2008 after a short core legal practice. She was thereafter seconded to

Zenith Trustees as Legal Officer where she rose through the ranks to become the Head of Corporate Trust. She thereafter moved to Coronation Trustees Limited where she was the Managing Director until July 2020.

She has led her team to participate at different times both as a sole trustee and joint trustee in key transactions including the Dangote Oil Refinery Project Loan Syndication, the Aiteo Energy E&P Limited Oil Mining License Acquisition Financing, Lagos State ₦47Billion Infrastructure Development Bond, Access Bank Plc ₦15Billion Green Bond, Access Bank ₦30Billion Bond, among several others.

Omolola is currently the Managing Director of Apel Capital & Trust Limited and she is responsible for setting the strategic direction for the growth of the Firm.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the Principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the Principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection at the offices of the Issuing Houses (as defined in the Conditions).

Letters of Allocation

The Letters of Allocation are the documents by which the FGN through the Honourable Minister of Works and Housing and the Honourable Minister of Federal Capital Territory transfers to the Issuer for interest in the lands comprising of the Allocated Lands, for construction and/or rehabilitation of Roads as detailed on pages [x]- [x]of this Prospectus.

Trust Deed

The Deed of Declaration of Trust ("DOT") is the document by which the Issuer constitutes a trust over the Trust Assets in favour of and for the absolute benefit of the Sukukholders. The rights and obligations of the Issuer under the DOT will be performed by the Delegate Trustees who have been appointed by the Issuer under the DOT. The DOT further sets out the rights of the Sukuk holders and the covenants of the Issuer, Delegate Trustees, and Originator.

Forward Ijarah Agreements

The Forward Ijarah Agreements are the documents by which the Lessor as the owner of the Roads has offered to lease and the Lessees (FMWH & FCTA) have agreed to accept the lease of the Roads (as defined in the Construction Agency Agreement) (the "Lease Assets") on prescribed terms and conditions.

Purchase Undertakings

The Purchase Undertakings are the documents by which the FMWH & FCTA respectively as lessee of the Lease Assets unconditionally and irrevocably undertakes to purchase all of the Issuer's title and ownership rights in the Lease Assets at the Purchase Price in accordance with prescribed terms.

Sale Undertakings

The Sale Undertakings are the documents by which the Issuer as Lessor of the Lease Assets unconditionally and irrevocably undertakes to sell all of its title and ownership rights in the Lease Assets at the Purchase Price in accordance with prescribed terms.

Construction Agency Agreements

These are the Agreements between the FMWH & FCTA respectively acting for and on behalf of the FGN, and the Issuer for the appointment of contractors to construct and deliver the roads to the Issuer/Trustee.

Service Agency Agreement

The Service Agency Agreement is the document by which the Issuer in its capacity as lessor of the Lease Assets under the Forward Ijarah Agreement appoints the FGN (FMWH & FCTA respectively) to be its service agents to undertake maintenance of the Lease Assets after construction/rehabilitation and the FGN accepts such appointment on prescribed terms and conditions. It sets out the duties, covenants, and undertaking of the service agent.

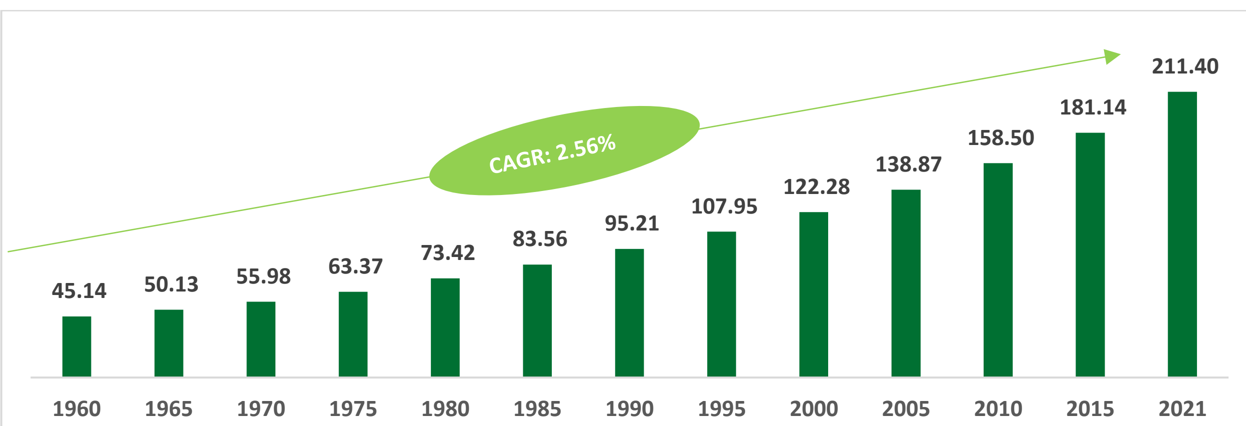
OVERVIEW OF NIGERIA

The information in this section has been extracted from publicly available data obtained from organizations such as the Debt Management Office Nigeria, Budget Office of the Federation, Federal Ministry of Works & Housing, Office of the Accountant-General of the Federation, CBN, the National Bureau of Statistics (NBS), and the United Nations, the Economist Intelligence Unit (EIU), the World Bank, the International Monetary Fund (IMF), United Nations Conference on Trade and Development (UNCTAD) and other sources believed to be reliable. The Issuer, the Financial Adviser, the Issuing Houses, and their respective advisers have relied on the accuracy of this information without independent verification and make no representation as to its accuracy.

The Federal Republic of Nigeria is located in the West African sub-region of Africa, bordered by the Republic of Niger to the North, the Republic of Chad to the North-East, the Republic of Cameroon to the East, the Republic of Benin to the West, and the Atlantic Ocean to the South, and occupies a land area of approximately 923,773km[2]. Nigeria is comprised of 36 States and a Federal Capital Territory – Abuja which is located in central Nigeria. The States and the Federal Capital Territory are grouped into six geopolitical zones: North-West, North-Central, North-East, South-East, South-South, and South-West. Lagos, which is situated in the South-West of Nigeria, is the principal commercial center and has the main sea and airports in the country. As of October 1, 2021, there were 774 constitutionally recognized Local Government Areas and Area Councils in Nigeria.

Nigeria is home to about 211.4 million[1] people as at 2021, making Nigeria the 7th most populous country in the world and the most populous in Africa as it represents approximately 13% of Africa's population. The country's population has grown at an average of 2.6% since 1990 and its growth is forecast to average 2% per annum over the long term[2]. The country is rapidly growing and is projected to surpass that of the United States to become the third-largest country in the world before 2050.

Figure 1: Trend in Nigeria's Population (Millions)



Source: World Bank Development Indicators, 2022

In addition to the above, Nigeria has a relatively young population, as up to 43%[3] of the country's population is estimated to be less than 15 years of age. Similarly, 53% of the population is estimated to lie within the working ages of 15-64[4]. This indicates a strong labour force of up to 111 million people, which provides strategic advantages from the

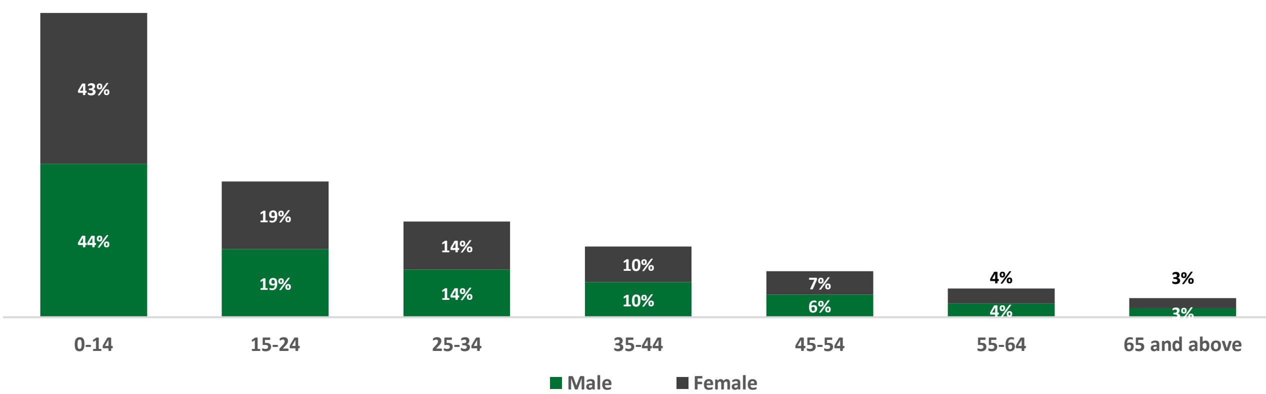
1 World Bank Development Indicators, 2021

2 United Nations Population Fund

3 World Bank Development Indicators, 2021

4 World Bank Development Indicators, 2021 perspectives of strong consumption expenditure and labour supply going forward. The World Bank estimated the average population density for the country at 226.3 people per square kilometer in 2020 and at 220.7 people per square kilometer in 2019. Lagos State had the highest population among Nigerian states in 2020, followed closely by Kano State, which also had the highest population density. Other densely populated states are Kaduna, Katsina, Oyo, and Rivers States. As at 2020, approximately 50.7% of Nigeria's population were males and approximately 49.3% were females.

Figure 2: Nigeria's population by age group (% of Total Population)



Source: World Bank Development Indicators, 2020

There are three main ethnic groups in Nigeria: the Yorubas in the West, Hausa-Fulanis in the North, and the Igbos in the East. There also are more than 250 other ethnic groups and languages, including Urhobo, Efik, Edo, Ijaw, and Kanuri, and over 500 dialects within the ethnic groups. The official language in Nigeria is English, although the main indigenous languages spoken by the three predominant ethnic groups in the country are Yoruba, Hausa, and Igbo. There is also a dialect known as "broken/Pidgin English," which is a Nigerian adaptation of the English language that is spoken and understood by many Nigerians.

Nigeria is endowed with several minerals across the country including gold, iron ore, coal, and limestone, and has 37 billion barrels of oil reserves and 207tcf of proven gas reserve, one of the largest globally in both respects as of 2020, according to the Organization of the Petroleum Exporting Countries ("OPEC"). As at Q2, 2022, The GDP structure of the Nigerian economy is predominantly Services (57.35%), Agriculture (23.24%), and Industries (19.40)[5]. Agriculture is a major source of livelihood, employing roughly 70% of the labour force. According to the United States Energy Information Administration, in 2018, the country was the 13th largest producer of petroleum in the world and has the 9th largest proven reserves.

POLITICAL ENVIRONMENT

Nigeria is a federation made up of three tiers of Government: the Federal Government, State Governments and Local Governments (together, the "Federation") and the aforementioned six geopolitical zones.

Nigeria gained full independence from Britain on October 1, 1960 and became a Federal Republic in October 1963. In May 1999, following 16 years of military rule, Chief Olusegun Obasanjo under the platform of the People's Democratic Party ("PDP") became the first democratically elected President since the 1979 to 1983 civilian government of Alhaji Shehu Shagari. After serving two terms, Chief Olusegun Obasanjo handed over power to Umaru Musa Yar'Adua on May

[5] *NBS, Q2 2021*

29, 2007. However, President Yar'Adua's tenor was short-lived due to his demise on May 5, 2010; following which Goodluck Ebele Jonathan was sworn in as President on May 5, 2010 in accordance with the Nigerian Constitution.

Goodluck Ebele Jonathan retained his role as President following the April 2011 elections, in which he emerged as the winner with 58% of the votes. Thereafter, President Mohammed Buhari of the then opposition party All Progressive Congress ("APC") won the 2015 General Election by 53.96% of the votes, marking a new era for the Country and the end of a 16-year rule by the PDP. President Buhari was elected for a second and final term of 4 years in February 2019 and was sworn in on May 29, 2019.

The present constitution in operation came into effect in May 1999. It was modeled after the United States constitution and it provides for a tripartite structure in which power is divided among the executive, legislative and judicial branches. It establishes and sets out the powers and functions of the President (executive), the National Assembly (legislative), and an independent judicial system (judiciary) and prescribes the qualifications that individuals must possess to be appointed or elected to exercise such powers.

The constitution has been amended four times since it came into force in May 1999. In July 2010, the constitution of the Federal Republic of Nigeria (First Alteration) Act No. 5 of 2010 (the "First Amendment") was enacted into law. The First Amendment dealt mainly with issues relating to elections and circumstances when the President or a Governor is absent from the country.

In November 2010, the constitution of the Federal Republic of Nigeria (Second Alteration) Act No. 2 of 2010 (the "Second Amendment") was passed. The Second Amendment expanded the exclusive appellate jurisdiction in the Supreme Court of Nigeria (the "Supreme Court") to hear and determine certain appeals from the Court of Appeal.

In February 2011, the constitution of the Federal Republic of Nigeria (Third Alteration) Act was passed, creating the National Industrial Court as a court of record to deal with matters relating to employment, including the interpretation of the provisions of a collective agreement between employers and employees or labor unions.

The most recent amendment of the constitution of the Federal Republic of Nigeria was on 31 May 2018 when President Muhammadu Buhari signed into law a bill amending the 1999 Constitution. The implementation of the amendment which lowers the minimum age requirements for competing for and holding key elected offices both at federal and state levels. The new law will also allow individuals to stand for state and federal elected offices as independent candidates.

ECONOMIC OVERVIEW

GROSS DOMESTIC PRODUCT (GDP)

The GDP is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices while real GDP measures the total value of final production in constant prices of a particular year (2010), thus allowing historical GDP comparisons that exclude the effect of inflation.

Nigeria's Gross Domestic Product (GDP) expanded by 3.54 percent (year over year) in real terms in the second quarter of 2022. This growth rate declined from 5.01% in the second quarter of 2021 when rapid growth was recorded following the negative impact of the Covid-19 pandemic on the economy in Q2 2020. The recent rising prices have adversely impacted the performance in the second quarter for 2022. The Q2 2022 growth rate decreased by 1.47% points from 5.01% growth rate recorded in Q2 2021 and increased by 0.44% points relative to 3.11% in Q1 2022.

However, real GDP growth quarter-on-quarter grew by -0.37% in Q2 2022 reflecting lower economic activity compared to the preceding quarter,. The total nominal GDP for the quarter was ₦45,004,520.89 million. This result is higher when compared to the second quarter of 2021, when the economic Output was ₦39,123,713.32million, representing a nominal growth rate of 15.03 percent year on year. In comparison to the 14.99% growth in the second quarter of 2021 and the 13.25% increase in the quarter before, the nominal GDP growth rate in Q2 2022 was greater. The Nigerian economy has been largely divided into the oil and non-oil sectors.

The country's average daily oil production in the second quarter of 2022 was 1.43 million barrels per day (mbpd), which is lower than the daily average production of 1.61 mbpd average daily production volume recorded in the same quarter of 2021 by 0.18 mbpd and 0.06 mbpd less than the 1.49 mbpd average daily production volume recorded in the first quarter of 2022. Real oil sector growth in the second quarter of 2022 was -11.77% (year-on-year), indicating an increase of 0.89% points relative to the rate recorded in the corresponding quarter of 2021. Growth increased by 14.27% points when compared to Q1 2022 which was -26.94% quarter on quarter.. In Q2 2022, the oil sector experienced a growth rate of -4.97% quarter-on-quarter. In Q2 2022, the oil industry contributed 6.33% to the total real GDP, down from the figures recorded in the corresponding period of 2021 and the preceding quarter where it contributed 7.42% and 6.63% respectively. In real terms, the non-oil sector grew by 4.77% during the reference quarter (Q2 2022). This rate was 1.97 percent lower than the second quarter of 2021 and 1.31 percentage points lower than the first quarter of 2022. Information and Communication (Telecommunication), Trade, Financial and Insurance (Financial Institutions), Transportation (Road Transport), Agriculture (Crop Production), and Manufacturing (Food, Beverage & Tobacco) were the key drivers of this sector in the second quarter of 2022, accounting for positive GDP growth. In real terms, the non-oil sector contributed 93.67% of the country's GDP in the second quarter of 2022, up from the 92.58% share in the second quarter of 2021 and higher than the 93.37% share in the first quarter of 2022.

The table below sets forth the contribution to real GDP and growth rate for the periods indicated (based on 2010 constant basic prices) of the five largest sectors of the Nigerian economy, which combined to represent 68.61% of real GDP in FY2020:

As of the full year 2021, the Nigerian GDP was valued at ₦176.07 trillion, relative to ₦154.25 trillion reported in 2020. Consequently, GDP growth in 2021 was printed at -1.92%, relative to 2.27% recorded in 2019. The Nigerian economy has been classified broadly into the oil and non-oil sectors. The following table below provides information regarding Nigeria’s nominal GDP for the periods indicated:

	For the year ended December 31,							
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
	N'million							
Real GDP (constant prices)	67,152,786	69,023,930	68,705,333	68,490,980	69,799,942	71,387,827	70,014,372	72,393,673.44

Nominal GDP (current prices)	89,043,615	94,144,961	102,684,408	113,711,635	127,736,828	144,210,492	154,252,318	176,075,501.87

Source: NBS

GDP Rebasing

Historically, Nigeria prepared real GDP on the basis of 1990 constant basic prices and nominal GDP on the basis of the current basic prices of that year. In 2014, the NBS completed the process of changing the GDP base year to 2010. Rebasing enables the Government to better understand the general structure of the economy, sectoral growth drivers, and sectors to which investment and resources should be channeled. For example, Nigeria's GDP estimates prior to the rebasing exercise completed in 2014 did not adequately reflect the increasing contributions of sectors such as retail trade and entertainment that had grown significantly in total value and employment generation since the previous rebasing exercise of 1990. The UN Statistical Commission recommends that countries rebase GDP every five years.

GDP by Sector

The table below provides information regarding Nigeria's real GDP by sector for the periods indicated (based on 2010 constant basic prices):

ACTIVITY SECTOR	2016	2017	2018	2019	2020	2021
Agriculture	**16,607,337.33**	**17,179,495.29**	**17,544,147.74**	**17,958,583.71**	**18,348,175.94**	**18,738,414.42**
Crop Production	14,894,447.82	15,437,049.70	15,786,437.68	16,181,992.98	16,544,520.56	16,920,523.88
Livestock	1,185,118.44	1,204,205.25	1,208,128.04	1,210,055.38	1,233,114.81	1,240,215.35
Forestry	171,642.65	177,326.97	182,747.93	187,474.87	190,508.05	193,224.32
Fishing	356,128.42	360,913.36	366,834.08	379,060.48	380,032.51	384,450.87
Mining and Quarrying	**5,759,816.75**	**6,031,717.60**	**6,092,477.10**	**6,362,630.77**	**5,819,391.23**	**5,366,193.41**
Crude Petroleum and Natural Gas	5,672,207.01	5,943,985.28	5,995,875.07	6,270,859.17	5,713,195.88	5,239,054.38
Coal Mining	7,344.65	7,238.00	6,817.23	7,713.63	6,132.69	7,711.70
Metal Ores	5,023.79	6,097.14	7,702.90	6,595.27	6,209.56	8,332.49
Quarrying and Other Minerals	75,241.30	74,397.17	82,081.90	77,462.70	93,853.10	111,094.85
Manufacturing	**6,302,232.45**	**6,288,896.80**	**6,420,590.28**	**6,469,831.88**	**6,291,592.13**	**6,502,257.60**
Oil Refining	205,966.43	148,916.39	143,003.37	98,115.94	37,065.61	19,297.84
Cement	564,213.86	551,775.50	576,627.31	594,575.45	617,633.75	658,614.70
Food, Beverage and Tobacco	2,752,898.95	2,817,563.62	2,900,145.02	2,963,076.02	3,007,660.27	3,179,963.72
Textile, Apparel and Footwear	1,407,504.32	1,419,074.45	1,443,029.85	1,441,676.01	1,332,213.48	1,315,243.43
Wood and Wood Products	196,929.27	197,977.82	201,348.53	205,226.17	196,429.57	193,413.83
Pulp, Paper and Paper Products	51,431.11	51,490.58	53,259.90	53,925.40	48,901.72	48,746.29
Chemical and Pharmaceutical Products	152,792.52	153,994.53	154,932.37	155,469.22	159,418.15	172,377.69
Non-Metallic Products	234,495.00	239,099.75	237,958.11	241,953.29	214,012.97	221,315.11
Plastic and Rubber products	220,268.05	222,440.87	225,867.53	231,942.45	222,810.92	227,002.88
Electrical and Electronics	4,716.98	4,585.25	4,757.11	4,828.42	4,032.55	4,057.56
Basic metal , Iron and Steel	169,399.09	169,684.98	168,417.01	166,175.05	159,970.97	161,252.12
Motor vehicles & assembly	37,394.36	29,346.34	28,600.15	29,262.14	30,442.33	31,730.07

Other Manufacturing	304,222.48	282,946.71	282,644.02	283,606.31	260,999.84	269,242.36
Electricity, Gas, Steam and Air Conditioning Supply	**231,569.73**	**269,620.92**	**289,292.30**	**275,231.59**	**267,245.91**	**340,923.42**
Water Supply, Sewerage, Waste Management and Remediation	**103,675.42**	**107,991.01**	**115,780.10**	**122,112.04**	**126,769.71**	**150,013.06**
Construction	**2,520,852.18**	**2,545,991.32**	**2,605,287.77**	**2,652,540.16**	**2,448,716.21**	**2,524,386.15**
Trade	**11,669,061.39**	**11,546,445.65**	**11,473,791.00**	**11,430,547.07**	**10,459,701.18**	**11,360,895.61**
Accommodation and Food Services	**619,419.23**	**609,465.66**	**620,190.65**	**637,858.77**	**524,627.40**	**522,280.67**
Transportation and Storage	**808,597.29**	**839,846.73**	**956,641.32**	**1,059,271.39**	**823,465.04**	**957,297.43**
Road Transport	679,305.23	712,168.24	815,236.49	906,874.62	705,113.66	825,867.30
Rail Transport & Pipelines	175.25	176.65	181.70	184.86	122.67	167.99
Water Transport	4,686.63	4,745.20	4,881.37	4,908.58	4,101.82	4,419.62
Air Transport	60,054.09	61,155.63	73,813.44	83,531.84	52,643.58	63,013.24
Transport Services	46,584.26	46,684.47	47,598.18	48,865.19	46,549.31	48,454.78
Post and Courier Services	17,791.83	14,916.54	14,930.14	14,906.30	14,934.01	15,374.49
Information and Communication	**7,858,698.29**	**7,776,896.97**	**8,527,659.33**	**9,309,924.85**	**10,537,144.83**	**11,227,068.75**
Telecommunications and Information Services	6,053,663.28	5,930,246.07	6,602,077.04	7,355,312.00	8,525,163.93	9,145,604.71
Publishing	18,127.90	18,542.43	19,661.40	20,172.10	18,801.80	19,105.48
Motion Pictures, Sound recording and Music production	734,432.87	730,211.66	727,005.79	728,492.70	728,692.96	752,704.62
Broadcasting	1,052,474.24	1,097,896.81	1,178,915.10	1,205,948.05	1,264,486.13	1,309,653.94
Arts, Entertainment and Recreation	**146,579.96**	**152,629.90**	**156,484.02**	**162,935.03**	**158,041.02**	**160,767.06**
Financial and Insurance	**2,027,512.30**	**2,053,001.84**	**2,094,676.55**	**2,148,388.53**	**2,349,683.53**	**2,586,283.74**
Financial Institutions	1,748,753.70	1,782,325.91	1,807,434.28	1,850,835.57	2,097,668.35	2,318,546.60
Insurance	278,758.60	270,675.93	287,242.27	297,552.96	252,015.18	267,737.14
Real Estate	**4,903,604.64**	**4,694,391.27**	**4,471,861.75**	**4,366,350.60**	**3,963,589.18**	**4,053,083.20**
Professional, Scientific and Technical Services	**2,536,292.03**	**2,529,675.19**	**2,544,135.68**	**2,547,296.25**	**2,345,583.68**	**2,346,816.82**
Administrative & Support Services	**14,374.75**	**14,466.50**	**14,440.88**	**14,723.69**	**14,318.78**	**14,686.08**
Public Administration	**1,569,517.75**	**1,563,619.55**	**1,531,581.82**	**1,470,220.39**	**1,471,655.75**	**1,467,225.18**
Education	**1,518,933.09**	**1,507,982.79**	**1,507,561.07**	**1,519,660.44**	**1,313,388.73**	**1,303,548.36**
Human Health and Social Services	**475,690.00**	**474,237.26**	**472,701.60**	**474,174.77**	**484,736.89**	**508,633.28**
Other Services	**2,257,471.35**	**2,310,545.71**	**2,360,640.98**	**2,405,544.75**	**2,266,544.71**	**2,262,899.21**
GDP at 2010 constant price	**67,931,235.93**	**68,496,917.93**	**69,799,941.95**	**71,387,826.67**	**70,014,371.85**	**72,393,673.44**
Net Indirect Taxes on Products	721,194.44	714,716.71	736,406.67	706,267.32	786,171.64	989,097.94
GDP Constant Market Price	**68,652,430.36**	**69,211,634.64**	**70,536,348.62**	**72,094,094.00**	**70,800,543.49**	**73,382,771.39**

Sources: NBS

The table below provides information regarding Nigeria's real GDP by sector as a percentage of total real GDP for the periods indicated (based on 2010 constant basic prices):

ACTIVITY SECTOR	2016	2017	2018	2019	2020	2021

Agriculture	**4.11**	**3.45**	**2.12**	**2.36**	**2.17**	**2.13**
Crop Production	4.34	3.64	2.26	2.51	2.24	2.27
Livestock	2.94	1.61	0.33	0.16	1.91	0.58
Forestry	2.62	3.31	3.06	2.59	1.62	1.43
Fishing	(0.72)	1.34	1.64	3.33	0.26	1.16
Mining and Quarrying	**(14.45)**	**4.72**	**1.11**	**4.43**	**(8.54)**	**(7.79)**
Crude Petroleum and Natural Gas	(14.45)	4.79	0.97	4.59	(8.89)	(8.30)
Coal Mining	1.00	(1.45)	(5.81)	13.15	(20.50)	25.75
Metal Ores	20.74	21.37	26.34	(14.38)	(5.85)	34.19
Quarrying and Other Minerals	(17.42)	(1.12)	10.33	(5.63)	21.16	18.37
Manufacturing	**(4.32)**	**(0.21)**	**2.09**	**0.77**	**(2.75)**	**3.35**
Oil Refining	2.53	(27.70)	(3.97)	(31.39)	(62.22)	(47.94)
Cement	(5.36)	(2.20)	4.50	3.11	3.88	6.64
Food, Beverage and Tobacco	(6.27)	2.35	2.93	2.17	1.50	5.73
Textile, Apparel and Footwear	(1.09)	0.82	1.69	(0.09)	(7.59)	(1.27)
Wood and Wood Products	(4.04)	0.53	1.70	1.93	(4.29)	(1.54)
Pulp, Paper and Paper Products	(4.17)	0.12	3.44	1.25	(9.32)	(0.32)
Chemical and Pharmaceutical Products	1.19	0.79	0.61	0.35	2.54	8.13
Non-Metallic Products	3.20	1.96	(0.48)	1.68	(11.55)	3.41
Plastic and Rubber products	3.59	0.99	1.54	2.69	(3.94)	1.88
Electrical and Electronics	(8.13)	(2.79)	3.75	1.50	(16.48)	0.62
Basic metal , Iron and Steel	0.72	0.17	(0.75)	(1.33)	(3.73)	0.80
Motor vehicles & assembly	(29.01)	(21.52)	(2.54)	2.31	4.03	4.23
Other Manufacturing	(14.00)	(6.99)	(0.11)	0.34	(7.97)	3.16
Electricity, Gas, Steam and Air Conditioning Supply	**(15.00)**	**16.43**	**7.30**	**(4.86)**	**(2.90)**	**27.57**
Water Supply, Sewerage, Waste Management and Remediation	**9.27**	**4.16**	**7.21**	**5.47**	**3.81**	**18.34**
Construction	**(5.95)**	**1.00**	**2.33**	**1.81**	**(7.68)**	**3.09**
Trade	**(0.24)**	**(1.05)**	**(0.63)**	**(0.38)**	**(8.49)**	**8.62**
Accommodation and Food Services	**(5.32)**	**(1.61)**	**1.76**	**2.85**	**(17.75)**	**(0.45)**
Transportation and Storage	**0.39**	**3.86**	**13.91**	**10.73**	**(22.26)**	**16.25**
Road Transport	1.72	4.84	14.47	11.24	(22.25)	17.13
Rail Transport & Pipelines	(0.65)	0.80	2.86	1.74	(33.64)	36.95
Water Transport	1.40	1.25	2.87	0.56	(16.44)	7.75
Air Transport	(4.86)	1.83	20.70	13.17	(36.98)	19.70
Transport Services	(1.12)	0.22	1.96	2.66	(4.74)	4.09
Post and Courier Services	(21.33)	(16.16)	0.09	(0.16)	0.19	2.95
Information and Communication	**1.95**	**(1.04)**	9.65	11.08	13.18	6.55
Telecommunications and Information Services	2.03	(2.04)	11.33	11.41	15.90	7.28
Publishing	2.40	2.29	6.03	2.60	(6.79)	1.62
Motion Pictures, Sound recording and Music production	(4.08)	(0.57)	(0.44)	0.20	0.03	3.30
Broadcasting	6.13	4.32	7.38	2.29	4.85	3.57

Arts, Entertainment and Recreation	**3.72**	**4.13**	**2.53**	**4.12**	**(3.00)**	**1.72**
Financial and Insurance	**(4.54)**	**1.26**	**2.03**	**2.56**	**9.37**	**10.07**
Financial Institutions	(5.57)	1.92	1.41	2.40	13.34	10.53
Insurance	2.46	(2.90)	6.12	3.59	(15.30)	6.24
Real Estate	**(6.86)**	**(4.27)**	**(4.74)**	**(2.36)**	**(9.22)**	**2.26**
Professional, Scientific and Technical Services	**0.80**	**(0.26)**	**0.57**	**0.12**	**(7.92)**	**0.05**
Administrative & Support Services	**(0.69)**	**0.64**	**(0.18)**	**1.96**	**(2.75)**	**2.57**
Public Administration	**(4.58)**	**(0.38)**	**(2.05)**	**(4.01)**	**0.10**	**(0.30)**
Education	**1.35**	**(0.72)**	**(0.03)**	**0.80**	**(13.57)**	**(0.75)**
Human Health and Social Services	**(1.79)**	**(0.31)**	**(0.32)**	**0.31**	**2.23**	**4.93**
Other Services	**4.93**	**2.35**	**2.17**	**1.90**	**(5.78)**	**(0.16)**
REAL GROWTH RATE AT BASIC PRICE	**(1.58)**	**0.83**	**1.91**	**2.27**	**(1.92)**	**3.40**
REAL GROWTH RATE AT MARKET PRICE	(1.62)	0.81	1.92	2.21	(1.79)	3.65
OIL GROWTH RATE	(0.22)	0.47	2.00	2.06	(1.25)	4.44
NON-OIL GROWTH RATE	(14.45)	4.79	0.97	4.59	(8.89)	(8.30)

Sources: NBS

OIL AND GAS

The average daily crude oil production was recorded at 1.43 million barrels per day (“mbpd") by the end of the second quarter of 2022 as reported by the NBS. This signifies a decline of 4.97% from the first quarter of 2022 which stood at 1.49 million barrels per day and another decline of 11.77% from 1.61 mbpd in the corresponding quarter of 2021 (Q2 2021). It is worthy of note that this is the lowest daily production rate recorded in the oil and gas sector over ten (10) years as shown in the graph below.

Real GDP growth in the oil sector in the second quarter of 2022 was recorded at -11.77% (year-on-year), higher by 0.89% points compared to the corresponding quarter of 2021 and 14.27% points higher than Q1 2022 Growth rate of the sector on a quarter-on-quarter basis stood at -4.97%when compared to Q1 2022 which was -26.04%. while contribution to Real GDP in 2022 second quarter stood at 6.33%, lower than the 7.42% recorded in the second quarter of 2021 and 6.63% recorded in the first quarter of 2022.

According to the OPEC Annual Statistical Bulletin 2022, Nigeria had the 9th largest share of world crude oil reserve at the end of 2021 which stood at 37.05 billion barrels. Statista also places Nigeria as the 5th largest natural gas producer in 2020 with 49.95 billion cubic meters.

According to the Organization of the Petroleum Exporting Countries, in 2017, Nigeria had the 10th largest proven crude oil reserves in the world. With respect to natural gas, in 2017, Nigeria was judged to have the 9th largest proven natural gas reserves.

Revenue Sources

Oil and gas is a significant source of revenue for Nigeria, constituting over 60% of federally collected revenue in 2019. This is lower than the previous year’s figure of 65% in 2018 but higher than 55.92% in 2017, 48.0% in 2016, and 55.5%

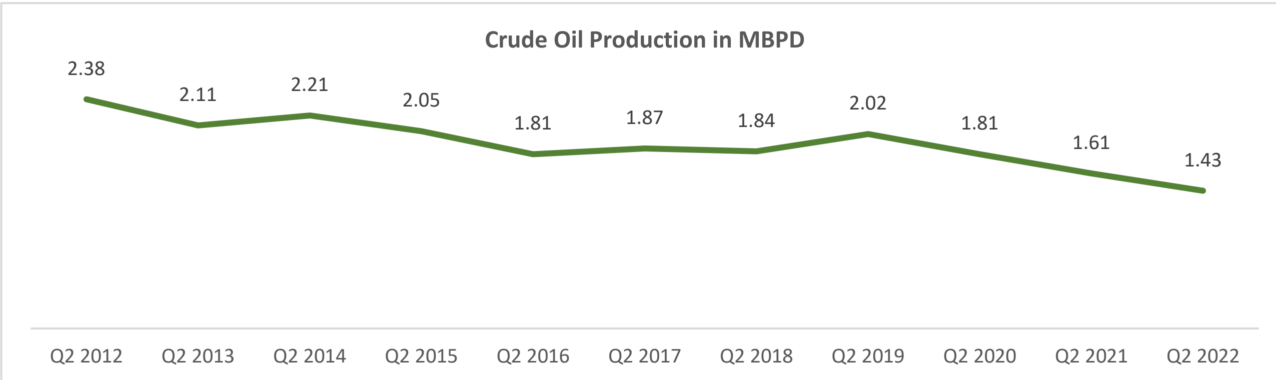
in 2015. However, the recent OPEC+ quota caused by the global pandemic has resulted in an oil production shortage. Consequently, the proportion of oil and gas revenue to the federally collected revenue fell to 30% in 2020. Nonetheless, the oil sector continues to play a major role in Nigeria's economy with a contribution to GDP of 8.16% as of FY 2020 and 8.78% in FY 2019, while accounting for 90% of Nigeria's FX earnings.

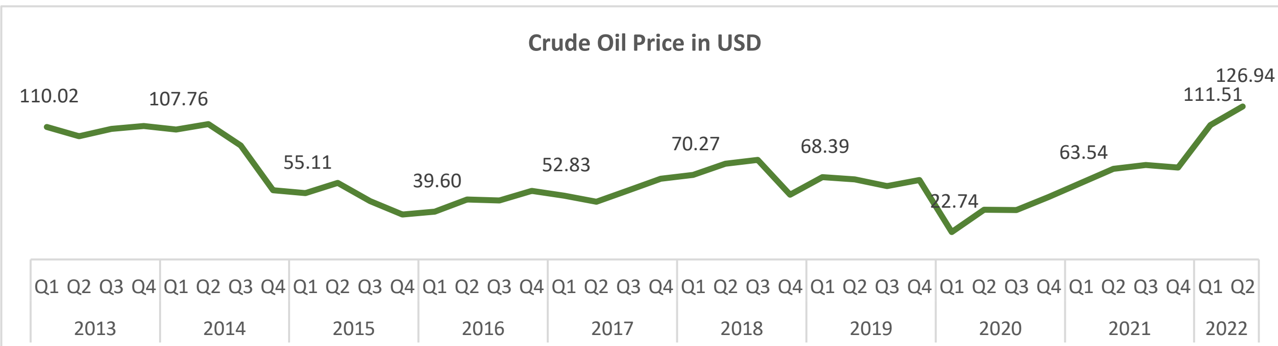
The primary sources of oil revenues are described below:

- Revenue from sale of crude oil—the Federal Government sells the crude oil it receives from its participating interest from joint operating agreements and production sharing contracts;
- Taxes—the second most significant source of oil revenue for the Federal Government;
- Royalties—amounts payable to the Federal Government as the owner of all minerals, mineral oils or natural gas in, under or upon any land and territorial waters of Nigeria. Royalties are charged at 20% of production for onshore drilling and on a graded scale for offshore drilling depending on the depth (and thus the difficulty) of the drilling;
- Bonuses—non-recurring payments made by companies to the Federal Government, such as signature bonus, paid when a contract is signed, or production bonus, paid when production reaches a mutually agreed level;
- Concession rents—amounts paid in exchange for an oil prospecting license or oil mining lease; and
- License fees—fees paid by international oil companies, production sharing contractors, and oil prospectors in exchange for licensed rights.

Crude Oil Output

The downward slope in the trend representing a gradual decrease in the rate of oil production over time. From the data derived from the Central Bank of Nigeria, we expect a lower rate of production going forward which could cause a strain on an oil dependent economy like Nigeria if the price of oil were to drop lower consistently or remain constant over the same period.





Source: Central Bank of Nigeria

Crude Oil Prices

The consistent rise in prices of crude oil witnessed from 2020 coincided with the covid-19 pandemic era. The shortage in oil production experienced during the pandemic which has lingered persist due to Russia-Ukraine war has been a significant driving force behind the recent bullish run in the price of oil.

Oil and Gas Reforms

The Federal Government is intent on reforming the oil and gas sector through the establishment of key regulatory and fiscal policies that will encourage investment in the sector and improve participation by domestic players. The enactment of the Nigerian Oil and Gas Industry Content Development Act targeted at promoting local participation in the oil and gas industry has recorded significant gains in supporting indigenous companies to play a larger role in the industry. These efforts have led to the emergence of local firms leading drilling and development activity in the upstream segment and also influenced continuous innovation in the midstream and services segments.

Petroleum Industry Act (PIA)

On the 16th of August 2021, the President finally signed the Petroleum Industry Bill 2021 into law, weeks after the National Assembly passed the bill. The Petroleum Industry Act provides legal, governance, regulatory and fiscal framework for the Nigerian petroleum industry, the development of host communities, and related matters. The provisions of the contain 5 Chapters, 319 Sections and, 8 Schedules dealing with Rights of Preemption; Incorporated Joint Ventures; Domestic Base Price and Pricing Framework; Pricing Formula for Gas Price for the Gas Based Industries; Capital Allowances; Production Allowances and Cost Price Ratio Limit; Petroleum Fees, Rents and Royalty; and Creation of the Ministry of Petroleum Incorporated.

The PIA seeks to:

- ensure good governance and accountability,
- create a commercially oriented national petroleum company, and
- foster a conducive business environment for petroleum operations

To this end, the act is divided into five (5) chapters:

- **Governance and Institutions**

  The objectives of this chapter are to create efficient and effective governing institutions, with clear and separate roles for the petroleum industry, establish a framework for the creation of a commercially oriented and profit-driven national petroleum company, promote transparency, good governance, and accountability in the administration of the petroleum resources of Nigeria, and foster a business environment conducive for petroleum operations.

  The PIA proposes explicitly segmenting the Nigerian petroleum industry into upstream, midstream, and downstream sectors. The Nigerian Upstream Regulatory Commission ('the Commission') will manage the upstream sector, while the Nigerian Midstream and Downstream Petroleum Regulatory Authority ('the Authority') will oversee the midstream and downstream sectors. The Minister of Petroleum ('the Minister') has general supervisory powers over the petroleum industry, and the Commission and Authority are obligated to report to him.

- **Administration**

  The main objective is to promote the exploration and exploitation of petroleum resources in Nigeria for the benefit of the Nigerian people and promote sustainable development of the industry, ensure safe, efficient transportation and distribution infrastructure, and transparency and accountability in the administration of petroleum resources in Nigeria. The administration and management of petroleum resources and their derivatives, as provided for in the Petroleum Industry Act (PIA), apply to activities within or associated with petroleum operations, the petroleum industry and persons involved in such activities. It is aimed at promoting the exploration and exploitation of petroleum products for the benefit of the Nigerian people.

- **Host Communities Development**

  The objectives of this Chapter are to foster sustainable prosperity within host communities, provide direct social and economic benefits from petroleum operations to host communities, enhance peaceful and harmonious co-existence between licensees or lessees and host communities, and create a framework to support the development of host communities.

- **Fiscal Framework**

  The Petroleum Industry Fiscal Framework (PIFF) is introduced in Chapter 4 of the Act, with the following objectives: establish a progressive fiscal framework that encourages investment in the Nigerian petroleum industry while balancing rewards with risk and increasing revenues to the Federal Government of Nigeria, provide a forward-looking fiscal framework that is based on core principles of clarity, dynamism, and fiscal rules of general application, establish a streamlined fiscal framework that is based on core principles of clarity, dynamism, and fiscal rules of general application, establish a fiscal framework that expands the revenue base of the Federal Government, while ensuring a fair return for investors, simplify the administration of petroleum tax, and promote equity and transparency in the petroleum industry fiscal regime.

- **Miscellaneous Provisions**

  The PIA abolished 10 laws including the Associated Gas Reinjection Act; Hydrocarbon Oil Refineries Act; Motor Spirit Act; NNPC (Projects) Act; NNPC Act (when NNPC ceases to exist), PPPRA Act, Petroleum Equalisation Fund Act, PPTA, and Deep Offshore and Inland Basin PSC Act. It amends the Pre-Shipment Inspection of Oil Exports Act while the provisions of certain laws are saved until termination or expiration of the relevant oil prospecting licenses and mining leases including the Petroleum Act, PPTA, Oil Pipelines Act, Deep Offshore and Inland Basin PSC Act.

AGRICULTURE

Agriculture is a major driver of economic growth in Nigeria and is of importance in the drive to diversify the Nigerian economy’s reliance on oil. Agriculture is divided into four subsectors:

- Crop production (including food crops), which grew by 1.54% in Q1 2022; 1.43% points decrease from Q1 2022.
- Forestry (including tree crops), which recorded a growth of 1.29% in the second quarter of 2022 following a 1.37% growth recorded in Q1 2022.
- Livestock witnessed a decline in growth by -2.87% in Q2 2022 which represents asignificant decline compared to the growth of 5.55% recorded in the previous quarter and 0.13% growth recorded in the corresponding quarter of 2021.
- Fishing which also grew by 0.89% in the second quarter of 2022, as against 3.14% growth in Q1 2022.

The sector recorded a nominal growth of 13.83% year-on-year in the second quarter of 2022 which represent an increase of 7.47% points from the corresponding quarter in 2021 and 2.28% points increase from the preceding quarter. Crop production dominated the sector after contributing 91.99% of the total nominal growth of the sector. Quarter-on-

Quarter growth stood at 3.09%. Agriculture activities contributed 21.90% to Nominal GDP in Q2 2022, a decrease from the 22.13% recorded in the corresponding period of 2021, and 21.09%% recorded in the first quarter of 2022.

In real terms, the agriculture grew by 1.20% (year on year), which represents decline from the corresponding period of 2021 by 0.10% points and 1.96% points decrease from the preceding quarter which recorded a growth rate of 3.16%. The sector contributed 23.24% to the overall GDP in real terms in the second quarter of 2022 which is lower than the 23.78% contributed in the corresponding quarter of 2021 and higher than the 22.36% recorded in the first quarter of 2022.

Agricultural Policy

Agriculture in Nigeria is largely subsistence-based, but the Government aims to modernize the sector, building on reforms initiated in 2011. The FGN's reforms are targeted at addressing two key gaps in the sector: an inability to meet domestic food requirements and an inability to export at quality levels required for market success. The Federal Ministry of Agriculture and Rural Development (FMARD) has developed a Medium-Term Sector Strategy (the "**MTSS**") covering the period 2017 to 2019. The MTSS comprises three pillars: economic reforms, social investment, and infrastructure development.

The Government has also launched the following programs to support and develop the agriculture sector:

- ***The Agricultural Transformation Agenda:*** In 2011, the Federal Government launched the Agricultural Transformation Agenda, with the aim of transforming the agricultural sector to create jobs and wealth and ensure food security. Reforms under the Agriculture Transformation Agenda helped to create more direct farm jobs, increase national production of maize, rice, and cassava, and thus reduced Nigeria's food import bill.

- ***The Agricultural Promotion Policy:*** In 2016, the Agricultural Promotion Policy, also called the Green Alternative, was launched as a four-year plan to build on the successes of the Agricultural Transformation Agenda. The policy aims to build an "agribusiness economy" capable of ensuring domestic food security, boosting agriculture exports as well as creating job opportunities within the agriculture sector.

- ***Growth Enhancement Support Scheme and Electronic Wallets:*** The Growth Enhancement Scheme was set up to register small-holder farmers and provide targeted input subsidies where farmers gained improved access to fertilizers and seeds. The Growth Enhancement Support Scheme aims to increase agricultural productivity by raising fertilizer consumption and increase the use of improved seed varieties.

- ***Rice Transformation Agenda:*** The primary goal of the Rice Transformation Agenda is to make Nigeria self-sufficient in rice and rice processing. The policies under the Rice Transformation Agenda focus on raising productivity, improving the capacity and quality of rice milling, and incentivizing domestic rice production. In October 2016, the Federal Government raised import duties on certain food items that have local alternatives, including rice, from 10% to 60%. In November 2016, the CBN announced that Nigeria is on track to begin the exportation of rice by the end of 2017, as the country will be able to meet its domestic demand for rice and have surplus for export.

- ***Cassava Transformation Agenda:*** The Cassava Transformation Agenda seeks to expand cassava processing via the partial substitution of wheat flour with cassava flour in bread baking. This substitution is expected to have significant and wide-reaching effects on the economy by providing markets for cassava farmers, reviving cassava processing plants, and reducing the cost of inputs for bakers. The Government aims to expand the production of cassava, not just to achieve improved food security but also to boost its export.

- ***Yam Exportation Initiative:*** The initiative was flagged off in June 2017 with initial exports to the United Kingdom and the United States of America. Nigeria has consistently been recognised globally as the largest producer of yams, at various times accounting for between 65% to 76% of the world production and the initiative is targeted to bring in about US$8 billion annually, if successful. The FMARD is heading this initiative in collaboration with key agencies, such as the International Institute of Tropical Agriculture (IITA), Nigerian Export Promotion Council, Nigeria Customs Service, Standards Organization of Nigeria, Nigeria Agricultural Quarantine Service, Nigeria Ports Authority, and Nigerian Shippers' Council.

- ***Real Sector Support Facility (RSSF***): In a bid to boost the real sector contribution to sustainable growth, the CBN released its Guidelines for Accessing Real Sector Support Facility (RSSF) through Cash Reserve Ratio (CRR) and Corporate Bonds in August 2018. The RSSF will support greenfield and brownfield projects in manufacturing, agriculture, and other related sectors. Commercial banks who choose to provide this credit at an interest rate cap of 9% can draw from their Cash Reserve Ratio (CRR) with the CBN to finance the facility. The policy aims to create employment and stimulate growth by focusing on projects that promote import substitution.

POWER

The electricity, gas, steam and air conditioning sector recorded a growth of -6.97% year on year in the second quarter of 2022. This represents a 121.27% decrease compared to the growth in corresponding quarter of 2021 which was 114.30% and 4.65% points lower than the growth rate in the previous quarter. Nominal growth quarter-on-quarter was recorded at 263.62%in the second quarter of 2022. The electricity, gas, steam and air conditioning sector contributed 1.39% to nominal GDP in Q2 2022, lower than the 1.72% it contributed in the same quarter of 2021 and higher than the 0.38% contributed in the previous quarter as well.

The real growth rate in the electricity, gas, steam and air conditioning sector in the second quarter of 2022 was recorded at -11.48% (year-on-year), a decline from the growth rate of 78.16% recorded in the same quarter of 2021. When compared to the preceding quarter, a decrease of 0.28% points from -11.20% was recorded. Quarter-on-quarter, the sector grew by 263.08% in real terms.

The sector shrank by 2.90% Year-on-Year in 2020, relative to a nominal growth rate of 10.88% in the fourth quarter of 2019. This was –16.71% points lower than the 27.59% growth rate recorded in the corresponding quarter of 2018, and –1.95% points lower than the growth rate of 12.83% recorded in the quarter before. Quarter–on-quarter, the sector recorded a growth rate of 34.60% in Q4 2019, while annual growth for 2019 stood at 19.07%.

In real terms, the sector grew by –7.82% in Q4 2019, a decrease from the growth rate of 0.95% recorded in the same quarter of 2018. When compared to the immediate past quarter, this was an increase of 3.99% points from –11.81% recorded. Quarter-on-quarter, the sector grew at a rate of 43.15%, while annual growth stood at –4.86% in 2019.

From 2005 to 2013, the generation, transmission, and distribution of electricity in Nigeria were largely managed by the Power Holding Company of Nigeria ("**PHCN**"), the Government-owned power sector utility company. The PHCN and state governments produced approximately 75% of the country's electricity in 2012, while approximately 25% was produced by independent power producers, including joint ventures between NNPC and international oil companies. There are currently 27 grid-connected generating plants in operation in the Nigerian Electricity Supply Industry.

As of August 2015, 20 of the grid-connected generating plants were operating at approximately 30% of the installed capacity, and two plants operating at less than 10% of installed capacity. Data from PWC (2018) shows that of the 7,000MW installed capacity, less than 4,000MW is distributed to end-users. Demand for electricity in Nigeria substantially exceeds supply with World Bank data suggesting that *c*.55% of the population have access to grid-connected electricity supply as of 2019. Aging infrastructure, inadequate funding, insufficient power generation, and high transmission and distribution losses remain a challenge. The unavailability of gas for distribution to the power generating companies has exacerbated the problem.

Power Sector Reforms

The Federal Government has identified the improvement of electricity generation, transmission and distribution infrastructure as a critical element in meeting economic growth and development objectives. To address these issues, the Federal Government is pursuing a number of policy initiatives, including those outlined in the Nigeria Economic Recovery and Growth Plan ("**NERGP**") and the Roadmap for Power Sector Reform. The Roadmap for Power Sector Reform seeks to remove obstacles to private sector investment in the power sector, to complete the privatization of generation and distribution companies, to facilitate the construction of new transmission networks and to reform the fuel-to-power sector to increase electricity generation capacity. The current government has stated that the proposed strategy for electricity generation is by an "incremental approach" from 5,000 megawatts to 7,000 megawatts, before "steady power" then to "uninterrupted power", reaching 20,000 megawatts by 2021.

In June 2012, the Federal Government established a new tariff regime, the Multi-Year Tariff Order (MYTO) 2, to replace the national uniform tariff. In December 2014, the baseline for tariff calculations was revised with the introduction of MYTO 2.1 for 2015 to 2018, leading prices to more closely reflect the cost of delivering energy. After a negative public reaction to the new tariffs, the Nigerian Electricity Regulatory Commission (NERC) amended MYTO 2.1 in March 2015, and again in December 2015. The amended tariff, MYTO-2015, became effective on February 2, 2016. In July 2016, the Federal High Court issued a judgment in favor of a plaintiff who had challenged MYTO 2.1. The NERC has appealed against the Federal High Court's judgment.

In 2015, the Federal Government increased the Domestic Supply Obligation price of gas, to US$2.50 per one million British Thermal Units ("**mmBtu**") for gas supply and US$0.80 per mmBtu for gas transportation. The Domestic Supply Obligation is an energy policy that mandates gas producers to set aside a certain percentage of their gas reserves and production for supply to the domestic market. By increasing the Domestic Supply Obligation price of gas, the government hopes to incentivize gas suppliers to sell gas to domestic power generation plants, with the expectation that this would lead to greater generation capacity, as most plants have been constrained as a result of inadequate gas supply.

In June 2016, the Federal Government released the draft document on Nigerian Power Sector Investment Opportunities and Guidelines to guide the implementation of Nigeria's energy policy, and to optimize its many fuel sources of hydropower, coal, solar, wind, and gas for energy production and to serve as a planning tool, not only to guide investment in power production and generation but to assist the TCN plan and concentrate its evacuation resources and to put an end to incidents of stranded power. In effect, it was to help bring power production closer to fuel and feedstock sources in order to make power more affordable.

In October 2016, the Federal Ministry of Petroleum Resources issued the National Gas Policy, which primarily seeks to move Nigeria from a crude oil export-based economy to a gas-based industrial economy. The Gas Policy expresses the Federal Government's intention to give priority to the utilization of natural gas for domestic needs, particularly for power generation.

In 2016 also, the Presidential Task Force on Power ("PTFP") established in 2010 was dissolved and replaced with the Power Team. The Power team within the Office of the Vice President played a key role in the creation of the Power Sector Recovery Program ("PSRP"), which was established to resolve the teething problems of the power sector post-privatization. The PSRP originally envisioned a 40,000 MW power output by 2020 - an ambitious 10-fold output increase in 10 years (from 2010 to 2020). It also focused on dealing with the challenges of smoothly transitioning labour to private-sector owners and dealing with legacy liabilities. As a result, the PSRP fast-tracked the establishment of both the Nigeria Electricity Liability Management Company (NELMCO) and the Nigerian Bulk Electricity Trading PLC (NBET). The impact of the roadmap was felt in the subsequent unbundling of PHCN into the Successor Companies and the eventual privatization of the SCs.

On March 22, 2017, the Federal Executive Council of Nigeria approved the Power Sector Recovery Plan, a program designed in consultation with the World Bank aimed at restoring financial viability of the power sector and improving liquidity, transparency, and service delivery. The program indicates that, unless actions are taken immediately, the power sector will face losses estimated at $1.5 billion per year for the next five years. Implementation of the Power Sector Recovery Plan would be expected to release at least $5 billion of investments from international financial institutions and the private sector and would include loss-reduction projects (metering), transmission projects, and rural electrification initiatives.

A key objective of the Government in developing the power sector is to enhance the security of the electric power supply by diversifying the fuel mix through exploiting the country's gas, coal, wind and hydropower potential.

Currently, power sector development is being pursued through a combination of public-private partnerships and state-funded projects. In this respect, the Government has embarked on the following:

- Following a $200 million settlement with Sunrise Power Transmission and Procurement Company, a local contractor, the Nigerian Sovereign Investment Agency (NSIA) is expected to re-evaluate the 3,050 megawatts Mambilla Hydroelectric Power Project in order to make it less burdensome and bankable. In addition, the dam will be scaled down to 1,500 megawatts in order to lower costs and period of execution.
- In September 2013, the Government entered into an agreement with Chinese state-owned companies to build a US$1.3 billion 700-megawatt hydroelectric power plant in Zungeru, Niger state. The project includes the construction of a dam, power components, transmission lines, and associated substations for the evacuation of power. The project will be primarily financed by a loan from the Export-Import Bank of China (75%), with the remainder of the cost to be provided by the Federal Government. The plant is expected to be completed by the end of 2021. It is expected that, in the long-term, most new sources of electricity in Nigeria will come from natural gas, hydroelectric power, and solar energy.

The 2022 budget includes a ₦220 billion allocation to the Power sector for the financing of projects. One of the initiatives is to connect Nigeria, Niger, Benin, Togo, and Burkina Faso with power. The 330KV DC North Core interconnection of Nigeria/Niger-Benin/Togo-Burkina Faso project, which will cost ₦3.6 billion, is dubbed 330KV DC North Core interconnection of Nigeria/Niger-Benin/Togo-Burkina Faso. The Zungeru hydroelectric power project (₦43.07 billion), the construction of a 132/33KV substation, solar mini-grid electrification, and solar street lighting project in Kaduna State (₦4.1 billion), the construction of a 2X26 MW gas-based power plant, and associated gas supply facility in Calabar, Cross River State (₦2.46 billion), and the Nigeria Electricity Transmission and Access Project (₦2.46 billion) are among the others. The Abuja power feeding project of the Nigerian Transmission Company (N27.48 billion) and the Nigeria Electrification Projects of the National Rural Electrification Agency (₦38.35 billion and ₦32.81 billion) are some of the others.

In order to address the current shortfall in payment across the power sector value chain, the Federal Government has devised measures to improve governance, payment transparency and to finance the payment shortfalls whilst the industry reforms are sustained and the industry improves its performance. One of the measures included a ₦309 billion bond proposed to be issued by NBET, against payment commitments by the distribution companies who are responsible for collecting revenues from electricity consumers from the sale of electricity.

MANUFACTURING

The Manufacturing sector is comprised of thirteen activities: Oil Refining; Cement; Food, Beverages and Tobacco; Textile, Apparel, and Footwear; Wood and Wood products; Pulp Paper and Paper products; Chemical and Pharmaceutical products; Non-metallic Products, Plastic and Rubber products; Electrical and Electronic, Basic Metal and Iron and Steel; Motor Vehicles and Assembly; and Other Manufacturing. Conglomerates such as Dangote Group, Flour Mills of Nigeria PLC, John Holt, Dana Group, AG Leventis and multinationals such as Unilever, PZ Cussons, Nestle PLC, Guinness, Nigerian Breweries (Heineken), and Lafarge PLC are the largest participants in the manufacturing sector in Nigeria.

In the second quarter of 2022, the manufacturing sector recorded a 5.21% growth (Year-on-Year) to the overall Nominal GDP growth. When compared to the corresponding quarter of 2021, the sector contribution declined by 31.12% points and also fell by 6.51% points in the first quarter of 2022. Nominal growth quarter-on-quarter was recorded at -14.50% in the second quarter of 2022. The sector contributed 12.97% to nominal GDP in the quarter, lower than the 14.18% it contributed during the first quarter of the preceding year and lower than the 15.06% contributed in the first quarter of 2022.

The manufacturing sector witnessed a 3.00% (Year-on-Year) GDP growth in real terms which represents 0.48% and 2.89% points increase when measured against Q2 2021 and Q1 2022 respectively. Quarter-on-quarter, the growth rate recorded was -15.47% during Q2 2022. The contribution of the manufacturing sector to Real GDP in the Q2 2022 stood at 8.65%, lower than the rate of 8.69% recorded in the corresponding quarter of 2021 and lower than the 10.20% recorded in the first quarter of 2022.

The Federal Government has, over the years, put in place a number of tax incentives to encourage the development of the manufacturing sector. The tax incentives include the grant of pioneer status to manufacturing companies, which establish new industries or expand existing facilities in sectors, which are deemed vital to the economy such as telecommunication and gas utilization. The pioneer status confers tax holiday from income tax for a period of up to five years (three years in the first instance) from the date of first production. Although the grant of pioneer status has been suspended due to alleged abuse of the incentive, the Federal Government has indicated that as part of the effort to create an enabling business environment, it would re-introduce the tax holiday to companies who meet the requirements.

Nigeria's post-independence industrialization strategy was based on the import substitution strategy, which was supported through trade restrictions such as tariffs, the creation of industrial zones, and other restrictive policies. Following Nigeria's involvement with international trade organizations as well as regional agreements such as ECOWAS and the inability of the industrial sector to meet domestic demand, Nigeria has gradually liberalized its trade policies. Additionally, the development of the manufacturing sector has historically been constrained by poor infrastructure, including erratic power supply, poor transportation systems leading to high cost of transportation, increased cost of diesel used in private power generation, and high-interest rates. Other constraints include smuggling, counterfeiting, and dumping of foreign goods in Nigerian markets, which has created unfair competition and resulted in the closure of several local manufacturing plants. The Federal Government is working to address the critical infrastructure deficits as well as smuggling and counterfeiting. In December 2016, the Minister of State, Industry and Investment reiterated that some of the issues being faced by the textile manufacturing industry are smuggling and counterfeiting, which the Federal Government was taking steps to address.

In August 2013, the CBN launched the MSME Development Fund with a share capital of ₦220 billion. The Fund was established in recognition of the significant contributions of the Micro, Small, and Medium Enterprises (MSME) sub-sector to the economy and the existing huge financing gap. Ten (10) percent of the Fund was devoted to developmental objectives such as grants, capacity building, and administrative costs while ninety (90) percent which is the commercial component will be released to Participating Financial Institutions (PFIs) at 2% for on-lending to MSMEs at a maximum interest rate of 9% per annum. The objective of this is to channel low-interest funds to the MSME sub-sector of the Nigerian economy through PFIs to:

- enhance access by MSMEs to financial services;
- Increase productivity and output of micro-enterprises;
- Increase employment and create wealth; and
- Engender inclusive growth

INFORMATION & COMMUNICATION TECHNOLOGY

The Information and Communication sector is composed of the four activities of Telecommunications and Information Services; Publishing; Motion Picture, Sound Recording, and Music Production; and Broadcasting.

The Information and Communication sector recorded a year-on-year nominal growth of 14.11% in the second quarter of 2022. This represents 14.18% points increase in rate of -0.07% recorded in the same quarter of 2021 and 6.43% points decline in the rate recorded in Q1 2022. Quarter–on-Quarter, the sector recorded a growth rate of 14.13% in Q2 2022. The sector contribution to Nominal GDP in the second quarter of 2022 was 12.12%, lower than the contribution made in Q2 2021 at 12.22% and higher with its contribution of 10.55% in Q1 2022.

In real terms, the Information and Communication sector grew by 6.55% Year-on-Year in Q2 2022. This rate represents an increase of 0.99% points relative to the Q2 2021.. Quarter-on-Quarter, growth was 13.41% in real terms.. The contribution of the sector to real GDP in the Q2 2022 was 18.44%, higher than the rate of 17.92% in the same quarter of 2021 and higher than the preceding quarter which was at 16.20%

MACROECONOMIC INDICATORS

Inflation

Inflation is calculated using the Consumer Price Index (CPI). The CPI measures the average change over time in prices of goods and services consumed by people day-to-day. For the past few years, the year-on-year headline inflation in December 2016, 2017, 2018, 2019, 2020 and 2021 were 18.55%, 15.37%, 11.44%, 11.98%, 15.75% and 15.63% respectively based on the data released by NBS. The recent inflation figure released by NBS in October 2022 recorded the highest figure of 21.09% year-on-year change since January 2017, 0.32% points% rise from september 2022 numbers. In 2022, the inflation rate has been consistently rising majorly due to the impact of the crisis between Ukraine and Russia as they are both major suppliers of Oil & Gas and food items locally. The inflationary trend was worsened by the hike in the pump price of petrol, the upward adjustment of electricity tariff, depreciation in the value of the naira as well as increased security challenges in the country as farmers continue to face frequent attacks by herdsmen and bandits in their farms.

The year-on-year change for food (non-core) inflation was 23.72% in October 2022 compared to 23.34% in September 2022. This increase in the food index was driven by increases in prices of Bread and cereals and other food items. In December 2016, 2017, 2018, 2019, 2020 and 2021 the year-on-year change for food inflation was 17.39%, 19.42%, 13.56%, 14.67%, 19.56% and 17.37% respectively.

Interest Rate

The Monetary Policy Rate (MPR) is reviewed bi-monthly by the CBN's Monetary Policy Committee (MPC) to control the money supply in the economy and ensure price stability. In light of global economic conditions and in order to stem the depreciation in the currency as well as restrain the pass-through impact to domestic prices, the CBN from October 2011 to September 2015 maintained a tightening policy environment, retaining MPR at 12.00% during the said period, but subsequently revised to 13.00% in November 2014. This prolonged tightening phase came to an end in November 2015, when the MPC adopted an aggressive easing stance and cut the benchmark interest rate by 200 bps to 11.00%, with an asymmetric corridor of -700bps/+200bps. This was in a bid to align monetary policy with the policies of the fiscal authority, which were geared towards stimulating output growth whilst ensuring price stability. However, given the rising inflationary pressure at the turn of the year 2016, the MPC raised the benchmark interest rate to 14.00% in July 2016 to stem the high inflationary trend which had culminated into negative real interest rates in the economy. The MPC, as of its March 25 and 26, 2019 meetings, cut the MPR from a record-high of 14% to 13.50%. From September 2020, the MPR was retained at 11.50% since September 2020, owing to the need to pursue a pro-growth stance in the face of a global pandemic. However, in May 2022, the CBN ceased the 11.50% trend and increased the MPR by 150basis points to 13.00% in other to control inflationary pressures. In July 2022, it was increased by 100basis points to settle at 14.0%. Recently, in September 2022, the MPR was increased further for a third consecutive time by an additional 150 basis points which brought the MPR to 15.5%.

Foreign Reserves

Gross external reserves stood at $37.19 billion in November 16, 2022, compared to $37.38 billion in October 2022 and $40.04 billion in January 2022 having closed the year 2021 in $40.50 billion. However, in 2020 the reserves consistently declined without hitting the $40billion mark due to the impact of the pandemic. The reserves achieved a peak of $45.17 billion in June 2019 due to stable oil prices and increased foreign capital inflows. However, in the second half of the year 2019, the external reserves fell due to declining oil receipts, aggressive FX interventions by the CBN to defend the Naira, and increased capital flight, as the nation's current account deficit widened. In December 2018, foreign reserves were at US$42.59 billion, showing an increase of 8% compared with the levels in the corresponding period of 2017. Nigeria's external reserves derive mainly from the proceeds of crude oil production and sales.

Economic Reform Policies

The Government seeks to continue to diversify the economy by pursuing a range of economic reforms, including power and banking sector reforms, privatization programs to address poor infrastructure, including power and transportation, oil and gas reforms to reduce dependence on oil and gas as a major source of income and policies to improve economic coordination.

The Government's reform plans were based on Vision 20:2020, a long-term strategic economic transformation plan developed by the Nigerian government in 2009 for stimulating Nigeria's economic growth. Vision 20:2020 articulated Nigeria's broad economic growth strategies and is designed to be implemented using a series of more detailed medium-term national development plans. Vision 20:2020 has been further developed through the First National Implementation Plan (**NIP**), the Transformation Agenda, the Medium-Term Expenditure Framework (**MTEF**), and the National Economic Recovery and Growth Plan (**NERGP**).

Medium Term Expenditure Framework (MTEF)

Under the Fiscal Responsibility Act, the Federal Government is required to prepare an MTEF for the subsequent three financial years, not later than four months before the commencement of the next financial year. The current MTEF (2022-2024), which was adopted by the Senate in September 2021, is a planning tool that details specific strategies to achieve defined objectives and highlights the key assumptions behind revenue projections and fiscal targets for the period from 2022 to 2024.

The 2022-2024 MTEF projected aggregate revenue should reach approximately ₦7,263 billion in 2022, compared to ₦6,637 billion budgeted for 2021. Projected 2022 Aggregate Revenue consisted of Non-Oil Revenue (₦4,107 billion, compared to ₦4,626 billion budgeted for 2021); Oil Revenue (₦3,156 billion, compared to ₦2,011 billion budgeted for 2021); Independent Revenue (₦1,089 billion, compared to ₦1,061 billion budgeted for 2021); NLNG Dividend (₦184 billion, compared to ₦208 billion budgeted for 2021); Special Levies Accounts (₦300 billion, same as ₦300 billion budgeted for 2021); Signature Bonus/Renewals (₦280bn, compared to ₦677 billion budgeted for 2021); and Minerals & Mining (₦2.91 billion, compared to ₦2.65 billion budgeted for 2021).

Strategic Implementation Plan (SIP)

Released with the 2016 Budget of Change, the SIP outlined priority economic and developmental strategies designed to facilitate national, as well as regional, sustainable development and inclusive growth. Intended as a base for a coming medium-term plan, it compiled key short-term macroeconomic and sectoral policies. Six major intervention areas were outlined: Policy Environment, National Security and Governance; Economic Diversification; Priority Critical Infrastructure (Power, Rail, Roads, and Housing); Oil and Gas Reforms; Ease of Doing Business; and Social Investment, under which thirty-four priority actions were identified for implementation, including attainment of an appropriate foreign exchange regime, completion of rehabilitation projects on four airports (Abuja, Kano, Lagos & Port Harcourt) and exploration of concession options, and setting a three-year deadline for self-sufficiency in, and net exportation of refined petroleum products.

National Economic Recovery and Growth Plan (NERGP)

The current administration intends to continue implementing the Vision 20:2020 master plan for Nigeria's economic development and has developed a Strategic Implementation Plan upon which the Medium-Term Expenditure Framework was anchored. In this regard, the Government prepared a more comprehensive economic plan—the NERGP—which is also based on achieving the goals for Vision 20:2020. The NERGP, which was published in March 2017, is a more specific economic policy document, with an emphasis on implementation, monitoring, and evaluation of the Government's economic goals. The NERGP addresses the implementation of medium-term growth plans, as well as short-term initiatives aimed at strengthening the economy, and is intended to promote national prosperity and an efficient, dynamic, and self-reliant economy to secure the maximum welfare, freedom, and happiness of every citizen on the basis of social justice and equality of status and opportunity.

The NERGP set forth policy objectives in five thematic areas: (1) macroeconomic policy; (2) economic diversification and growth drivers; (3) competitiveness; (4) social inclusion and jobs; and (5) governance and other enablers. Key targets of the NERGP during the 2017—2020 period include single-digit inflation (9.9%) by 2020; average annual real GDP growth of 4.6%; average annual growth in the agricultural sector of 6.9%; reducing the unemployment rate to 11.2% by 2020; attaining 10 GW of operational energy capacity by 2020; restoring and increasing crude oil output to 2.2 mbpd in 2017 and 2.5 mbpd by 2020; increasing domestic refining capacity; improving road, rail, and port infrastructure; driving industrialization with targeted annual growth of 8.5% in manufacturing and the creation of 1.5 million jobs; and stable exchange rates and greater availability of foreign exchange.

The NERGP identifies six priority growth sectors: agriculture, manufacturing, solid minerals, services, construction and real estate, and oil and gas. Three of these sectors—services, agriculture, and manufacturing—are projected by the NERGP to account for three-quarters of growth from 2017 through 2020. Key policies intended to promote the growth of the non-oil sector under the NERGP include industrial and trade policy, a digital-led strategy for growth, which aims to expand the information and communication technology ecosystem in Nigeria, and cross-sector strategies, which aim to support micro, small and medium enterprises.

Additional policy objectives under the NERGP include reducing the cost of governance, developing the skills of public servants, and improving public service productivity. Under the goal of reducing the cost of governance, the NERGP contemplates streamlining the number of MDAs to eliminate overlapping mandates and to reduce public expenditures. With regard to the goal of developing the skills of public services, the NERGP contemplates developing institutional capacity in budgeting, planning, policy analysis, financial management, procurement, human resources management, and leadership. As to the goal of improving public service productivity, the NERGP contemplates implementing e-government across Government bodies, starting with a pilot scheme in selected MDAs.

Treasury Single Account (TSA)

As part of the Federal Government's efforts to improve efficiency and transparency in the management of public funds and the Federal Government's expenditures, the Ministry of Finance, in collaboration with the Office of the Accountant-General of the Federation and the CBN, launched in early 2012 the Treasury Single Account. The incumbent government enforced compliance by all MDAs with the Treasury Single Account (TSA) policy, which commenced in 2012. Prior to the present administration, less than half of the Federal MDAs had complied with the previous directive on the TSA. The TSA is a public accounting system using a single account or a set of linked accounts by government to ensure all revenue receipts and payments are done through a Consolidated Revenue Account (CRA) at the CBN. The TSA has allowed the

Government to monitor the financial activities of the MDAs from one single platform, instilled fiscal discipline among the MDAs and enables the Government determine the cash resources available to it at any point.

The scheme has been designed to consolidate the accounts of the Federal Government with the CBN and the various MDAs into a single or connected system of accounts. The Treasury Single Account is maintained at the CBN with each MDA responsible for the management of its allocations but effecting payment through the Treasury Single Account. Any unspent balances of cash allocated to MDAs after commitments entered into the Treasury Single Account for both recurrent and capital expenditure will automatically lapse, and the balances will be returned to the Consolidated Revenue Fund for appropriation by the National Assembly. Investment of any Federal Government funds is centrally coordinated by the Office of the Accountant-General of the Federation and the CBN.

Presidential Enabling Business Environment Council ("PEBEC")

The administration is focused on creating an enabling environment for doing business in Nigeria. In this regard, the FGN, in July 2016 created the Presidential Enabling Business Environment Council ("PEBEC") and charged it with the responsibility to spearhead necessary reforms, while the Enabling Business Environment Secretariat ("EBES"), which was set up in October of the same year, is to implement the reform agenda of PEBEC. This agenda centres on the removal of bottlenecks to doing business in Nigeria and moves the country not only by 20 (twenty) steps upwards on the World Bank Ease of Doing Business Index, but also become a globally competitive economy and the business hub of Africa. In February 2017, PEBEC approved a 60-Day National Action Plan on Ease of Doing Business in Nigeria (the "National Action Plan") which is an inter-ministerial, inter-governmental plan driven by EBES for implementation by various Ministries, Departments, and Agencies of government ("MDAs"). Some of the major reforms driven by the various stakeholders related to:

- Expediting the process for registering new business in Nigeria (which has successfully been reduced from ten to two days)
- Introducing electronic application for construction Permits in Lagos State
- Consolidating the fees for registration of title to property in Lagos State
- Reform initiatives for ease of movement of persons in and out of Nigeria
- Initiatives and reforms geared towards promoting international trade
- Reforms for enhancing credit transactions secured by moveable property in Nigeria.

Presidential Advisory Committee against Corruption (PACAC)

The Buhari-led government has also demonstrated a commitment to fighting corruption in the country. Before he assumed office, President Muhammadu Buhari outlined the blueprint for his government. His campaign strategy was principally anchored on the fight against corruption and the massive looting of Nigeria's wealth by political cabals. Shortly after his inauguration into office, the very first committee set up by the President was the Presidential Advisory Committee against Corruption (PACAC) with a mandate to promote the reform agenda of the government on the anti-corruption effort, to advise the present administration in the prosecution of the war against corruption and the implementation of required reforms in Nigeria's criminal justice system. A 7-member Technical Committee, which includes private sector persons supports the PACAC. The Committee is also supported financially by three international development partners, namely the Ford Foundation, MacArthur Foundation, and Open Society Foundation.

Some of the actions taken by the government include the establishment of a Presidential Committee on Asset Recovery (PCAR) headed by the Vice President, Prof. Yemi Osinbajo to coordinate the collation and categorization of recovered assets from 2015-2016; verifying the records and status of physical assets recovered under previous administrations and setting up the Framework for Management of Recovered Stolen Asset to avoid re-looting and mismanagement of the assets. The FGN also created an assets recovery account to warehouse all the recovered assets and remove the opacity of reconciliation that had dogged the country in the past and the report of re-looting returned assets.

Establishment of the Efficiency Unit

Another public sector reform initiative of the Government was the establishment of the Efficiency Unit (the “Unit”) in the Federal Ministry of Finance, Budget, and National Planning. The Unit is mandated to review the expenditure profile and pattern of the Federal Government and work with MDAs to introduce more efficient processes and procedures that will ensure that the Government’s revenues are deployed in an efficient manner that translates to value for money and savings for the Government. The initiative became imperative in view of Nigeria’s dependence on crude oil for foreign exchange and revenue which made the local economy vulnerable to shocks in the international oil markets. The impact of the recent collapse in crude oil prices on Nigeria’s external reserves, the Naira exchange rate and revenues support the urgent need for a review of how increasingly limited Government revenues are spent.

Whistle Blowing Policy

The Whistle-Blowing Policy is a strategic action taken by the Government to ensure that every citizen is involved in the fight against corruption. The primary goal of the policy is to support the fight against financial crimes and corruption, by increasing exposure of financial crimes, rewarding whistle-blowers, and assuring their protection. The whistle blower policy of the Government has yielded positive results with the discoveries of stolen public funds hidden in banks, homes, farms, and obscure places and the forfeiture of such monies to the Federal Government. The recovered funds and assets from public officials are centralized, managed and recognized in the budget to ensure proper spending. The Whistle Blowers’ Protection bill was passed by the Nigerian Senate on July 19, 2017 alongside two other anti-corruption bills. The bill would ensure adequate protection of whistle-blowers from reprisals, victimization, isolation, and humiliation, which are some of the consequences of whistle blowing.

Presidential Initiative on Continuous Audit (PICA)

The PICA was officially approved by the Federal Executive Council in March 2016 to strengthen control over government finances. The federal audit process, supported by the World Bank, saw the elimination of over twenty thousand fraudulent salary claims shortly after its inception, cutting over ₦2 billion in expenses as a result. The project’s range was subsequently expanded beyond payroll to strengthen and deepen the framework of internal audit across the Nigerian government, albeit without the recruitment of additional staff, instead of relying on qualified accountants within the office of the Accountant General and the Federal Civil Service as a whole. The World Bank, following a 2010 attempt to develop effective internal audit in Nigeria, has offered its support to this endeavor. In May 2019, the Minister of Finance announced that the PICA has saved the Federation about ₦603.78 billion from its inception in 2016 to date. Among these figures, is the savings of ₦8.30 billion realized in Q1 2019.

Foreign Exchange (FX) Policy

Historically, there has been a strong positive correlation between the value of the NGN/USD and the price of crude oil in the international market; with rising crude oil prices typically resulting in current account surpluses and appreciation of the Naira. Following the significant decline in oil prices in 2014, which persisted throughout 2015, pressure on the Naira increased, causing the CBN to adopt a number of defensive/corrective strategies such as the devaluation of the Naira, and restricted allocation for the importation of non-priority goods in order to maintain the Country's foreign reserves.

In June 2016, the CBN adopted a flexible market framework for the foreign exchange market and established a single market, the interbank market, for determination of prices while the CBN occasionally auctions to primary dealers. According to the CBN, the main objectives of exchange rate policy in Nigeria are to preserve the value of the domestic currency, maintain a favorable external reserves position and ensure external balance without compromising the need for internal balance and the overall goal of macroeconomic stability. The policy aimed to increase the availability of foreign currency to ease the difficulties Nigerians encounter in funding foreign exchange transactions and also to stem the widening gap between the inter-bank foreign exchange and parallel market rates.

More recently, the CBN unveiled yet another policy measure - a special forex window for small and medium scale enterprises (SMEs) which would enable small and medium-sized businesses to import eligible finished and semi-finished items, not exceeding US$20,000 per operator each quarter. Shortly afterward, the CBN introduced a special foreign exchange window for investors and exporters in order to deepen the foreign exchange market and accommodate all foreign exchange obligations. The Nigerian Autonomous Foreign Exchange Rate (NAFEX) was introduced to serve as a benchmark for the Investors and Exporters FX window, while the Nigerian Interbank Foreign Exchange Rate (NIFEX) is used for interbank settlements.

Other complementary efforts by the CBN to stabilize the foreign exchange market include selling FX currencies to DMBs and merchant banks while halting the sales of FX to BDCs.

The NGN/USD exchange rate at the NAFEX and I&E window were ₦444.38/US$ and ₦443.16/US$, respectively, as of November 17th, 2022. The CBN's resolve to maintain its strategy of cracking down on illegal FX activities added further pressure to the stability of the Naira, with the most recent action being its decision to discontinue the supply of FX to BDCs.

Tax Reforms

The President of the FGN, Muhammadu Buhari, signed the Finance Act, 2019 (the "Finance Act") into law in January 2020. The said law reflects changes to seven key tax laws in Nigeria. These changes include:

- an increase in the rate of VAT from 5% to 7.5%. This increase in VAT, however, became effective from February 1, 2020, according to the Federal Minister of Finance, Budget and National Planning;
- 0% CIT rate for small businesses and a lower rate of 20% for medium-sized companies;
- taxation of foreign entities involved in digital transactions with significant economic presence in Nigeria;
- excess dividend tax to apply only to untaxed distributions other than profits specifically exempted from tax and franked investment income;
- small businesses with turnover less than ₦25m to be exempted from Companies Income Tax;

- a lower CIT rate of 20% to apply to medium-sized companies with a turnover between ₦25m and ₦100m;
- commencement and cessation rules modified to eliminate overlaps and gaps to avoid double taxation and complication during commencement;
- minimum tax provisions amended to 0.5% of turnover and exemption only applies to small companies (less than 25m turnover), so non-resident companies will now pay minimum tax;
- insurance companies can now carry forward tax losses indefinitely, deduct reserve for unexpired risks on time apportionment bases while special minimum tax for insurance has been abolished;
- bonus of 2% of tax payable (medium-sized companies) and 1% for large companies for early payment of CIT;
- introduction of thin capitalisation of 30% of EBITDA for interest deductibility. Any excess deduction can be carried forward for 5 years;
- deemed tax presence for non-residents with respect to imported technical and management services now taxable at a final WHT rate of 10%;
- any expense incurred to earn exempt income now specifically disallowed as a deduction against other taxable income;
- dividend distributed from petroleum profits now to attract 10% withholding tax;
- banks to request for Tax Identification Number (TIN) before opening business bank accounts for individuals, while existing account holders must provide their TIN to continue operating their accounts;
- email correspondences to be recognised for communicating with tax authorities;
- the meaning of supply and definition of goods and services has been expanded to cover intangible items other than land, among others;
- specific requirement for VAT deregistration for discontinuing operations;
- introduction of VAT reverse charge on imported services;
- VAT registration threshold of ₦25 million turnover in a calendar year to be introduced;
- remittance of VAT now to be on cash basis, that is, the difference between output VAT collected and input VAT paid in the preceding month;
- compensation for loss of employment below ₦10m to be exempted from CGT; and
- stamp duty on bank transfer to apply only on amount from ₦10,000 and above. Transfers between the same owner's accounts in the same bank are also to be exempted.

Strategic Revenue Growth Initiatives

In January 2019, the Federal Ministry of Finance launched a Strategic Revenue Growth Initiative (SRGI) for sustainable revenue generation in various sectors of the economy. Borne out of a desire to grow government revenues which is currently estimated at c. 7% of GDP to 15%, the SRGI has a steering committee made up of revenue-generating agencies including the Federal Inland Revenue Service (FIRS) and the Nigerian Customs Service (NCS).

The Strategic Revenue Growth Initiatives (SRGI) serves as one of the mechanisms that the Federal Government expects will assist in improving public confidence in the tax system, growing revenues, and improving the welfare of citizens. The three thematic areas under the SRGI include:

1. Achieve Sustainability in Revenue Generation: Build a sustainable revenue generation ecosystem by ensuring resilient and optimal performing revenue streams whilst applying the right incentives, safeguards, and accountability & performance management systems. In this area, the SRGI aims to:

    - Close legal loopholes: by updating tax laws in line with best practices and by countering tax evasion.
    - Improve collections: by leveraging data and technology to modernize the ports, improve tax administration and close outstanding cases by the inaugurated Tax Appeal Tribunal (TAT).
    - Collaborate with trading partners: through improved data sharing and collaboration with data partners. This will include assessing the fiscal implication of regional collaborations such as the Africa Continental Free Trade Agreement.
    - Manage Performance: by proactively tracking the actualization of budgeted revenues, reconstituting the Presidential Revenue Reconciliation & Monitoring Committee (PRMRC) to monitor oil & non-oil revenues, and enhance scrutiny of operating surpluses by the Budget Office & Office of the Accountant General of the Federation (OAGF).
    - Achieve sustainable funding for the energy sector: by seeking sufficiency especially with regards to power and fuel.

2. Identify new and enhance enforcement of existing revenue streams: Grow revenues by implementing new taxes, broadening the tax base, and enabling strategic investments that spur economic growth. In this thematic area, the SRGI aims to:

    - Implement new taxes: consider new excise on specific beverages, tax on the digital economy, revisit VAT on airline tickets, etc.
    - Broaden the tax base & improve enforcement: via Tax Identification Number (TIN) database expansion, TIN unification across the states via the Joint Tax Board (JTB), migration to the Integrated Tax Administration System (ITAS) and incorporation of the informal & shadow economy into the tax & duties net.
    - Expansion and improvement of the VAT system: by deepening the VAT database, extension of VAT automation at source where possible, the introduction of VAT reforms (input/output VAT), reverse/self-charge VAT and extension of withholding VAT to include Public Interest Entities.
    - Deploy a national single window: aimed at easing trade through trade touch points, whilst at the same time boosting government revenues.

- Enhance liquidity management: by optimizing TSA implementation, optimizing the payment gateway system for government revenues, deploying a system of quarterly remittances of operating surpluses by Government Owned Enterprise (GOEs), and optimizing Government Integrated Financial Management Information System (GIFMIS) for real-time revenue reporting.

3. Achieve cohesion (people and tools): Implement a revenue generation operating model that enhances collaboration, synergies, capacity building and use of data, celebrates meritocracy, and eliminates leakages. To achieve this, the SRGI aims to:

- Align Stakeholders on a Single Platform/Purpose: by embarking on revenue campaigns both within the government and to citizens. This will also involve changing the budget philosophy to be multi-dimensional to increase focus on revenue.

- Improve compliance: through an incentive scheme and automation of tax expenditure processes e.g. Import Duty Exemption Certificate (IDEC).

- Boost data collection & analytics: by real-time revenue monitoring at the Federal Ministry of finance.

- Cultivate performance culture: through rewards, recognition and revenue campaigns.

- Eliminate corruption, inefficiency and waste: via trade mirror analysis to counter trade mis-invoicing and fast-tracking the deployment/repairs of scanners at the ports.

- In addition, the SGRI has identified "cross-cutting areas" which are supporting initiatives that will enable the effective implementation and performance management of the core initiatives. These include:

- Information, Communication & Technology (ICT) – for revenue reporting in key offices via the use of dashboards that will provide an integrated view.

- Law & Regulatory – to review all extant laws in relation to SRGI and recommend necessary amendments.

- Performance Management – performance-based contracts with heads of government-owned enterprises.

- Monitoring & Evaluation - performance monitoring and evaluation of the revenue growth program

The programme would target 99 initiatives over the Short-Term (6 months), Medium-Term (1 year) and Long-Term (2 years) based on the potential impact on revenue generation, ease of implementation, and implementation timeline. The objective of this initiative is to mobilise domestic revenues and optimise the approach to revenue generation.

PUBLIC FINANCE

General

The budget sets out the Federal Government's development plans, policies, and spending priorities for the fiscal year and gives details of estimated revenue and expenditure. Nigeria's budget process is currently governed by the Constitution, the Finance (Control & Management) Act of 1958, and the Fiscal Responsibility Act of 2007 (the "**Fiscal Responsibility Act**"). The annual budget's estimates of revenue and expenditure are proposed by the President and laid before both chambers of the National Assembly through an Appropriation Bill. The Appropriation Bill becomes an Act after it has been passed by both chambers of the National Assembly and assented to by the President or, in case the President withholds his assent, by a two-third majority vote of both chambers of the National Assembly. The fiscal year for Nigeria runs from January 1 to December 31, every year. In the course of a fiscal year, the President may also present a supplementary budget to the National Assembly, and the approval process for such supplementary budget is the same as for the annual budget. The President may also request from the National Assembly that funds be transferred from one sub-heading of the budget to another sub-heading in the course of the fiscal year, or for a new project to be included in the budget. With the approval of the National Assembly, the implementation of the budget can be extended beyond the fiscal year.

The Federal Government Budget Process

Preparation of the federal budget is a shared responsibility of the Executive and Legislative arms of the Federal Government. Each year, the Executive arm of the Federal Government proposes a federal budget for the following year to the House of Representatives and the Senate at a joint sitting. The Executive arm's proposed budget officially referred to as the Appropriation Bill, is reviewed and approved by the two chambers of the National Assembly and signed into law by the President, at which point it becomes the Appropriation Act.

Public Accounts

The Fiscal Responsibility Act was enacted to regulate and provide for, greater accountability and transparency in fiscal operations. The Fiscal Responsibility Act provides for prudent management of resources under the control of the Federal Government, state governments, and local governments. It is believed that public financial management reforms at the state level are essential for continued economic reforms. However, for the fiscal reform provided for by the Fiscal Responsibility Act to be implemented at the state level, each state must pass its own equivalent fiscal responsibility legislation. Only some states have passed equivalent fiscal responsibility legislation.

A Fiscal Responsibility Commission was established at the Federal level under the Fiscal Responsibility Act. This Commission has the authority to compel any person or government institution to disclose information relating to public revenues and expenditure and to investigate any circumstances involving non-compliance with the provisions of the Fiscal Responsibility Act.

The Fiscal Responsibility Act provides that the federal budget deficit should not exceed 3% of the estimated GDP or any sustainable percentage (a target of 1.96 percent by the ERGP in 2020) as may be determined by the National Assembly for each financial year. 2023 budget deficit is projected to be ₦10.78 trillion (4.78% of GDP), compared to ₦16.39 trillion in 2022 budget (3.39% of GDP), ₦6.49 trillion in 2021 (4.52% of GDP) ₦2.18 trillion in 2020 (1.52% of GDP), ₦1.92 trillion in 2019 (1.37% of GDP), ₦3.40 trillion in 2018 (2.80% of GDP), ₦2.35 trillion in 2017(3.43% of GDP) and ₦2.20 trillion in 2016 (3.24% of GDP). Deficits historically have been funded primarily by the issuance of securities in the domestic debt markets and by other funds, such as withdrawals from the Excess Crude Account.

The Fiscal Responsibility Act requires that a medium-term expenditure framework and fiscal strategy paper be put in place and laid before the National Assembly for approval before the submission of the budget. The current medium-term expenditure framework and fiscal strategy paper is for 2022—2024.

Under the 2022—2024 Medium-Term Expenditure Framework and Fiscal Strategy Paper, the fiscal strategies for 2022—2024 include stimulating active private sector participation and inclusive economic growth, creating adequate productive employment and preserving jobs, ensuring macroeconomic stability, and promoting poverty reduction and equity. During the medium term, the Federal Government intends to sustain reforms, enhance fiscal resilience, and ensure fiscal and debt sustainability. To achieve these objectives, well-aligned fiscal, monetary and trade policies will be implemented in a very coordinated manner.

Federation Account

The Federal Government manages a Federation Account which is a central distributable pool of funds (comprising revenues from oil and gas, value added tax, companies' income tax, customs, and excise duties as well as royalties and other income) established pursuant to Section 162 of the 1999 Constitution of the Federal Republic of Nigeria (as amended) (the Constitution) and into which all revenues collected by the Federation are paid, except limited categories of revenues which have been excluded pursuant to the provisions of the Constitution. Funds in the Federation Account are shared among the three tiers of government on such terms and in such manner as may be prescribed by the Constitution and by an Act of the National Assembly. The President, on the advice of the Revenue Mobilization Allocation and Fiscal Commission, is required to present the proposal for allocation of funds in the Federation Account before the National Assembly. In determining the formula for allocation, the National Assembly is required by the Constitution to take into account factors such as population, equality of states, internal revenue generation, land mass, terrain, and population density; *provided that* the principle of derivation shall be constantly reflected in any approved formula as being not less than 13% of the revenue accruing to the Federation Account directly from any natural resources derived from that state of the Federation.

There are several deductions from Nigeria's revenues from the sale of crude oil before the revenue is credited to the Federation Account. The NNPC usually deducts its capital and operating costs before remitting the net amount to the Federation Account. The legality of these deductions by the NNPC has been debated in public hearings by the Senate. Although the Attorney General of the Federation has stated that the NNPC is entitled to make the deductions and remit net receipts to the Federation Account, it is not clear yet what the position of the Senate will be. Of the remaining net amount, 13% is paid to the Niger Delta states. The balance is then credited to the Federation Account (up to the budgeted amount) and the remainder, if any, is credited to the Excess Crude Account.

The Federal Government's share of funds in the Federation Account is paid into the Consolidated Revenue Fund. Pursuant to Section 80 of the Constitution, no moneys shall be withdrawn from the Consolidated Revenue Fund of the Federation except to meet expenditure that is charged upon the fund by the Constitution or authorized by an Appropriation Act or a Supplementary Appropriation Act. The Federal Government also has independent revenues (not derived from the Federation Account) comprising operating surpluses of federal agencies and corporations and other sundry revenue such as internal revenue generated by the MDAs.

The Integrated Payroll and Personnel Information System (IPPIS)

The Integrated Payroll and Personnel Information System is a central payment process for all civil servants on the payroll of the Federal Government. It was launched by the Federal Government in collaboration with the World Bank in October 2006 and became operational by April 2007 with seven pilot MDAs. As at 31st December 2018, there are 506 MDAS on IPPIS Platform. The department is responsible for processing and payment of salary to over Three hundred thousand (300,000) Federal Government Employees across the 506 MDAs. The Integrated Payroll and Personnel Information System is aimed at improving public service productivity and increasing government revenues. The purpose of the Integrated Payroll and Personnel Information System reform is to:

- improve the effectiveness and efficiency of Federal payroll services;

- improve public confidence in payroll costs and budgeting;
- improve management reporting and information availability;
- facilitate easy storage, updating, and retrieval of personnel records for administrative and pension processing;
- aid personnel planning and budgeting; and
- ascertain actual personnel emoluments of Federal Government employees.

Since the inception of the project, IPPIS have saved the Federal Government of Nigeria billions of Naira by eliminating thousands of ghost workers via thorough personnel verification exercise and salary payment process. As at May 2019, the federal government had recovered over N500 billion in personnel costs through the implementation of IPPIS.

Federal Government Revenues and Expenditures

The table below contains a summary of Nigeria's public revenues and expenditures for the periods indicated:

	For the year ended December 31,											
	2016		**2017**		**2018**		**2019**		**2020**		**Q3:2021 (YTD)**	
	₦' billions											
Total Gross Federally Collectible Revenue	**5,291**		**7,445**		**9,552**		**8,153**		**7,667**		**7,287.93**	
Oil Revenue	**2,695.40**	***51%***	**4,109.80**	**55%**	5,546	**58%**	4,604.49	**56%**	3,804.96	49.6%	3,494.19	**48%**
Non-Oil Revenue	2,595.50	***49%***	*3,335.20*	*47%*	4,006	**47%**	3,548.56	**44%**	3,861.81	50.4%	3,793.74	**52%**
Total Federal Government Retained Revenue	*2,947.50*		*2,847.32*		*4,186*		*4,540*		*3,418*		*3,494.94*	
Recurrent Expenditure	2,410.50	*51%*	4,779.99	*74%*	5,675	*72%*	6,704	*85%*	7,987		6,710.61	**68%**
Capital Expenditure	784.3	*16%*	1,242.30	*19%*	1,682	*21%*	1,165	*15%*	1,601		3,125.06	**32%**
	4,767.60		**6,456.70**		**7,813**		**8,298**		**10,017**		**9,835.67**	

Total Federal Government Expenditure												
Overall Deficit	1,820.10		1,932.66		-1,489		-3,758		6,598		2,547.74	
Overall Deficit (as % of GDP)	2.70%		-1.70%		-1.17%		-2.9%		-4.52%			

Source: The Office of the Accountant General of the Federation, Budget Office of the Federation, BudgIT

Federal Government Revenues

The Federal Government budget is funded primarily from three sources:

- the Federal Government's share of the Federation Account, which amounts to a share of 48.5% of oil and gas revenues, customs and excise revenue, and corporate income tax;
- the Federal Government's share of the Value Added Tax Pool, which amounts to 14%; and
- independent revenue, consisting of operating surpluses of federal agencies and corporations and other revenue, such as the internally generated revenue of the MDAs, the proceeds from the sale of certain Federal Government assets, proceeds from the Excess Crude Account distributed for budget augmentation, exchange rate gains from the Excess Crude Account.

<u>Oil Revenues</u>

Of total receipts, oil revenue accounts for the predominant portion of federally collected revenue. Oil revenue includes revenue from sales of crude oil, oil taxes and royalties. The Government earns money directly from the sale of crude oil that it receives through its joint ventures with international oil companies (IOCs). The IOCs and the NNPC jointly contribute funds towards the cost of the joint venture, and the NNPC's share of the crude oil is sold by the NNPC and the proceeds are deposited in the Federation Account. The Government expects that in addition to revenue from the sale of crude oil, in the future, proceeds from the sale of natural gas will become an important source of revenue.

Oil taxes are imposed on private oil companies and include the petroleum profits tax, rent fees and other taxes. The Petroleum Profits Tax applies to profits of oil exploration and production ("E&P") companies. The applicable tax rate ranges from 65.75% to 85% for E&P companies within their first 5 years of production. For companies operating under a Production Sharing Contract, the applicable tax rate is 50%. The Petroleum Profits Tax is the second most important source of revenue to the Federation Account. The Government also levies a rental fee for the use of the land from which oil is extracted. In addition, the Government charges penalties and fees for other activities associated with the oil and gas business, primarily penalties for gas flaring and fees for the right to lay oil pipelines.

The third source of oil revenue is royalties with an average rate of about 20% of the value of crude produced. Royalties are paid irrespective of whether the Government shares in the crude oil produced.

Non-Oil Revenue

Revenue from non-oil sources includes revenue from various taxes. Business and personal income taxes are collected by both the Federal Government and by state governments. Corporate income tax is collected by the Federal Inland Revenue Service, while state governments collect income tax from unincorporated businesses that operate within their respective jurisdictions. The Federal Government collects personal income tax only from residents of the FCT and from Armed Services personnel, while state governments collect personal income tax from their respective residents. The FIRS is the primary revenue-generating agency of the Federal Government, with a mandate to administer federal tax laws as provided in the FIRS Establishment Act, 2007. In addition to the Petroleum Profits Tax, the Federal Government applies the following taxes at the tax rates stated below:

- Companies Income Tax Act: The Companies Income Tax Act applies to profits of corporate entities other than E&P companies. By the provisions of the Finance Act, 2019, the applicable tax rate depends on the size of the company. Thus, taxes are charged on the profits of a company at the rate of 20% of total profit declared in an accounting year (for small companies with less than ₦1,000,000 (One Million Naira) annual turn-over or those engaged in agriculture, manufacturing, mining, or wholly in exports, within the first 5 years of operation) and at 30% for others.

- Value Added Tax ("VAT"): The VAT applies to the supply of goods and services, subject to certain exemptions, such as medicines, books, and basic food items. The applicable tax rate was 5% until 1 February 2020 when it was changed to 7.5%.

- Education Tax: The Education Tax applies to profits of all corporate entities (including E&P companies); the applicable tax rate is 2%.

- National Information Technology Development Levy: The National Information Technology Development Levy applies to profits of telecommunications and internet companies, financial institutions, insurance companies, and pensions companies, in each case with an annual turnover of ₦100 million or greater. The applicable tax rate is 1%.

- Personal Income Tax: The Personal Income Tax applies to income of individuals (including employment and non-employment income). The applicable tax rate is subject to a graduated scale that ranges from 7% to 24%. Specifically, the current tax rates applicable to personal income are 7% (applicable to the first ₦300,000 of personal income); 11% (applicable to personal income from ₦300,000 to ₦600,000); 15% (applicable to personal income from ₦600,000 to ₦1,100,000); 19% (applicable to personal income from ₦1,100,000 to ₦1,600,000); 21% (applicable to personal income from ₦1,600,000 to ₦3,200,000) and 24% (applicable to personal income in excess of ₦3,200,000).

- Capital Gains Tax: Capital Gains Tax applies to gains from the disposal of assets; the applicable tax rate is 10% of net gains.

Independent Revenue

Independent revenue is the third major source of revenue which accrues to the Federal Government. Included in this are operating surpluses of federal agencies and corporations and other revenue, such as the internally generated revenue of the MDAs (revenue generated from the operating activities of the MDAs) and the proceeds from the sale of certain Federal Government assets. The Federal Government retains all independent revenue.

Federal Government Retained Revenue

Retained revenue includes the Federal Government's share of the Federation Account, the Federal Government's share of the VAT Pool, Federal Government Independent Revenue, proceeds from the Excess Crude Account distributed for budget augmentation, exchange rate gains from the Excess Crude Account, and other items.

According to reports from the Budget Office, the Federal Government's total retained revenue was ₦3,494.94 billion in the first three quarters of 2021 compared to FY 2020's ₦3,418.60 billion and down 17.03% from ₦4,120.09 billion in FY2019. In 2018, total retained revenue was ₦2,796.90 billion, compared to ₦2,763.49 billion in 2017. From 2016 through 2012, Federal Government retained revenues was ₦2,947.5 billion, ₦3,240.3 billion, ₦3,242.3 billion, ₦3,500.5 billion, and ₦3,131.1 billion, respectively.

Federal Government Expenditure

Total expenditure figure as at end of Q3, 2021 stood at ₦9,835.67 billion, a 45.5% increase from the approved total expenditure of ₦6,759.04billion in Q3, 2021. In 2019, 2018, 2017, and 2016 aggregate Federal Government expenditure was ₦8,298 billion, ₦7,813 billion, ₦6,460 billion, and ₦4,400 billion, respectively.

Spending in the Federal Government budget can be classified into four broad categories, namely:

- Statutory transfers;
- Debt service;
- Recurrent (non-debt) expenditure by the Federal MDAs; and
- Capital expenditure by the Federal MDAs.

In April 2019, the Federal Executive Council (FEC) approved the establishment of a Promissory Note Programme for the settlement of an estimated ₦3.4 trillion local and contractual debt obligations inherited by the government. The debts include outstanding pension liabilities (₦400 billion); unpaid salaries and third-party deductions (₦24.95billion); staff claims (₦270 billion); part of contractors claims (₦45.36 billion) and fuel supply accrued interest and foreign exchange differential for petroleum products marketers (₦514.29 billion). Others include part payment of state governments claims (₦487.85 billion); outsourced liabilities for the Federal Ministry of Health (₦9.04 billion); major contractors (₦596.51 billion); Export Expansion Grant (EEG) Scheme (₦350.12 billion); judgment debt (₦112.96 billion) and those for the electricity distribution companies (DISCos) ₦26.71 billion, and their Generation counterparts (₦495.67 billion).

The programme is expected to have an immediate impact on the nonperforming loan ratios of banks as well as increase the banks' capacity to lend. It will also enable the Federal Government to formally recognise and account for its true liabilities in line with the International Public Sector Accounting Standards (IPSAS).

Statutory Transfers

By law, the Government is required to make certain remittances to the National Judicial Council, the Niger Delta Development Commission, the Universal Basic Education Commission, the National Assembly, the National Human Rights Commission, and the Independent National Electoral Commission. The National Judicial Council is the body responsible for administering the Nigerian judiciary, and the Constitution mandates that the Government transfer funds necessary for its operations in order to protect the independence of the judiciary. The Niger Delta Development Commission is responsible for accelerating the development of the Niger Delta region. The Government is required to contribute an amount equivalent to 15% of the amount received by oil-producing states from the Federation Account to fund the activities of this commission. The Universal Basic Education Commission was established to coordinate the implementation of the Universal Basic Education Program of the Government, which consists of the provision of free, compulsory, and universal early childhood care and education and nine years of formal schooling for every Nigerian child of primary and junior secondary school age. Approximately 2% of Government revenues are set aside to fund the operations of the Universal Basic Education Commission.

Debt Service

Debt service as at July 2022 stood at ₦2,901.00 billion compared to ₦3,459 billion, ₦2,425 billion, ₦2,109 billion, ₦1,798 billion, ₦1,636 billion, ₦1,313 billion, in FY2021, FY2020, FY2019, FY2018, FY2017, and FY2016 respectively, increasing each year primarily due to increases in the domestic debt stock.

Expenditures by the Government's ministries, departments, and agencies

MDAs' expenditures comprise both capital and recurrent expenditures. Since 2005, the Government has used Medium-Term Sector Strategies to prioritize and align the capital expenditure of large-spending MDAs with the development objectives of the Government. Historically, this has been focused on the National Economic Empowerment and Development Strategy, the Seven-Point Agenda and the Transformation Agenda, and, more recently, Vision 20:2020 and the First NIP.

Recurrent Expenditure

Recurrent expenditure primarily consists of salaries for government employees, pensions, and administrative costs. The amount set out for Federal Government non-debt recurrent expenditure in 2021 stood at ₦4,628 billion, a mild drop of 0.37% from the 2020 fiscal year figure of ₦4,645 billion. Recurrent expenditures in 2019 through 2016 were at ₦4,040 billion, ₦3,510 billion, ₦2,640 billion, and ₦2,410.5 billion, respectively.

Capital Expenditure

Capital expenditure payments are used to fund critical infrastructure and other capital needs of the MDAs. Capital expenditure, as indicated in the budget for the 2022 fiscal year, comprises 29.8% of the aggregate expenditure at ₦4.89 trillion, exclusive of the capital components of statutory transfers. In the proposed 2022 budget, the top 5 largest allocations of capital expenditures were to Works & Housing (₦388 billion), Finance, Budget, and National Planning (₦164 billion), Defense (₦155 billion), Transport (₦120 billion), and Health (₦116 billion).

Budget Performance (2016—2020)

The table below sets out certain historical information regarding Nigeria's government budget for the years indicated versus revenues and expenditures actualized during those time periods:

	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual
Total Gross Federally Collectible Revenue (N billions)	**9,126.3**	**5,290.9**	**5,084.4**	**2,667.4**	**7,165.9**	**3,960**	**6,998.5**	**4,540.44**	**5,365.42**	**3,937.34**

Oil Revenue	**3,389.6**	**2,695.4**	**2,122.2**	**1,415.4**	**2,988.4**	**2,320.3**	**3,688.3**	**1,791.66**	**1,013.77**	**1,521.44**
Sales of Crude oil	1,778.3	1,453.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sales of Gas	644.3	42.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Taxes and fees	484.7	857.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Royalties	474.4	334.8	n/a	n/a	n/a	n/a	n/a	1,415.93	710.62	1,290.82
Other	7.9	7.7	n/a	n/a	n/a	n/a	n/a	n/a		
Non-Oil Revenue	**5,736.7**	**2,595.5**	**2,962.2**	**956.7**	**4,177.5**	**1,121.1**	**1,409.2**	**1,234.43**	**1,624.93**	**1,276.09**
VAT Pool	1,475.0	811.0	241.9	130.1	207.5	148.9	159.75	284.11	192.66	
Independent Revenue	1,505.9	237.7	807.6	295.3	847.9	454.3	557.34	932.84	519.36	
Federation Account Net	4,303.6	2,901.7	4,375.62	2,339.70	6,161.55	4,017.38	10,139.46	5,050.41	2,100.74	3,015.62
Federal Government Retained Revenue	3,885.7	2,947.5	5,084.40	2,667.37	7,165.87	3,963.67	5,365.42	3,937.34	6,998.49	4,540.44
Total Expenditure	**6,059.7**	**4,767.6**	**7,441**	**6,463.6**	**9,120.3**	**7,455.8**	**8,916.9**	**8,298.82**	**9,973.67**	**10,157.49**
Statutory Transfers	351.4	344.0	434	434.4	530	456.5	502.1	428.46	428.03	428.03
Debt Service	1,475.3	1,228.80	1,664	1,823.9	2,014	2,152.7	2,144.0	2,453.74	2,951.71	3,342.26
MDA Expenditure:										
Recurrent Expenditure	2,645.4	2,410.5	2,991	4,589.2	3,512.7	5,256.3	4,735.4	6,704.85	7,585.57	7,987.47
Capital Expenditure	1,587.6	784.3	2,361	1,439.9	2,873.4	1,743.0	2,926.9	1,165.51	1,960.07	1,741.98
Overall Deficit	**(2,174.0)**	**(1,820.1)**	**(2,356.0)**	**(3,796.2)**	**(1,954.4)**	**(2,978)**	**(1,918.4)**	**(3,758.38)**	**(8,959.9)**	**(8,636.05)**

Source: Budget Office of the Federation

(1) *Proceeds of sale of government properties refer to income from sales of government properties.*
(2) *Intra-Governmental borrowing for temporary cash management (not recorded as Government debt).*
(3) *Share of Signature Bonus refers to income to the Government when new oil blocs are licensed.*
(4) *Borrowing from the CBN (recorded as domestic debt of the Government).*
(5) *Borrowing based on the supplementary budget of 2015 (recorded as domestic debt of the Government)*
(6) *Privatization Proceeds refer to income from sales of government shares in privatized companies.*

The 2023 Budget

The President unveiled the 2023 budget proposal to the joint session of the National Assembly (NASS) on 7, October 2022. The budget tagged "Budget of Fiscal Sustainability and Transition" is designed to achieve the National Development Plan 2021 to 2025 and assist with the smooth transition from one administration to another.. The budget expenditure of ₦20.51 trillion presented to a joint session of the NASS comprises of recurrent (non-debt) expenditure of ₦8.27 trillion and an aggregate capital expenditure of ₦5.35 trillion, representing c.40% and c.26% respectively of the total expenditure. Notably, the non-debt recurrent expenditure was 18.4% higher than 2022 amended budget, due to an increase in personnel cost which accounts for 60.33%. With ₦219.85 billion, the Federal Ministry of Works and Housing was allocated the largest portion of capital spending and ₦248 billion has been proposed as a sinking fund.

The Government projected ₦9.73 trillion as revenue, with 20% expected from oil and 80% from non-oil sources. The deficit of ₦10.78 trillion is expected to be financed mainly by borrowings with c.₦7.04 trillion expected from domestic and ₦1.76 trillion from foreign sources. Also, ₦1.77 trillion is to be sourced from multilateral/bilateral loan drawdowns and ₦206.18 billion from privatization proceeds. The underlying assumptions of the budget include:

- Benchmark crude oil price – US$70 per barrel
- Oil production estimate – 1.69 mbpd
- Average exchange rate – ₦435.57 to the US dollar
- Inflation Rate – 17.16%
- GDP Growth Rate – 3.75%

The table below summarizes the Federal Government's revenue and expenditure in the 2023 budget:

Fiscal Items	2022	2023	Variance	
	₦' Billions			
FGN Revenue	9,969	9,725	-244	-2.45%
FGN Expenditure	17,320	20,507	3,187	18.40%
Statutory Transfers	818	744	-74	-9.05%
Debt Service	3,685	6,310	2,625	71.23%
Sinking Fund (to retire maturing bond to Local Contractors)	293	248	-45	-15.36%
Recurrent (non-debt) Expenditure	7,109	8,271	1,162	16.35%
Capital Expenditure (exclusive of transfers)	5,415	4,934	-481	-8.88%
Fiscal Deficit	(7,351)	(10,782)	3,431	46.65%
GDP	184,381	225,507	41,126	22.3%
Deficit/ GDP	(3.99%)	(4.78%)	0.79%	19.8%

ADDITIONAL FINANCING					
a.	Sale of Government Property	-	-	-	-
b.	Privatization Proceeds	90	206	116	128%
c.	Non-oil Asset Sales	-	-	-	-
d.	Multi-lateral/Bi-lateral Project-tied Loans	1,155	1,771	616	53%
e.	Restructured Loans	-	-		
f.	Foreign Aid / Grant (Cash)	-			
g.	New Borrowings	6,103	8,804	2,701	44%
	Domestic Borrowing	3,534	7,043	3,509	99%
	Foreign Borrowing	2,569	1,760	(809)	(31%)

Source: Budget Office of the Federation

The FGN's top 12 capital expenditure allocation across the MDA's is set forth below.

MDA	Allocation (₦' billion)
Federal Ministry of Justice	32.91
Federal Ministry of Police Affairs	36.43
Federal Ministry of Aviation	37.06
Federal Ministry of Power	37.15
Federal Ministry of Agriculture and Rural Development	43.47
Federal Ministry of Water Resources	52.91
Federal Ministry of Transport	70.45
Federal Ministry of Education	84.00
Federal Ministry of Health	93.82
Ministry of Defence	156.29
Federal Ministry of Finance, Budget, and National Planning	159.02
Federal Ministry of Works and Housing	219.85

Source: Budget Office of the Federation

NIGERIAN CAPITAL MARKET

The Nigerian Capital Market (the "Market") consists of equity and debt markets. The equity market comprises shares of quoted Nigerian companies. The debt market consists of governments and corporate bonds, supranational bonds, notes, debentures and their derivatives, Nigerian Treasury Bills, Treasury Certificates, commercial papers, and other debt instruments. The Market is principally regulated by the Securities and Exchange Commission (SEC).

The Domestic Bond Market

The Domestic Bond Market ("DBM") is principally regulated by the ISA and the SEC Rules and Regulations made pursuant to the ISA. The DBM comprises of bonds issued by the Federal Government (and its agencies), state governments, and corporate entities. Sovereign Bonds were already in existence before Nigeria's independence in 1960. However, the DBM became active in 2003 following the establishment of the Debt Management Office, which took concerted initiatives to re-launch and develop the FGN Bond market.

The low benchmark interest rates witnessed for the large part of 2020 and early 2021 has further deepened the DBN with an increased volume of corporate bond issuances driven by the need for issuers to access inexpensive long-term debt capital.

Consequently, Sukuk issuances have proven to be a key infrastructure financing avenues and are being utilized to construct/ rehabilitate critical roads across the country. Despite using debt to fund the rehabilitation and development of infrastructure, the infrastructure gap is still enormous and Mckinsey estimates that $31 billion would be required annually over a ten-year period for Nigeria's infrastructure gap to be bridged.

The Securities and Exchange Commission (SEC)

The SEC is the agency responsible for the regulation of the Nigerian Capital Market. It was formally created by the Securities and Exchange Commission Decree No. 71 of 1979 to replace the Capital Market Commission. The functions of the SEC are set out in Section 13 of the ISA which repealed the Investments and Securities Act No. 45 of 1999. The SEC has also issued rules and regulations to effectively and efficiently carry out the objectives of securities regulation as embedded in the ISA.

The SEC undertakes supervisory oversight of the capital market to ensure the protection of investors, maintain a fair, efficient, and transparent market and reduce systemic risk. It regulates and registers stock and commodity exchanges, capital market operators, venture capital funds and collective investment schemes. The FCCPC (defined below) is responsible for reviewing, approving, and regulating mergers, acquisitions, takeovers, and all forms of business combinations though the SEC still reviews such transactions undertaken by public companies to ensure fairness for shareholders.

The Investments and Securities Tribunal was established pursuant to Sections 274 and 284 of the ISA, 2007 to, inter alia, exercise jurisdiction to hear and determine any dispute relating to capital market transactions.

The Federal Competition and Consumer Protection Commission (FCCPC)

The Federal Competition and Consumer Protection Act, 2018 ("**FCCPA**"), came into force on 30 January 2019 and regulates undertakings and commercial activities within or having effect within Nigeria. The FCCPC was established under the FCCPA and has supervening powers with respect to anti-competitive practices, pricing, and mergers and acquisitions in Nigeria. Thus, the Commission may exercise its powers to restrict the provision of services if it deems same to be priced unfairly. Prior to the FCCPA coming into force, the SEC regulated mergers and acquisitions and competition issues in Nigeria. To ensure a smooth transition, in May 2019, the SEC and the FCCPC announced that they would jointly review any applications for mergers and acquisitions until further notice. Notwithstanding the establishment of the FCCPC, the SEC remains largely responsible for the regulation of Nigerian Capital Market and capital market operators.

The Nigerian Exchange Group ("NGX" or the "Exchange")

The Nigerian Exchange Group (formerly Nigerian Stock Exchange (NSE)) was established in 1960 but started operations in 1961, with the name Lagos Stock Exchange. In December 1977, the Lagos Stock Exchange was renamed the NSE and currently has 13 branches (apart from the NSE's head office). Each branch has an electronic trading floor, and the Exchange takes measures to afford participants access to its market on equal terms.

The listing of securities for trading on the Exchange is carried out pursuant to applicable laws and regulations, including CAMA, the ISA, the Rules and Regulations of the SEC, as well as NGX rules and regulations, including but not limited to the NSE 2015 Rule Book. This regulatory framework supplies the conditions for governments and companies seeking to list their instruments on the Exchange. As of 2020, there were 161 equities, 133 debt securities, and 12 exchange-traded products listed on the NSE.

Earlier in 2021, the NSE completed its much-awaited demutualization after getting the approval of the Securities and Exchange Commission (SEC) and Corporate Affairs Commission (CAC). A new non-operating holding company with three operating subsidiaries was formed as a result of the demutualization exercise. Nigerian Exchange Limited, NGX Regulation Limited (NGX REGCO), and NGX Real Estate Limited (NGX RELCO) are the subsidiaries in charge of operating, regulating, and functioning as the Exchange's real estate arm, respectively.

More recently, the Nigerian Exchange Group Plc successfully listed 1,964,115,918 shares by introduction on the main board of the Nigerian Exchange Limited (NGX). The company is listed in the financial services and capital market infrastructure sector, with the ticker "NGXGROUP". The counter was listed on the exchange by introduction at a unit price of ₦17.75. This move should position NGX Group to provide liquidity to members while also stimulating the capital market ecosystem to grow at the same pace as the economy.

The table below sets forth information regarding the market capitalization of the NGX as of the periods indicated.

As of December 31,	**Equities**	**Debt**	**Exchange-Traded Product**	**Total**
	(₦ billions)			
2015	9,859.2	7,140.1	4.0	17,003.3
2016	9,255.9	6,925.1	4.8	16,185.7
2017	13,619.9	9,291.3	6.7	22,917.9
2018	11,731.3	10,166.6	6.1	21,904
2019	12,970	12.920	n/a	25,890[1]
2020	21,063	17,501	24.5	38,589
2021	24,091	19,026	7.3	43,125

1. Total excludes ETP figure for 2019
Source: NGX

Central Securities and Clearing System PLC (CSCS)

Central Securities and Clearing System Plc was incorporated in 1992, as a subsidiary of the NSE to provide central clearing services for securities quoted on the NSE and It began operations in 1997. All securities listed on the NSE (now NGX) must have their certificates deposited in the CSCS before transactions can take place on the floors of the NGX. CSCS provides computerized registration, clearing, settlement, and delivery of securities in a centralized form thereby reducing the cost and time involved in processing trades on the NGX. It settles transactions within "T+3" or "T+2" days (depending on the securities) and serves as a central clearing point for book-entry trading of instruments listed on the NGX.

The FMDQ Securities Exchange Limited (the FMDQ)

The FMDQ was launched in November 2013, bringing together Nigeria's fixed income and currency operations under a single market governance structure by promoting market development in the Nigerian OTC financial markets, with a primary focus on the capital markets—fixed income (money, repos, commercial papers, treasury bills, and bonds), currencies and derivatives. The FMDQ presently provides the platform on which all secondary market trading activities for debt securities are executed.

As a self-regulatory organization, the FMDQ is responsible for enforcing Members' compliance with its Rules, Guidelines, Agreements, and all other regulations, as well as monitoring and enforcing compliance by issuers of listed or quoted securities.

As part of efforts to contribute to the development of the domestic markets, FMDQ have embarked on the following initiatives:

- Establishment of FMDQ Clear Limited, a wholly owned subsidiary of FMDQ registered by SEC in November 2017, to function as a clearing and settlement company. It is positioned to deliver end-to-end clearing and settlement services.
- Establishment of FMDQ Depository Limited as a wholly owned subsidiary of FMDQ Group (FMDQ) to provide collateral caching and settlement services in the Nigerian financial market, complementing the clearing function discharged by FMDQ Clear Limited and offering market participants an unrivalled opportunity to experience enhanced straight-through-processing.

PUBLIC DEBT

Overview

Public debt consists of external and domestic debt owed by the Federal Government, as well as external debt on-lent by the Federal Government to States and the Federal Capital Territory. Public debt management is considered by the Government to be of strategic importance to Nigeria, in light of the fact that Nigeria's debt became unsustainable and a constraint on economic growth in the 1990s and early 2000s. In recognition of this, the Government established the Debt Management Office (DMO) to serve as a central body for managing public debt of the Federal Government. According to the Debt Management Office, as at June 30, 2022, Nigeria's public debt was ₦42.85 trillion (US$103.31

billion), which consisted of ₦16.62 trillion (US$40.06 billion) of external debt and ₦26.23 trillion (US$63.24 billion) of domestic debt.

After Nigeria reduced its external debt from US$20.5 billion as of December 31, 2005, to US$4.6 billion as of December 31, 2010, external debt increased to US$22.1 billion as of December 31, 2016. Similarly, it picked up pace to ₦16.62 trillion (US$39.97 billion) as at March 31, 2021.

In recent years, in order to achieve its objective of rebalancing its public debt portfolio in favour of external debt, the Government is seeking to expand its external borrowing to achieve a ratio of 30:70 for external and domestic debt, respectively. Hence, the Government has focused on developing a robust domestic debt market, with domestic debt accounting for over 55% of total debt over the past four years.

Debt Management Office

The Debt Management Office was established in October 2000 to, inter alia, efficiently and effectively manage the country's public debt obligations at sustainable levels in line with the country's desire for economic growth and development. Prior to the establishment of the Debt Management Office, public debt management functions were diffused across a myriad of MDAs and were conducted in an uncoordinated manner. After the implementation of the 2008—2012 National Debt Management Framework, the Debt Management Office set out another five-year medium-term public debt management framework in the form of the National Debt Management Framework, 2013—2017. The 2013—2017 National Debt Management Frameworks, like the 2008-2012 National Debt Management Framework, addressed three principal areas, namely external debt, domestic debt, and sub-national debt. Following the implementation of the 2013-2017 framework, the Debt Management Strategy, 2016-2019 was introduced to guide the borrowing decisions of the Federal Government of Nigeria (latest edition is the Nigeria's Debt Management Strategy, 2020 – 2023).

Following the implementation and review of the National Debt Management Framework, 2008-2012, the Debt Management Office, together with the CBN, Budget Office of the Federation, the NBS, and the National Planning Commission, developed the Medium-Term Debt Management Strategy 2012—2015. Policy objectives of the Medium-Term Debt Management Strategy included reducing the rate of growth of public debt (and in particular, domestic debt), reducing the amount spent on debt service, achieving a 60:40 ratio of domestic and external debt, stabilizing the domestic debt market to attract foreign investment inflows, achieving a 75:25 domestic debt ratio of long-term (including medium-term) and short-term domestic debt. The debt strategy was revised in line with international best practices in 2016 with the stakeholders, the Office of the Accountant-General of the Federation to produce the Medium-Term Debt Management Strategy 2020-2023, which focuses on rebalancing the public debt portfolio by concentrating on substituting expensive domestic borrowing with relatively cheaper external borrowing in order to achieve the target 60:40 ratio of domestic and external debt. The strategy was approved by the Federal Executive Council in June 2016 and it is aimed at reducing the cost of public debt service, achieving a 75:25 domestic debt ratio of long-term (including medium-term) and short-term domestic debt, keeping the share of debt maturing within 1 year, as a percentage of Total Debt Portfolio at not more than 20% as well as creating space for private sectors borrowing in the domestic debt market in the medium term.

The DMO as part of its mandate of ensuring debt sustainability conducts annual Debt Sustainability Analysis (DSA) in conjunction with key stakeholders, namely: the Federal Ministry of Finance, Budget and National Planning, CBN, NBS, OAGF, and SEC. The DSA evaluates the ability of the country to continue to service its debt in the medium to long-term without undue adjustments in terms of its solvency and liquidity ratios relative to international peer group standard thresholds. The Debt Management Office uses the DSA to advise the government on available borrowing space for the next fiscal year.

The operations of the DMO are governed by the Debt Management Office (Establishment etc.) Act No. 18 of 2003, which provides for a Supervisory Board chaired by the Vice-President of Nigeria and the Minister of Finance as the Vice-Chairman.

Since its establishment in 2000, the DMO has initiated and adopted a number of measures to promote prudent debt management at the federal and state level while at the same time promoting the development of the domestic debt securities market. Some of these measures include:

- the restoration of the domestic bond market through its Bond Issuance Programme and Monthly Bond Auction. Tenors of domestic bonds are three, five, seven, ten, and 20 years;
- the introduction of a Primary Dealer Market Maker system to promote an active secondary market for Federal Government of Nigeria Bonds, thereby creating a sovereign yield curve to serve as a benchmark for other domestic borrowers. The sovereign yield curve, which was initially limited to short tenors, was extended to 20 years through the issuance of the first 20-year Federal Government of Nigeria bonds in November 2008;
- the extension of debt management practices to the sub-national level through capacity building (training and secondments for state government officials) and actively encouraging the enactment of relevant legislation on fiscal and debt management laws at the sub-national level;
- the publication of various guidelines, notably the Sub-National Borrowing Guidelines and the External Borrowing Guidelines; and
- the conduct of an annual debt sustainability analysis using the World Bank-IMF Debt Sustainability Analysis (DSA) Template, to ascertain the sustainability of debt portfolio in the medium to long-term, while mobilizing critical financing for developmental purposes.

FGN's Public Debt

The outstanding total public debt of the FGN stood at ₦42.85 trillion as at June 30, 2022, compared to ₦39.56 trillion, in December 31, 2021. According to data from the DMO, the outstanding domestic debt of the federal government stood at ₦26.23 trillion in June 30, 2022, relative to ₦23.70 trillion as at December 31 2021. It is the government's strategy to refinance domestic debt with external borrowing to reduce debt service costs and achieve a more sustainable debt portfolio mix.

The Government's public debt profile since early 2013 has been marked by a shift from predominantly domestic debt to predominantly external debt. The table below sets forth certain information regarding the Federal Government's total public debt as of the dates indicated:

Type	As of December 31						As at Q2
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
		(₦'billions)[1]					
External Debt	1,631.52	2,111.53	3,478.91	9,022.42	12,705.62	15,855.23	16,615.67

Domestic Debt	7,904.02	8,836.99	11,058.20	18,378.96	20,209.90	23,700.80	26,230.21
Total	9,535.54	10,948.52	14,537.11	27,401.38	32,915.51	39,556.03	42,845.88

(1) Conversion from Naira to U.S. dollar was at Official Rate/inter-bank exchange rate (as applicable) as of period end.
Source: DMO

The table below provides information regarding the Federal Government of Nigeria's debt service figures for the periods indicated:

Type	**For the year ended December 31 (₦'millions)(1)**					
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
External Debt	107,692.45	141,998.53	451,916.14	1,333,537.10	1,556,211.63	872,262.10
Domestic Debt	1,228,762.65	1,476,221.83	1,797,900.62	1,686,027.31	1,854,690.62	2,054,441.53
Total	1,336,455.10	1,618,220.36	2,249,816.76	3,019,564.41	3,410,903.25	2,926,703.63

(1) Conversion from Naira to U.S. dollar was at Official Rate/inter-bank exchange rate (as applicable) as of period end.
Source: DMO

External Public Debt

The external debt management strategy includes substitution of domestic debt with less expensive, long-term, external funding. This strategy was adopted in 2012 and has resulted in an increase in external debt in recent years because, prior to 2012, the external debt management strategy was to borrow only from concessional sources. (Concessional loans are extended on terms substantially more generous than market loans, achieved either through interest rates below those available on the market or by grace periods, or a combination of these.) Concessional loans typically have long grace periods. The objective of this strategy is to achieve a 30:70 external to domestic debt ratio. As at June 30 2022, the composition of the public debt portfolio stood at 61.22:38.78, compared to December 31, 2021 which stood at 66.89:33.10.

Given the low share of external debt, the lower cost of external borrowing, and the continued interest in diversifying Government's sources of funding, the Government intends to continue to pursue a strategy of substituting domestic debt with less expensive long-term external funding.

Nigeria's external debt stock outstanding was US$38,391.32million as at December 2021, relative to US$33,348.08million as at December 2020, representing an increase of US$5,043.24million in the period under review. Increases in the external debt stock of the country are largely due to the Federal Government's shift towards external financing as part of its debt management strategy of rebalancing the public debt portfolio. Specifically, the growth of external debt was mainly on account of additional disbursements of multilateral and bilateral loans, as well as increased borrowings from the International Capital Market.

The external debt portfolio of the country is composed of the following currencies: Swiss Francs (CHF), European Euro (EUR), Great Britain Pounds (GBP), United States Dollar (USD), Japanese Yen (JPY), Special Drawing Rights (SDR), IDB Units of Account (Islamic Dinar), Chinese Yuan (CNY) and Nigerian Naira. Of note, the Naira currency in the external debt portfolio was due to the debt sourced from the concessional window of the African Development Bank, and the SDR is a virtual currency comprising USD, EUR, and GBP.

The table below sets forth certain information regarding Nigeria's outstanding external debt by source, as of the dates indicated:

	As of December 31, (US$'millions)(1)					
	2016	2017	2018	2019	2020	2021
Official						
Bilateral(2)	1,918.1	2,372.0	3,091.68	3,847.41	4,059.39	4,466.05
Multilateral(3)	7,988.2	10,241.4	11,014.34	12,660.38	17,933.64	18,656.28
Sub-Total	9,906.3	12,613.4	14,106.02	16,507.79	21,993.03	23,122.33
Commercial						
Eurobond	1,500.0	1,500.0	1,500.0	10,868.35	10,868.35	14,368.35
Other Commercial(4)	n/a	n/a	n/a	300.00	300.0	300.00
Sub Total	1,500.0	1,500.0	1,500.0	11,168.35	11,168.35	14,668.35
Promissory Notes	n/a	n/a	n/a	n/a	n/a	600.64
Grand Total	9,711.5	10,718.4	11,406.3	27,676.14	33,348.08	38,391.32

(1) Conversion from Naira to U.S. dollar made at Official Rate/inter-bank exchange rate (as applicable) as of period end.
(2) Bilateral Debt comprises debt from the non-Paris Club group of creditors, which are provided on semi-concessional terms.
(3) Multilateral loans comprise both concessional and non-concessional loans. Concessional lenders include the International Development Association, International Fund for Agricultural Development, African Development Fund, the European Development Fund and the Islamic Development Bank. Non-concessional lenders include the World Bank and the African Development Bank.
(4) Comprises loans from private-sector lenders (and the Diaspora Bond for 2017, 2018 and 2019 figures)

Source: DMO

As at June 30, 2022, debts originating from multilateral institutions constituted a large portion of outstanding external debt, while a significant increase was recorded in the country's dollar-denominated debt. The table below sets forth information regarding Nigeria's external debt outstanding as at June 30, 2022:

Funding Sources	Amount Outstanding	Amount Outstanding
	(US$ millions)(1)	(as a % of Total Debt)
Multilateral		
International Monetary Fund	3,271.62	
International Development Association	12,569.69	
IBRD	486.02	
African Development Bank	1,551.75	
Africa Growing Together Fund	5.02	
African Development Fund	955.18	
Arab Bank for Economic Development in Africa	5.70	
European Development Fund	39.35	
Islamic Development Bank	43.69	
Int'l Fund For Agricultural Development	229.40	
Sub-Total	*19,157.42*	*47.82%*
Bilateral		
Export-Import Bank of China	3,928.34	
France (Agence Francaise Development)	526.57	
Japan International Cooperation Agency	60.65	
India (Exim Bank of India)	31.50	
KfW (the German international development agency)	153.77	
Sub-total	*4,700.83*	*11.73%*
Commercial		
Eurobonds	15,618.35	
Diaspora Bond	0.00	
Sub-total	*15,618.35*	*38.98%*
Promissory Notes	588.19	1.47%
Grand Total	40,064.79	100.00%

(1) Conversion from Naira to U.S. dollar made using CBN official exchange rate of US$1 to ₦414.72 as at 30 June, 2022.

Source: DMO

The table below sets forth information regarding external debt service payments for the periods indicated:

Source	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
(US$' millions)						
Official:						
Bilateral	63.4	71.8	150.4	174.86	258.19	290.17
Multilateral	165.3	191.8	249.06	329.14	437.08	496.12
Sub-Total	228.7	263.6	399.46	504	695.27	786.29
Private:						
London Club (oil warrants)(1)	20.9	41.7	41.71	41.7	20.86	0
Other Commercial(2)	0	0	0	0	0	0
Eurobond	91.3	150.3	1014	770.94	823.22	1,306.35

Diaspora Bond	0	8.5	16.87	16.88	16.88	0
Agency Fees	12.3	0	0	0	0	16.88
Sub-Total	124.4	200.5	1,072.58	829.52	860.96	1,323.22
Total	353.1	464.1	1,472.04	1,333.52	1,556.23	2,109.51

(1) Payments to London Club creditors were in respect of oil warrants only, as Nigeria has had no other London Club debt since 2007. Outstanding oil warrants issued to London Club creditors were scheduled to mature in 2020.

(2) Comprises loans from private-sector lenders.

Source: DMO

Domestic Debt

Nigeria's strategy with respect to its domestic debt portfolio is to lengthen its maturity structure, to broaden and deepen the domestic bond market through the introduction of a variety of government securities, to use technology to aid the effective and efficient issuance and trading of domestic bonds and to improve the regulatory framework for effective operation of the bond market. Accordingly, in line with efforts to broaden the FGN's securities basket, the DMO launched a number of offers namely, the FGN Savings Bond, the FGN Diaspora Bond (under the category of external debt), the FGN Sukuk I, the FGN Green Bond Series I and II, the FGN Sukuk II, the FGN Sukuk III, FGN Sukuk IV and Promissory Notes.

FGN Savings Bond

To increase financial inclusion, particularly among retail investors, the Federal Government, in March 2017, introduced the Savings Bond, which is expected to promote the savings culture among Nigerians and broaden the investment opportunities available to the populace. As at June 2022, the Savings Bond accounted for ₦20.87 billion (0.10%) of the Federal Government's domestic debt stock.

FGN Sovereign Sukuk

With the inaugural issuance of the Sovereign Sukuk on September 26, 2017, Nigeria joined the league of other African countries, such as Gambia, Cote de' Voire, Senegal, South Africa, Sudan, Togo to explore opportunities in non-interest financing. Compared to the Savings Bond, which was issued for tenors of three years and below, the Sukuk presented a longer-term financing alternative to the Federal Government and proved relevant for funding the much-needed infrastructure deficit of the country. The 2018 Sukuk II formed part of the Federal Government's 2018 borrowing plans from the domestic market with an approved size of ₦100 billion. The funds were earmarked for advancing ongoing road projects executed under the 2017 debut issuance with the inclusion of three (3) additional roads. The two issues of the 7-year Sukuk of ₦100.00 billion each attracted rental rates of 16.47 and 15.74 per cent, respectively, payable semi-annually. In 2020, the FGN came to the capital market once again with its third Sukuk issuance of ₦162.56bn for a tenor of 7 years which was used to construct parts of forty-four (44) major road projects across the six geopolitical zones. Most recently in December 2021, the FGN issued a ₦250 Billion 13% series IV Sukuk to fund the rehabilitation and construction of 71 road projects across the six geopolitical zones. As at June 2022, ₦612.56 billion has been realized from the issuances of Sukuk in Nigeria and it accounts for 2.92% of the FGN's domestic debt stock.

Green Bond

Nigeria issued her debut 5-year ₦10.69 billion Green Bond at 13.48% interest rate on December 12, 2017. The purpose of the issuance was to raise capital to fund environmentally friendly projects in the 2017 Appropriation Act that had been certified as *Green* because of their positive effects on the environment (for example, the Renewable Energy Micro Utilities and Afforestation Programmes). The issuance placed Nigeria on the global map as the first African country to issue a Green Bond. As at June 2022, ₦25.69 billion has been realized from the issuances on Green Bonds and it contributed 0.12% of the FGN domestic debt stock.

Debut FGN 30-year Bond

Nigeria issued her debut 30-year ₦20 billion Bond at 14.80% interest rate on April 24, 2019. The Bond was 400% oversubscribed with a total subscription of ₦80.41 billion received from investors for the ₦20 billion offered by the DMO. The purpose of the issuance was to attract long-term investors and extend DMO's maturity profile of its debt so that debt service is easier and smoother.

Promissory Notes

The total value of ₦514.94 billion FGN Promissory Notes was outstanding as at June 2022. The 1-, 2- and 3-year notes were issued to settle part of the inherited local contractors' debts, outstanding obligations to oil marketing companies, and state governments.

Composition

Domestic debt consists primarily of:

- Treasury Bills, typically with a tenor of one year or less: 91, 182 and 364 day Nigerian Treasury Bills;
- FGN Bonds, which are currently issued in tenors of 5, 7, 10 and 20 years, and treasury bonds, which are legacy debt instruments with tenor range of between 13 years and 23 years (new securities under this category are no longer issued);
- FGN Savings Bond, which are currently issued in tenors of 2 and 3 years on monthly basis;
- FGN Sukuk I, II & III issued at an initial maturity of 7 years while FGN Sukuk IV issued at an initial maturity of 10 years;
- FGN Green Bond Series I & II issued at an initial maturity of 5 years and 7 years respectively; and
- Promissory Notes of 1-, 2- and 3-year tenor.

Short-term debt comprises of debt with maturities of 365 days and below. Medium-term debt is defined as debt having a remaining maturity greater than one year and less than or equal to three years. Long-term debt is defined as debt having a remaining maturity greater than three years.
The table below sets out information regarding the composition of FGN's domestic debt by instrument, as of the dates indicated:

	For the year ended December 31,						Q2
Instruments	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
	(₦ billions)						
FGN Bond	7,564.9	8,715.8	9,334.74	10,524.16	11,830.26	13,963.21	15,194.09
Nigeria Treasury Bills	3,277.3	3,579.8	2,735.97	2,651.51	2,720.44	3,786.13	4,504.80
Nigeria Treasury Bonds	215.9	176.0	150.99	125.99	100.99	75.99	75.99
FGN Savings Bond	-	7.2	10.75	12.67	12.29	16.42	20.86
FGN Sukuk	-	100.0	200.0	200.0	362.56	612.56	612.56

Instruments	For the year ended December 31,						Q2
	2016	2017	2018	2019	2020	2021	2022
	(₦ billions)						
FGN Green Bond	-	10.7	10.69	25.69	25.69	25.69	25.69
Promissory Notes	-	-	331.27	-	889.88	762.54	514.94
Total	11,058.1	12,589.5	12,774.4	14,272.64	16,023.89	19,242.56	20,948.94

Source: DMO

Benchmark Bonds

The FGN Benchmark Bonds as at November 18, 2022 are listed below:

Description	Tenor Benchmark (Years)
13.53 23-MAR-2025	3
16.2884 17-MAR-2027	5
14.55 26-APR-2029	7
12.1493 18-JUL-2034	10
12.40 18-MAR-2036	15
16.2499 18-APR-2037	15
13.00 21-JAN-2042	20
14.80 26-APR-2049	30
12.98 27-MAR-2050	30

Source: FMDQ

The FGN Bond market has continued to grow substantially in recent years, from ₦3,541.2 billion in 2011 to ₦16.02 trillion in December 2020. FGN Bonds are generally long-dated, and the relative size of the Bonds compared to other types of government securities relates to the Government's strategy to extend the maturity profile of its domestic debt to a 75:25 ratio of long-term to short-term instruments (with medium-term debt counted with long-term debt). The ratio of long-term to short-term domestic debt using original maturity stood at a 79:21 ratio as at March 2021

Maturity Profile

The table below sets forth information regarding the domestic debt outstanding by residual maturity:

	For the year ended December 31,						
Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	(₦ billions)						
Short Term	3,350.5	3,379.3	3,902.4	4,105.3	2,735.97	2,969.01	2,890.11
Medium- and Long-Term	4,553.5	5,457.8	7,155.8	8,484.1	10,038.44	6,420.71	7,772.58
Total	7,904.0	8,837.0	11,058.2	12,589.4	12,774.41	9,389.72	10,662.69

Source: DMO

Domestic Debt Service

The table below sets out information regarding Nigeria's domestic debt service payments for the periods indicated:

Year ended December 31,	**Debt Service Payments (₦'billions)**
2014	865.8
2015	1,018.1
2016	1,228.8
2017	1,476.2
2018	1,797.9
2019	1,686.0
2020	1,854.7
2021	2,054.4

Source: DMO

The increase in debt service payments year-on-year reflects the increase in the issuance of domestic debt, as well as increased domestic cost of borrowing as a result of higher domestic interest rates. Domestic interest rates have been on the increase since 2011 as demonstrated by the CBN's Monetary Policy Rate, which has risen from 6.5% in 2011 to 14.00% in 2022. Hence, the Federal Government's strategy to refinance domestic debt with less expensive foreign debt.

Debt Sustainability

The DSA exercise was organised by the DMO, in August 2017, in collaboration with the Federal Ministry of Finance (FMF), CBN, Federal Ministry of Budget and National Planning (FMBNP), BOF, NBS, OAGF and SEC, while the West African Institute for Financial and Economic Management (WAIFEM), provided technical support. The exercise was conducted as part of the requirements for sound public debt management practices, which ensures that the nation's total public debt portfolio is, subjected to appropriate qualitative and quantitative analyses. The exercise also evaluated the country's repayment capacity for its current and future debt obligations.

The result of the 2017 DSA showed that Nigeria's risk of debt distress remained moderate, and further highlights the vulnerability of the debt portfolio to shocks such as lower GDP growth, weaker exports, Foreign Direct Investments (no-debt creating), as well as substantial currency devaluation.

Due to the poor state of the country's rail network, inland waterways, and pipeline systems, roads are the dominant form of transportation in the country, servicing approximately 90% of all freight and passenger traffic. Nigeria has a land mass of 923,768km² and a road network of 200,000km, which caters to its population of approximately 206.1 million as of 2020 according to the World Bank's estimate.

The ownership of the country's roads is shared by the three tiers of government. The Federal Government owns an estimated 33,000km of the roads, while State Governments own 50,000km, leaving 117,000km to the Local Governments. According to the National Planning Commission, 78% of State roads and 87% of Local Government roads are in poor condition. Consequently, there is a heavy reliance on federal roads, which provide over 70% of the road transportation network of the country. This implies that federal roads carry about 8.02 million of the total 11.45 million estimated vehicular traffic in Nigeria.

Table 1: Classification of Nigerian Roads

Class	Description
Federal Roads (Trunk A):	These roads form the backbone of the country's road network. They connect to major industrial towns, State capitals, seaports, airports, and neighboring countries. These roads are constructed and maintained by the Federal Government.
State Roads (Trunk B)	These roads support the socio-economic development within states by linking States capitals with major towns in each respective State. These roads are constructed and maintained by the State governments.
Local Government Roads (Trunk C)	This class of roads link villages and communities and they are constructed and maintained by Local Governments.

Source: FMWH

Despite the huge dependence on road infrastructure, road transportation accounts for only 1.13% of the country's Gross Domestic Product as at Q2, 2021. As highlighted in the Federal Government's Economic Recovery & Growth Plan, Nigeria's transportation infrastructure is inadequate for the size of the economy and constitutes a strain on businesses. This inadequacy is evidenced by the country's low road density at 22km per 100sqkm compared to other emerging economies such as India (158km), South Africa (62km), and Kenya (28km)[6]. In addition, the quality of Nigerian roads is widely perceived to be substandard as captured by the World Economic Forum Global Competitiveness Report (2019), which puts the quality of Nigerian roads at 2.5 on a scale of 7. Although the number of accidents directly attributed to bad roads is reportedly few, the associated accidents are sizeable and accounted for about 50% of road accidents in 2016[7].

Evidently, there is an urgent need to improve the state of Nigerian roads. This necessitated the creation of the National Integrated Infrastructure Master Plan (NIIMP) in 2014, in which government earmarked the bulk of transport

[6] *NERGP 2017*
[7] *ibid*

infrastructure investment for roads. The NIIMP envisaged that Nigeria required US$350 billion investment over 30 years to rehabilitate 120,000 km of existing roads, increase the length of paved roads and construct 95,000 km of new roads.

In the pursuit of the NIIMP, the Federal Government, under the administration of President Muhammadu Buhari, remains committed to improving the state of Nigerian roads and has allocated about ₦168billion out of the projected 2022 Budget of ₦16.39trillion for the construction and rehabilitation of roads in every geo-political zone; out of which ₦58billion is earmarked for the renovation and construction of bridges.

ROAD DEVELOPMENT TRAJECTORY

In 1960 when Nigeria gained its independence, the country had a road network of 6,500km. This gradually expanded to 197,000km over the subsequent 40 years[8]. However, from 2010 to date, Nigeria's road network has barely expanded and is currently estimated at 200,000km. Consequently, Nigeria's infrastructure has come under immense pressure from the heavy rise in vehicular traffic and population. This pressure is compounded by the rapid rise in urbanization and the inadequacies of alternative transport modes.

Every administration since the colonial era has attempted to improve the road network given the strong correlation between roads and economic development. One of the notable initiatives was the Road Vision 2000, which sets out the framework for private participation in road project financing.

Year	Framework/Agenda	Description
1996	**Road Vision 2000 (RV 2000)**	The RV2000 laid the foundation for the creation of a National Roads Board and a Road Fund with a mandate to establish a stable and sustainable basis for road infrastructure development and a legal framework for private participation in the management and financing of road projects
2004	**Road Sector Development And Maintenance Program (RSDMP)**	The RSDMP was established with the assistance of the World Bank to implement the management and maintenance of federal roads through private sector participation in line with the National Economic Empowerment Development Strategy (NEEDS).
2004	**Federal Road Development Program (FRDP)**	The FRDP emerged as an implementation step in the RSDMP and covered upgrading, rehabilitation, periodic and routine maintenance activities on major transport corridors in the country for a period of ten (10) years
2011	**Strategic Highway Investment for Transformation (SHIFT)**	This was designed to attract public-private partnerships in green-field road projects.

Source: FMWH, World Bank

[8] Africa Development Bank

The Federal Government expends substantial sums in the maintenance of critical federal roads and bridges that lead to the country's borders and airports and also link the various regions of the country in every budgetary year. Although the various government initiatives have achieved some progress in managing the existing road network, they are yet to deliver the scale of growth required for an expanding economy like Nigeria.

Table 2: Some Key Federal Roads in the Country

Road	Linking/Leading to
Abuja-Lokoja Road	Northern part of the country to the South-West and South-East
Apapa-Oshodi Expressway	Sea ports at Apapa and Tincan Island as well as the Murtala Mohammed International Airport
Calabar-Ugep-Ogoja-Katsina Ala Road	Cross River State to The North Central, North Easter, and South Eastern Zones
East-West road	Delta, Bayelsa, Rivers, Akwa Ibom, and Cross River States
Enugu-Abakaliki-Mfun Road	Cameroon
Ilorin-Jebba–Mokwa-Bokani-Tegina-Birnin Gwari road	South-West to the North-Western States
Kano-Kazaure-Daura-Mai'adua Road	Nigeria to the Niger Republic
Kano-Maiduguri Road	Kano, Jigawa, Bauchi, Yobe and Borno States
Lagos-Badagry Expressway	Republic of Benin
Lagos-Ibadan Expressway	South-West and other parts of the country
Maiduguri-Bama-Gwoza-Hong Road	Cameroon
Onitsha-Enugu-Port Harcourt Road	South-East to South-South
Port Harcourt-Aba Road	River State to Abia State
Shagamu-Ore-Benin Road	South-West region and the rest of the country
Sokoto-Illella Road	Nigeria to Niger Republic

Source: FMWH, Ministry of Finance, Budget and National Planning

Some of the challenges with road development in the country include:

Funding Constraints: Funding is a key factor for road development and the Federal Government has traditionally borne the bulk of this responsibility. Over the last five years, an average of 30% of the Federal Government budgeted expenditure was allocated to capital projects (including roads), which is insufficient to cover the large infrastructure requirements. Private participation in infrastructure financing has also been sluggish and this has stalled the execution of road projects.

Poor Performance of Contractors: Some road contractors perform below expectations and utilize substandard materials, leaving the government with a huge maintenance burden. The high maintenance cost erodes the funds that could have otherwise been used for other road projects.

Weather Conditions: Nigeria experiences seven months of rain in some parts of the county, which slows the pace of road construction and also affects the quality of roads.

Security: In recent times, insurgency and terrorism have affected Nigeria's infrastructure resulting in the destruction of roads, bridges, schools, and hospitals in the affected areas.

Poor Road Usage: The country's roads are significantly overburdened by transportation of heavy freight, which is otherwise better suited for rail transport. In addition, the unwholesome activities of some road users such as overloading, parking of heavy axle vehicles on roads, and blocking drainages hastens the deterioration of road infrastructure.

RECENT DEVELOPMENTS IN ROAD FUNDING

New trends of road financing have emerged in Nigeria over the last decade. Although the Federal Government statutory revenues still constitute the bulk of funding, these other sources are becoming more apparent. The sector has witnessed participation from multilateral agencies, private sector participants and capital market investors.

Public-Private Partnerships

In 2008, the Federal Government established the Infrastructure Concession Regulatory Commission (ICRC) to regulate Public Private-Partnership (PPP) projects of the Federal Government. Under a PPP arrangement, each party shares in the risks and rewards in the delivery of the project. In Nigeria, one of the landmark PPP projects in the transportation sector is the contractual agreement between the Federal Airports Authority of Nigeria (FAAN) and Bi-Courtney Aviation Services for the Build Operate and Transfer (BOT) of MMA2 domestic airport terminal in Lagos. PPP's are not without their challenges and two pilot PPP projects initiated by the FMWH (Lagos–Ibadan Expressway and Gutto–Bagana Bridge across the Benue River) were stalled due to the concessionaires' inability to obtain the stipulated funding required. Nevertheless, there are still notable road PPP projects under development and procurement such as the Mpape-Gurku-Ado/Gurku-Nyanya road project. The project involves the construction, operation, and maintenance of a dual carriage.

Multilateral Agencies

Nigeria receives funding from multilateral agencies such as the World Bank (through the International Development Association and International Bank for Reconstruction and Development) and the African Development Bank (AfDB) to fund various road projects in urban and rural areas. Some key on-going projects include the Federal Roads Development Project ($330 million) and the Rural Access & Mobility Project ($170 million) funded by the World Bank.

Bond Issuance

The Federal Government, through the DMO raises bonds from the Nigerian capital market periodically to fund capital projects and other government obligations. This enables the Federal Government to attract funding from pension funds, banks, and individuals, amongst others. The FGN through the DMO has issued bonds to fund specific roads between 2009 and 2012. These are Abuja Airport Expressway and Kubwa Expressway. FGN Bonds have also been used to raise funds to settle local contractors' debts some of which relate to road projects. These funds were raised to finance contractors and ensure that they resumed construction after a long period of suspension.

More recently, the Federal Government explored other innovative options in the domestic capital market by issuing Sukuk (non-interest bonds) to finance road projects. The FGN has raised ₦362.56bn from three Sukuk issuances which have been used to finance the development of 44 key roads across the country which are critical to easing transport and boosting commercial activities. The Sukuk structure incentivizes contractors to accelerate work on the selected roads because of the confidence that the Government had dedicated funds already in place to pay them upon completion of milestones.

Tax credits

In January 2019, the President signed Executive Order 007 of 2019 on 25th January 2019. The Order established Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme. The Scheme seeks to encourage private sector participation in road development in the country by permitting private companies and investors to fund the construction and refurbishment of major road projects across all geopolitical zones. The Scheme will span a period of ten years from the commencement date of the Order. Participants, which may be any Nigerian-registered company or aggregation of firms, are entitled to recover expenses incurred in either the construction or renovation of roads deemed eligible under the Scheme as company income tax credits. Participants will benefit via a non-taxable uplift equivalent to the CBN Monetary Policy Rate plus 2% of the project cost. Unutilised tax credits can be carried forward to subsequent years or transferred to another party as a form of security.

ROAD CONSTRUCTION & MAINTENANCE

Federal Ministry of Works & Housing (FMWH)

The Federal Ministry of Works & Housing (FMWH) is comprised of the Ministries of Works and Housing. The Minister of Works as mandated by the Federal Highway Act CAP.135, is charged with the planning, design, construction and rehabilitation of federal highways. The FMWH is also responsible for;

- Monitoring and maintenance of federal roads and bridges;
- Provision of engineering infrastructure; and
- Surveying and mapping the country's internal and external boundaries

The FMWH will oversee all the roads to be constructed with the Sukuk proceeds.

The agencies under the FMWH include;

- The Office of the Surveyor-General of the Federation (OSGOF);
- The Federal Roads Maintenance Agency (FERMA);
- The Council for the Regulation of Engineering in Nigeria (COREN); and
- Surveyors Registration Council of Nigeria (SURCON)

To ensure adequate supervision over highways on the grassroots level, the FMWH has also instituted Zonal Highway Departments.

Federal Roads Maintenance Agency (FERMA)

The Federal Roads Maintenance Agency (FERMA) was established by an Act of the National Assembly in 2002: Federal Roads Maintenance Agency (Establishment, etc) Act 2002, and Federal Roads Maintenance Agency (Amendment) Act 2007, as an agency of the Federal Ministry of Works to monitor and maintain all federal roads in the country. The agency's primary activities include road condition survey, contract management, and direct labour management. FERMA is also charged with the responsibility of inspecting road projects as well as monitoring of contractors. The Operations Department of FERMA is also charged with the responsibility of managing road maintenance activities in various zones in the country comprising: North Central West Zone, North West Zone, South West Zone, and Lagos Zone.

OVERVIEW OF THE ROAD TRANSPORT INFRASTRUCTURE IN NIGERIA

Due to the poor state of the country's rail network, inland waterways, and pipeline systems, roads are the dominant form of transportation in the country, servicing approximately 90% of all freight and passenger traffic. Nigeria has a land mass of 923,768km² and a road network of 200,000km, which caters to its population of approximately 211.4 million as of 2021 according to the World Bank's estimate.

The ownership of the country's roads is shared by the three tiers of government. The Federal Government owns an estimated 33,000km of the roads, while State Governments own 50,000km, leaving 117,000km to the Local Governments. According to the National Planning Commission, 78% of State roads and 87% of Local Government roads are in poor condition. Consequently, there is a heavy reliance on federal roads, which provide over 70% of the road transportation network of the country. This implies that federal roads carry about 8.02 million of the total 11.45 million estimated vehicular traffic in Nigeria.

Table 3: Classification of Nigerian Roads

Class	Description
Federal Roads (Trunk A):	These roads form the backbone of the country's road network. They connect to major industrial towns, State capitals, seaports, airports, and neighboring countries. These roads are constructed and maintained by the Federal Government.
State Roads (Trunk B)	These roads support the socio-economic development within states by linking States capitals with major towns in each respective State. These roads are constructed and maintained by the State governments.
Local Government Roads (Trunk C)	This class of roads link villages and communities and they are constructed and maintained by Local Governments.

Source: FMWH

Despite the huge dependence on road infrastructure, transport activities contributed 2.79% to nominal GDP in Q2, 2022. As highlighted in the Federal Government's Economic Recovery & Growth Plan, Nigeria's transportation infrastructure is inadequate for the size of the economy and constitutes a strain on businesses. This inadequacy is evidenced by the country's low road density at 22km per 100sqkm compared to other emerging economies such as India (158km), South Africa (62km), and Kenya (28km)[9]. In addition, the quality of Nigerian roads is widely perceived to be substandard as captured by the World Economic Forum Global Competitiveness Report (2019), which puts the quality of Nigerian roads at 2.5 on a scale of 7. Although the number of accidents directly attributed to bad roads is reportedly few, the associated accidents are sizeable and accounted for about 50% of road accidents in 2016[10].

Evidently, there is an urgent need to improve the state of Nigerian roads. This necessitated the creation of the National Integrated Infrastructure Master Plan (NIIMP) in 2014, in which government earmarked the bulk of transport

[9] *NERGP 2017*
[10] *ibid*

infrastructure investment for roads. The NIIMP envisaged that Nigeria required US$350 billion investment over 30 years to rehabilitate 120,000 km of existing roads, increase the length of paved roads and construct 95,000 km of new roads.

In the pursuit of the NIIMP, the Federal Government, under the administration of President Muhammadu Buhari, remains committed to improving the state of Nigerian roads and has allocated about ₦168billion out of the projected 2022 Budget of ₦16.39trillion for the construction and rehabilitation of roads in every geo-political zone; out of which ₦58billion is earmarked for the renovation and construction of bridges.

ROAD DEVELOPMENT TRAJECTORY

In 1960 when Nigeria gained its independence, the country had a road network of 6,500km. This gradually expanded to 197,000km over the subsequent 40 years[11]. However, from 2010 to date, Nigeria's road network has barely expanded and is currently estimated at 200,000km. Consequently, Nigeria's infrastructure has come under immense pressure from the heavy rise in vehicular traffic and population. This pressure is compounded by the rapid rise in urbanization and the inadequacies of alternative transport modes.

Every administration since the colonial era has attempted to improve the road network given the strong correlation between roads and economic development. One of the notable initiatives was the Road Vision 2000, which sets out the framework for private participation in road project financing.

Year	Framework/Agenda	Description
1996	**Road Vision 2000 (RV 2000)**	The RV2000 laid the foundation for the creation of a National Roads Board and a Road Fund with a mandate to establish a stable and sustainable basis for road infrastructure development and a legal framework for private participation in the management and financing of road projects
2004	**Road Sector Development And Maintenance Program (RSDMP)**	The RSDMP was established with the assistance of the World Bank to implement the management and maintenance of federal roads through private sector participation in line with the National Economic Empowerment Development Strategy (NEEDS).
2004	**Federal Road Development Program (FRDP)**	The FRDP emerged as an implementation step in the RSDMP and covered upgrading, rehabilitation, periodic and routine maintenance activities on major transport corridors in the country for a period of ten (10) years
2011	**Strategic Highway Investment for Transformation (SHIFT)**	This was designed to attract public-private partnerships in green-field road projects.

Source: FMWH, World Bank

[11] Africa Development Bank

The Federal Government expends substantial sums in the maintenance of critical federal roads and bridges that lead to the country's borders and airports and also link the various regions of the country in every budgetary year. Although the various government initiatives have achieved some progress in managing the existing road network, they are yet to deliver the scale of growth required for an expanding economy like Nigeria.

Table 4: Some Key Federal Roads in the Country

Road	Linking/Leading to
Abuja-Lokoja Road	Northern part of the country to the South-West and South-East
Apapa-Oshodi Expressway	Sea ports at Apapa and Tincan Island as well as the Murtala Mohammed International Airport
Calabar-Ugep-Ogoja-Katsina Ala Road	Cross River State to The North Central, North Easter, and South Eastern Zones
East-West road	Delta, Bayelsa, Rivers, Akwa Ibom, and Cross River States
Enugu-Abakaliki-Mfun Road	Cameroon
Ilorin-Jebba–Mokwa-Bokani-Tegina-Birnin Gwari road	South-West to the North-Western States
Kano-Kazaure-Daura-Mai'adua Road	Nigeria to the Niger Republic
Kano-Maiduguri Road	Kano, Jigawa, Bauchi, Yobe and Borno States
Lagos-Badagry Expressway	Republic of Benin
Lagos-Ibadan Expressway	South-West and other parts of the country
Maiduguri-Bama-Gwoza-Hong Road	Cameroon
Onitsha-Enugu-Port Harcourt Road	South-East to South-South
Port Harcourt-Aba Road	River State to Abia State
Shagamu-Ore-Benin Road	South-West region and the rest of the country
Sokoto-Illella Road	Nigeria to Niger Republic

Source: FMWH, Ministry of Finance, Budget and National Planning

Some of the challenges with road development in the country include:

Funding Constraints: Funding is a key factor for road development and the Federal Government has traditionally borne the bulk of this responsibility. Over the last five years, an average of 30% of the Federal Government budgeted expenditure was allocated to capital projects (including roads), which is insufficient to cover the large infrastructure requirements. Private participation in infrastructure financing has also been sluggish and this has stalled the execution of road projects.

Poor Performance of Contractors: Some road contractors perform below expectations and utilize substandard materials, leaving the government with a huge maintenance burden. The high maintenance cost erodes the funds that could have otherwise been used for other road projects.

Weather Conditions: Nigeria experiences seven months of rain in some parts of the county, which slows the pace of road construction and also affects the quality of roads.

Security: In recent times, insurgency and terrorism have affected Nigeria's infrastructure resulting in the destruction of roads, bridges, schools, and hospitals in the affected areas.

Poor Road Usage: The country's roads are significantly overburdened by transportation of heavy freight, which is otherwise better suited for rail transport. In addition, the unwholesome activities of some road users such as overloading, parking of heavy axle vehicles on roads, and blocking drainages hastens the deterioration of road infrastructure.

RECENT DEVELOPMENTS IN ROAD FUNDING

New trends of road financing have emerged in Nigeria over the last decade. Although the Federal Government statutory revenues still constitute the bulk of funding, these other sources are becoming more apparent. The sector has witnessed participation from multilateral agencies, private sector participants and capital market investors.

Public-Private Partnerships

In 2008, the Federal Government established the Infrastructure Concession Regulatory Commission (ICRC) to regulate Public Private-Partnership (PPP) projects of the Federal Government. Under a PPP arrangement, each party shares in the risks and rewards in the delivery of the project. In Nigeria, one of the landmark PPP projects in the transportation sector is the contractual agreement between the Federal Airports Authority of Nigeria (FAAN) and Bi-Courtney Aviation Services for the Build Operate and Transfer (BOT) of MMA2 domestic airport terminal in Lagos. PPP's are not without their challenges and two pilot PPP projects initiated by the FMWH (Lagos–Ibadan Expressway and Gutto–Bagana Bridge across the Benue River) were stalled due to the concessionaires' inability to obtain the stipulated funding required. Nevertheless, there are still notable road PPP projects under development and procurement such as the Mpape-Gurku-Ado/Gurku-Nyanya road project. The project involves the construction, operation, and maintenance of a dual carriage.

Multilateral Agencies

Nigeria receives funding from multilateral agencies such as the World Bank (through the International Development Association and International Bank for Reconstruction and Development) and the African Development Bank (AfDB) to fund various road projects in urban and rural areas. Some key on-going projects include the Federal Roads Development Project ($330 million) and the Rural Access & Mobility Project ($170 million) funded by the World Bank.

Bond Issuance

The Federal Government, through the DMO raises bonds from the Nigerian capital market periodically to fund capital projects and other government obligations. This enables the Federal Government to attract funding from pension funds, banks, and individuals, amongst others. The FGN through the DMO has issued bonds to fund specific roads between 2009 and 2012. These are Abuja Airport Expressway and Kubwa Expressway. FGN Bonds have also been used to raise funds to settle local contractors' debts some of which relate to road projects. These funds were raised to finance contractors and ensure that they resumed construction after a long period of suspension.

More recently, the Federal Government explored other innovative options in the domestic capital market by issuing Sukuk (non-interest bonds) to finance road projects. The FGN issued a ₦250bn sovereign sukuk which generated an unprecedented subscription level of over ₦865bn, a 346% over subscription. The proceeds of the sukuk will be used to finance the rehabilitation and reconstruction of road projects across the six geopolitical zones and the Federal Capital Territory. According to the DMO, the increasing level of participation by a more diverse and large number of investors is a confirmation that the DMO's objectives of issuing sovereign sukuk to grow the domestic investor base and promote financial inclusion is being achieved. In addition, the high subscription level is proof of investors' acknowledgement of the impact of the ₦362.57bn sovereign sukuk issued between 2017 and 2020 has had on the development of road infrastructure in Nigeria.

Tax credits

In January 2019, the President signed Executive Order 007 of 2019 on 25th January 2019. The Order established Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme. The Scheme seeks to encourage private sector participation in road development in the country by permitting private companies and investors to fund the construction and refurbishment of major road projects across all geopolitical zones. The Scheme will span a period of ten years from the commencement date of the Order. Participants, which may be any Nigerian-registered company or aggregation of firms, are entitled to recover expenses incurred in either the construction or renovation of roads deemed eligible under the Scheme as company income tax credits. Participants will benefit via a non-taxable uplift equivalent to the CBN Monetary Policy Rate plus 2% of the project cost. Unutilised tax credits can be carried forward to subsequent years or transferred to another party as a form of security.

ROAD CONSTRUCTION & MAINTENANCE

Federal Ministry of Works & Housing (FMWH)

The Federal Ministry of Works & Housing (FMWH) is comprised of the Ministries of Works and Housing. The Minister of Works as mandated by the Federal Highway Act CAP.135, is charged with the planning, design, construction and rehabilitation of federal highways. The FMWH is also responsible for;

- Monitoring and maintenance of federal roads and bridges;
- Provision of engineering infrastructure; and
- Surveying and mapping the country's internal and external boundaries

The FMWH will oversee all the roads to be constructed with the Sukuk proceeds.

The agencies under the FMWH include;

- The Office of the Surveyor-General of the Federation (OSGOF);
- The Federal Roads Maintenance Agency (FERMA);

- The Council for the Regulation of Engineering in Nigeria (COREN); and
- Surveyors Registration Council of Nigeria (SURCON)

To ensure adequate supervision over highways on the grassroots level, the FMWH has also instituted Zonal Highway Departments.

Federal Roads Maintenance Agency (FERMA)

The Federal Roads Maintenance Agency (FERMA) was established by an Act of the National Assembly in 2002: Federal Roads Maintenance Agency (Establishment, etc) Act 2002, and Federal Roads Maintenance Agency (Amendment) Act 2007, as an agency of the Federal Ministry of Works to monitor and maintain all federal roads in the country. The agency's primary activities include road condition survey, contract management, and direct labour management. FERMA is also charged with the responsibility of inspecting road projects as well as monitoring of contractors. The Operations Department of FERMA is also charged with the responsibility of managing road maintenance activities in various zones in the country comprising: North-Central Zone, North-West Zone, South-West Zone, and Lagos Zone.

NON-INTEREST FINANCE & SUKUK ISSUANCE

INTRODUCTION

Non-interest finance (commonly referred to as Islamic finance) has become a recognized segment of finance with increased opportunities for wider adoption around the world. Non-interest finance plays an essential role in providing financial stability and fostering economic growth as it promotes equity, justice, and fairness in financial transactions both in mobilizing resources and the investment of such resources.

Advances in the market have been rapid, with increased adoption of fintech, digital banking, and cryptocurrencies. According to the Islamic Financial Services Industry ("IFSI") Stability Report 2021, the total assets of global IFSI grew by 10.7% (y-o-y) with a total worth estimated at $2.70trn. The overall growth was achieved despite the prolonged depreciation of several emerging markets' currencies which led to declines in the dollar values of assets. The continuous adoption and integration of new and emerging technologies is likely to accentuate the Islamic finance market, as digital solutions offer improvements in accessibility and efficiency, along with broadening their service offerings.

The Islamic finance industry has been on a growth path in recent years. Despite the pandemic, Islamic financing expanded at an average compound rate of 10.5 per cent in 2020 and 2021, while conventional loan growth expanded at 3.4 per cent during the same period. Regionally, GCC (the Gulf Cooperation Council countries) retained its position as the largest domicile for Islamic finance assets in 2020. The region accounted for 48.9% of global Islamic finance market share, increasing from 45.9% in 2019. The Middle East and South Asia (MESA) region constituted the second-largest share, accounting for 24.9% of global IFSI assets, remaining consistent with the previous year. The South-East Asia (SEA) region's share shrank slightly to 20.3% in 2020 from 23.8% in 2019, while that of the Africa region remained small, with a share of 1.7%. The "Others" region, comprising Turkey, the UK and countries from the Commonwealth of Independent States (CIS) region, accounted for 4.3% of total global IFSI assets.

In 2020, the total Islamic banking assets grew by 4.3% (y-o-y) with a total asset base of $1.84trn accounting for 68.2% of the IFSI global assets. Financing in the Islamic banking industry grew by 12.8% (y-o-y) while deposits grew by 11.9% (y-o-y). Saudi Arabia remains the largest country with Islamic banking assets accounting for 28.5% of the market share followed by Iran (22.1%) and Malaysia (11.4%).

Much like conventional finance, financial technology or fintech has been playing a fast-expanding role in Islamic banking over the past two years. Digital-only banks have begun to emerge, particularly in the UK, posing a threat to traditional Islamic banks in their non-core markets. Two digital banks were launched in the UK in 2020 – Rizq and Niyah with four more digital banks currently in the pipeline based in the UK, Malaysia, and Kenya.

The non-interest finance industry is guided by global standard-setting bodies such as the Council of the Islamic Fiqh, Academy of the Organization of Islamic Conference (OIC), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB) and the Institute of Islamic Liquidity Management (IILM). These standard-setting bodies provide guidelines on accounting, product structuring and the application of Islamic commercial jurisprudence to financial transactions. The growth of non-interest finance has seen it encompass the entire financing spectrum including commercial banking, insurance and capital markets.

By the rules of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic financial instruments and contracts, particularly Sukuk must be based on the existence of underlying assets. To this end, Sukuk are becoming an important means of funding large-scale investment projects around the world, while for investors; the Sukuk market provides greater potential for diversification into new asset classes. Sukuk are now widely accepted as a diverse, internationally accepted instrument to raise corporate finance for asset acquisitions or working capital purposes, and use in the transportation sector, real estate, infrastructure construction, and petrochemical projects in several countries.

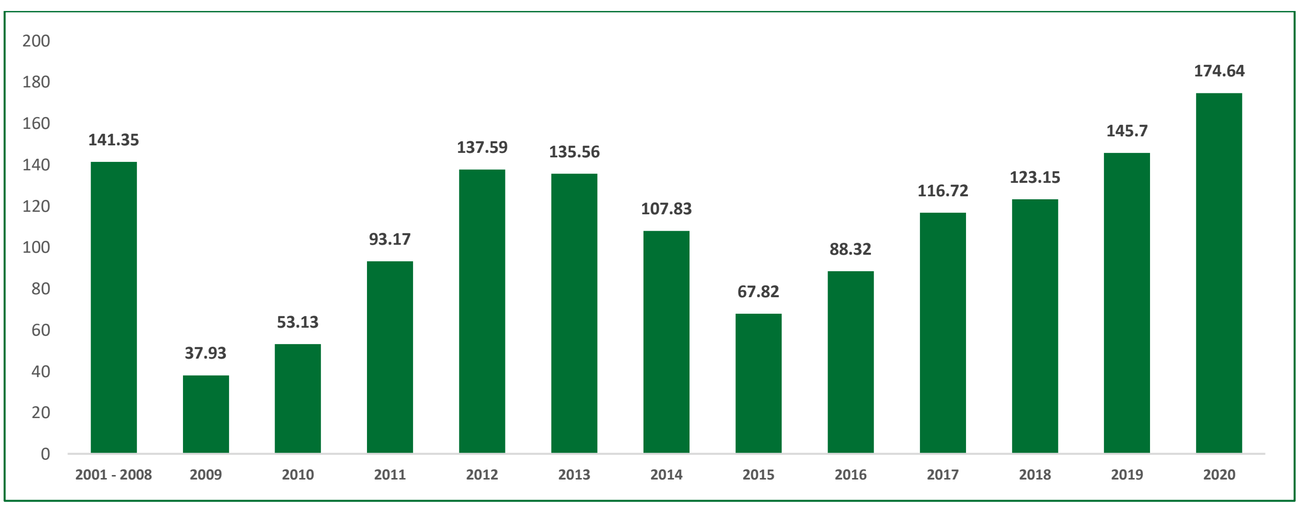
Non-interest finance has gained considerable momentum in Nigeria with a number of operators offering specialized banking, insurance and asset management services. The development of Nigeria's non-interest finance industry has been fostered by strong demand for Shari'ah-compliant financial services amidst a supportive regulatory environment. It is worthy to note that in recent times the regulatory bodies (the CBN, SEC, NGX, NAICOM, FIRS and FMDQ) have issued guidelines and provided institutional support to foster the development of this emerging asset class. In the aftermath of the global financial crisis, the world is witnessing a shift of the major global financial hubs from the West to the East.

The Gulf Cooperation Council (GCC) countries and Asian countries have weathered the storm relatively unscathed and have come out stronger. Coincidentally, in many of these countries, Islamic finance has made major strides. To tap into the economic surpluses in this region, there have been multiple Sukuk issuances in several countries including Malaysia, Singapore, Indonesia, Germany, the United States of America, the United Kingdom (UK) as well as the Gulf region where Sukuk has been used to meet infrastructural and financing needs of both corporates and governments. Furthermore, the Africa Finance Corporation, issued its maiden Sukuk of US$150 million in 2017 to finance Islamic finance compliant projects located across the numerous African Islamic Development Bank member countries.

THE GLOBAL SUKUK MARKET

According to the International Islamic Financial Market Report, the total global issuances (long-term & short-term) amounted to USD$174.64billion in 2020 which is the highest estimated value of yearly sukuk issuances to date. The steady issuance volume during 2020 was mainly due to sovereign sukuk issuances from Asia, GCC, Africa, and certain others while Malaysia continues to dominate the sukuk market. The total estimated global sukuk issuance from 2001 to 2020 amounts to US$1.42trillion.

Chart 1: Total global sukuk issuances from Jan 2001 to Dec 2020 – in USD Billions



Source: IIFM Sukuk Report 2021

From 2001 – 2020, Asia was the dominant player in the global sukuk market accounting for 67.84% of global sukuk issuances followed by GCC & Middle East as the second-largest destination of sukuk issuances with market share of about 25.47% and it continues to be one of the key regions driving the sukuk market.

As of 2020 among the jurisdictions, Malaysia is the market leader and a dominant player in terms of issuances with a market share of 37.90%. Other jurisdictions in order of their approximate share in the global market are Indonesia (14.92%), Saudi Arabia (15.61%), UAE (5.56%), Bahrain (3.20%), Qatar (1.32%) and Turkey with an increasing market share of (15.10%) while Sudan is the most prolific issuer of Sukuk from Africa region with market share of (0.51%).

The number of jurisdictions that are directly or indirectly issuing Sukuk are increasing year-over-year which in turn is keeping the Sukuk market vibrant.

Table 1: Regional Break-up of Global Issuances Jan 2001 -Dec 2020

Asia & Far East	Number of Issues	Amount (US$'Millions)	% of Total Value
Bangladesh	29	790	0.055%
Brunei Darussalam	195	11,830	0.831%
China	1	97	0.01%
Hong Kong	5	3,196	0.22%
Indonesia	552	124,958	8.78%
Japan	3	190	0.01%
Malaysia	7,800	799,945	56.22%
Maldives	3	24	0.002%
Pakistan	117	22,792	1.60%
Singapore	16	1,498	0.11%
Sri Lanka	2	5	0.0004%
Total	**8,723**	**965,324**	**67.84%**

GCC & Middle East	Number of Issues	Amount (US$'Millions)	% of Total Value
Bahrain	467	39,396	2.77%
Jordan	4	483	0.03%
Kuwait	23	5,995	0.42%
Oman	17	7,322	0.51%
Qatar	56	35,967	2.53%
Saudi Arabia	261	174,611	12.27%
United Arab Emirates	155	98,395	6.92%

Yemen	2	253	0.02%
Total	**985**	**362,423**	**25.47%**

Africa	Number of Issues	Amount (US$'Millions)	% of Total Value
Egypt	2	286	0.02%
Gambia	556	430	0.03%
Ivory Coast	2	460	0.03%
Nigeria	6	1,249	0.09%
Mali	1	285	0.02%
Morocco	1	105	0.01%
South Africa	1	500	0.04%
Senegal	2	445	0.03%
Sudan	41	20,545	1.44%
Togo	1	245	0.02%
Total	**613**	**24,550**	**1.71%**

Europe & Others	Number of Issues	Amount (US$'Millions)	% of Total Value
France	1	1	0.00%
Germany	3	206	0.01%
Luxembourg	3	280	0.02%
Kazakhstan	1	77	0.01%
Turkey	708	66,915	4.70%
United Kingdom	11	1,769	0.12%
USA	5	1,367	0.10%
Total	**732**	**70,615**	**4.96%**
Grand Total	**11,053**	**1,422,911**	**100%**

Source: IIFM Sukuk Report 2021

Recent Development in the Global Sukuk Market

In 2018, the Islamic Development Bank (IsDB) successfully priced a US$1.25 billion, 5-year Fixed Rate Trust Certificates (Sukuk) under its US$25 billion Trust Certificate Issuance Programme. The Sukuk was priced at par at 3.10%, to be payable on semi-annual basis. CIMB, Citi, Emirates NBD Capital, Gulf International Bank, HSBC, Natixis, SMBC Nikko, and Standard Chartered Bank acted as the joint lead managers (JLMs) and joint book runners. In terms of the final allocation, 61% of the issue size was allocated to investors in MENA, 18% to investors in Europe, and 21% to Asian investors. In terms of investor type, the deal saw strong participation from real money accounts and official institutions providing credence to IsDB's credit strength. 74% of issue size was allocated to central banks and official agencies, while 26% was allocated to Banks and Fund managers. Moodys expects sovereign supranational issuances to reach an all-time high of $93bn in 2020.

While Malaysia, the United Arab Emirates (UAE), the United States of America, the UK, and Bahrain have been at the forefront of the use of Sukuk to promote infrastructural growth, as far back as 2004, a €100 million Sukuk, structured as Sukuk-al-Ijarah was issued by the Federal State of Saxony-Anhalt in Germany. Over the last seven years, London-based financial institutions have arranged over nineteen Sukuk issuances; some of which are listed on the London Stock Exchange. A notable transaction in the UK is the Chelsea Barracks real estate project worth £2.5 billion. The barracks was acquired from the UK Ministry of Defence and have now been converted to luxury apartments, hotels, and health spas.

In Africa, the Central Bank of Gambia issued a Salam Sukuk worth 5 million Gambian Dalasi with a 90-day maturity as a treasury instrument in 2008. Since then, the Central Bank of Gambia has successfully issued over 300 Sukuk. In 2018, the Gambia led the continent in short-term Sukuk issuances, when it issued 111 Sukuk worth $247mn in that year alone. In 2014, South Africa joined Hong Kong and the UK to become the third non-Muslim country to sell government debt that adheres to Islamic law. The US$500 million 5.75-year sales was more than four times subscribed, with an order book of US$2.2 billion. Other recent issuances in Africa include Senegal's CFA150 billion 10-year Sukuk, Côte d'Ivoire's CFA150 billion 7-year Sukuk, and Togo's CFA150 billion 10-year Sukuk in 2016. These Sukuk were issued in local currency and subsequently listed on the regional bourse – the Bourse Régionale des Valeurs Mobilières (BRVM), which also serves Benin, Burkina Faso, Guinea-Bissau, Mali, and Niger.

Islamic Corporation for the Development of the Private Sector estimates 2019's total sukuk market at c. $162.1billion translating to a y-o-y growth of 30% from 2018's estimate of $124.8billion, maintaining the double-digit growth in the Sukuk industry seen across the past five years. Sukuk remains the debt instrument of choice for sovereign issuers in Malaysia, Indonesia, and Saudi Arabia to finance budget deficits and maintain liquidity levels. Indonesian sukuk issuance rose by 37% in 2019 as the government ramped up domestic issuances in order to finance its state budget and broaden the investor base. Domestic corporate issuances remained a challenge in Indonesia, largely due to poor secondary market liquidity. In Malaysia, the central bank's resumption of its short-term Murabaha sukuk programme to maintain domestic liquidity levels boosted activity in the sovereign's market.

The first two quarters of 2020 saw high levels of volatility in global markets as the Covid-19 pandemic took hold and oil prices crashed. Some of the largest sukuk issuers, often from oil-exporting countries, held off from issuing Sukuk during the first quarter amid the market turmoil. Governments around the world introduced sweeping stimulus measures to defend their economies and some countries began to issue sukuks to help finance their deficits. The Malaysian government issued $13billion worth of sukuk during the second quarter of 2020. Sovereign sukuk issuances in Saudi Arabia totaled $18billion over the first half of 2020 as part of government efforts to shore up the economy after oil prices collapsed in March. Other sovereigns to have issued sukuk to soften the economic downturn include Bahrain, Dubai, Oman, and Nigeria.

In August 2020, Malaysia issued its first digital retail sukuk with a target issuance of $119.4million. The digital retail sukuk could be subscribed to through digital channels such as mobile banking platforms, with 27 banks participating in the scheme. The Indonesian government made a similar move, issuing retail sukuk in the same month amounting to $342million.

The total sukuk outstanding value in 2019 was estimated at $538billion, an annual growth of about 15% from 2018's estimate of $470billion. An estimated total of 1,446 sukuks were issued in 2019 with about 21% of the sukuks being of a Murabaha structure, 20% being of an Ijarah structure, and 16% being of a Mudarabah structure. The Ijarah sukuk is the second most globally issued sukuk structure type in the world and the only sukuk structure type issued by the Federal Government of Nigeria.

In a nod to environmentally sustainable investing, the Sukuk industry which witnessed its debut green Sukuk in 2017 followed up with its first sovereign green Sukuk in 2018. The Indonesian government raised $1.25bn to fund renewable energy, green tourism, and waste management projects. A follow-up issuance of $750mn in 2019 turned the Indonesian government into the largest issuer of green Sukuk.

Earlier in 2017, the first-ever Green sukuk was issued by Quantum Solar Park, a Malaysian corporate entity. The $250 million in proceeds were used to finance the construction of one of the largest solar power projects in Southeast Asia. The Sukuk was certified as 'Dark Green' by the Centre for International Climate and Environmental Research Oslo (CICERO), which indicates that the underlying projects are in line with CICERO's long-term vision of a low carbon and climate-resilient future. In 2018, Britain's largest Islamic bank (Al Rayan Bank) issued its debut £250million Sukuk which was 155% oversubscribed. Al Rayan Bank's Sukuk is backed by a portfolio of 1,672 owner-occupied home purchase plans and is structured with a tenor of 34 years.

Green sukuk issuance totaled US$4.4billion in 2019, comprising issuances from Indonesia and countries of the Gulf Cooperation Council ("GCC"). The Indonesian government and Dubai holding group Majid Al Futtaim both issued their first green sukuk in 2019. Indonesia's issuance of two green sukuk totaling US$2billion was in line with a strategy under the government's economic masterplan

In 2020, the Islamic Development Bank issued its debut sustainability sukuk valued at US$1.5 billion to support various social projects undertaken by member countries affected by the COVID-19 pandemic. This was the first-ever AAA-rated sustainability sukuk to be issued on the global capital markets. The Bank launched its first green sukuk in December 2019, valued at US$1.17billion, to finance climate change-related and green projects among its member countries. The Saudi Electricity Company also raised US$1.3 billion from the sale of a dual-tranche green sukuk in September 2020, which was the first green sukuk from a Saudi issuer.

Egypt entered the sukuk market in April 2020 with an inaugural corporate issuance from Talaat Moustafa Group, an Egyptian real estate developer, valued at US$127 million while the world's first Formosa sukuk were issued by the Qatar Islamic Bank. The issuance was raised to US$800 million from an initially planned US650 million to meet strong investor demand. The issuance followed a revision of the Taiwan Financial Supervisory Commission's rules that had previously only allowed conventional issuers to access the Taipei market.

Fintech has not left the Sukuk market untouched and has made its impact felt in Islamic finance. In September 2018, Al Hilal Bank, based in UAE, sold a portion of its $500mn Sukuk using blockchain technology.

History of Non-interest Finance in Nigeria

Non-interest Finance is gaining ground in Nigeria as a viable alternative to the conventional finance services. The history of formal Non-interest Finance in Nigeria dates back to 1991 with the promulgation of the Banks and Other Financial Institutions Act (BOFIA), which provided the legal recognition for non-interest or profit/loss sharing banking in the country. Consequently, in 1996, Habib Bank (now Keystone Bank) sought and obtained approval from the CBN to operate non-interest banking.

In June 2011, the CBN issued clear Guidelines for the Regulation and Supervision of Non-Interest Financial Institutions (NIFI) in Nigeria. The CBN classified NIFIs as specialized institutions with a required capital base of N5 billion for regional and N10 billion for national licenses. As a result, Jaiz International PLC (now Jaiz Bank Plc) and Stanbic IBTC Bank PLC (a member of the Standard Bank Group) received non-interest banking licenses and non-interest banking window license respectively in 2011 while Sterling Bank PLC received its non-interest banking window license in 2013. Jaiz Bank PLC started off as a regional operator but obtained a national license in 2016 and went on to list its shares on the Nigerian Stock Exchange in 2017. SunTrust Bank Nigeria Limited was granted approval to operate a non-interest banking window in 2018.

In 2019, the non-interest banking space expanded further after the CBN licenced TAJ Bank to begin operations. TAJ Bank, which has a national license, launched operations in November of the same year. To further strengthen the industry regulatory framework, the CBN joined fifty-seven other jurisdictions in April 2019 in the adoption of IFSB standards on disclosure, capital adequacy, and supervision of Islamic banks. In May 2021, the CBN granted Lotus Bank Limited a license to commence non-interest banking and became the third non-interest bank in the country. Lotus Bank commenced operations from its flagship branch in Victoria Island on July 7, 2021, with a strong digital orientation.

In the insurance sector, non-interest insurance (takaful) operators have emerged, operating either as windows of conventional insurers or independently. The National Insurance Commission (NAICOM) issued guidelines for takaful operators in 2013. Since this period and prior, conventional insurers such as Africa Alliance PLC, Niger Insurance PLC, and Cornerstone Insurance PLC have offered takaful products alongside conventional products. In 2016, NAICOM issued licenses for full-fledged takaful services to the duo of Jaiz Takaful and Noor Takaful. After a brief lull, the number of industry operators doubled in 2020 after operational licenses were issued to Cornerstone Takaful and Salam Takaful. According to NAICOM, it still has pending applications and it is expected that new players should join the industry in the near future.

In the capital market space, ethical funds providing Shari'ah compliant services have operated in Nigeria for more than a decade. In 2008, the first Shari'ah-compliant mutual fund was launched by Lotus Capital Limited. This was followed by similar issuances by Asset & Resource Management (ARM) Company Limited (2011) and Stanbic Asset Management Limited (2013). In 2013, the Nigerian Stock Exchange (now Nigerian Exchange Limited) and Lotus Capital established the NSE-Lotus Islamic Index to identify and track Shari'ah-compliant equities on the Nigerian Stock Exchange. In 2019, the National Pension Commission (PENCOM) released guidelines allowing PFAs to operate Shariah-compliant funds. The new rules created a "Fund VI" which will invest exclusively in Shari'ah-compliant instruments. Under the new guidelines, PFAs are allowed to invest up to 70% of Fund VI assets in FGN Sukuk. This new rule which became operational in 2021 allows PFAs to move contributions from their conventional portfolios to Fund VI for Shariah-compliant management, upon request from contributors. To make sure that the fund is suitable for Islamic retirees and pension contributors, PENCOM sought for and obtained the approval of the Financial Regulation Advisory Council of Experts (FRACE), the Central Bank of Nigeria as well as the Securities and Exchange Commission and an operational framework manual was released in June, 2021. The Net Asset Value (NAV) of Shari'ah-compliant funds has grown by 174% between December 2019 and August 2021, with about nine ethical funds in the market and 78% of them being Islamic funds.

In the debt capital segment, the SEC issued guidelines for Sukuk issuance in 2013. This paved the way for the first Sukuk issuance in Nigeria by the Osun State Government in that year. In 2015, the SEC developed a 10 Year Non-Interest Capital

Market Master Plan, with the bold objective of increasing the segment's capitalization to 25% of the total debt capital market by 2025. The Master plan also seeks to make Sukuk account for up to 15% of the total debt capital market by 2025. To boost secondary market liquidity for Sukuk, the NSE and FMDQ came up with Sukuk listing guidelines.

Having established the requisite regulatory environment for Islamic financing, the FGN proceeded to launch its first Sukuk issuance in September 2017. The Sukuk proceeds were used for construction of 25 roads distributed across all six geopolitical zones.

Table 2: List of roads constructed with proceeds from FGN Sukuk Series I (2017)

Zone	Projects	Amount	Projects
North Central	5	₦16.67bn	○ Construction of Loko-Oweto bridge ○ Dualization of Abuja--Lokoja road (sections 1 and 4) ○ Dualization of Suleja-Minna road (Phase 2) ○ Dualization of Lokoja -Benin road (Section 1)
North East	4	₦16.67bn	○ Dualization of Kano-Maiduguri road (Sections 2-5)
North West	4	₦16.67bn	○ Dualization of Kano-Maiduguri road (Section 1) ○ Dualization of Kano-Katsina road (phase 1) ○ Construction of Kano western bypass and Kaduna eastern bypass
South East	4	₦16.67bn	○ Rehabilitation of the Onitsha-Enugu expressway ○ Rehabilitation of Enugu-Port Harcourt road (Sections 1-3)
South South	5	₦16.67bn	○ Rehabilitation of Enugu-Port Harcourt road (sections 4) ○ Dualization of Yenegwe road junction- Kolo-Otuoke Bayelsa Palm ○ Dualization of Lokoja-Benin road (Section 2-4)
South West	3	₦16.67bn	○ Reconstruction of Benin-Ofosu-Ore-Ajebandele-Shagamu dual carriageway (Phase 3 and 4) ○ Dualization of Ibadan-Ilorin road (Section 2)
Total	**25**	**₦100bn**	

Pictures of select roads constructed with proceeds from FGN Sukuk Series I (2017)


Loko-Oweto bridge


Abuja-Lokoja road


Kano-Katsina road


Onitsha-Enugu expressway


Ibadan-Ilorin road


Enugu-Port Harcourt road

The issuance was oversubscribed at 105%, evidencing the appetite for investors to diversify outside conventional instruments. The offer benefitted from a number of concessions to boost market appeal; this included accordance of Liquid Asset status by the CBN and qualification as "securities issued by the FGN" for tax exemption purposes.

Following the enthusiastic reception on its debut, the FGN issued a second Sukuk of ₦100bn in 2018. This time oversubscription jumped to 132%. In the second issuance, the list of roads for construction was expanded to 28. The three new roads added were:

- Reconstruction of Bida - Lambata Road in Niger State;
- Rehabilitation of Gwoza Damboa Road in Borno State; and
- Construction of Ikom Bridge in Cross River State

Table 3: List of roads constructed with proceeds from FGN Sukuk Series II (2018)

Zone	Projects	Amount	Projects
North Central	7	₦19.67bn	○ Construction of Loko Oweto bridge ○ Dualization of Abuja - Lokoja road (sections 1 and 4) ○ Dualization of Suleja - Minna road (Phase 2) ○ Dualization of Lokoja - Benin road (Section 1 and 2) ○ Reconstruction of Bida - Lambata road

North East	5	₦16.67bn	○ Dualization of Kano-Maiduguri road (Sections 2 - 5) ○ Rehabilitation of Gwoza-Damboa
North West	4	₦16.67bn	○ Dualization of Kano-Maiduguri road (Section 1) ○ Dualization of Kano-Katsina road (phase 1) ○ Construction of Kano western bypass and Kaduna eastern bypass
South East	4	₦16.67bn	○ Rehabilitation of the outstanding section of Onitsha-Enugu expressway ○ Rehabilitation and Reconstruction of Enugu-Port Harcourt Dual Carriageway (Section 1-3)
South South	5	₦13.67bn	○ Rehabilitation of Enugu-Port Harcourt road (sections 4) ○ Dualization of Yenegwe road junction- Kolo-Otuoke Bayelsa Palm ○ Dualization of Lokoja-Benin road (Section 3-4) ○ Construction of Ikom Bridge
South West	3	₦16.67bn	○ Reconstruction of Benin-Ofosu-Ore-Ajebandele-Shagamu dual carriageway (Phase 3 and 4) ○ Dualization of Ibadan-Ilorin road (Section 2)
Total	**28**	**₦100bn**	

True to the FGN's drive for financial inclusion, the Sukuk recorded impressive patronage from individual and other retail investors, who cumulatively, accounted for about 6.7% of the total placement. In the second issuance, retail subscription nearly tripled in size to 17.33%, an evidence of the success of the DMO's campaigns targeting this particular investor class.

Pictures of additional roads constructed with proceeds from FGN Sukuk Series II (2018)


Bida – Lambata road


Ikom bridge


Gwoza – Damboa road

Table 4: FGN Sukuk II (2018) Allotment by investor category

Investor category	Allotment
Pension Fund Administrators	40.69%
Deposit Money Banks	17.50%
Retail	17.33%
Other Fund managers/Non-Financial Institutions	11.65%
Ethical Fund Managers/Non-Interest banks	10.94%
Other Institutional Investors	1.50%
Government Agencies	0.38%
Total	100.0%

In 2020, the FGN came to the capital market once again with its third sukuk issuance of ₦162.56bn for a tenor of 7 years. The sukuk was issued to fund countrywide rehabilitation and development of roads of key economic importance. The proceeds were used to construct parts of forty-four (44) major road projects across the six geopolitical zones.

Table 5: List of roads constructed with proceeds from FGN Sukuk Series III (2020)

Zone	Projects	Amount	Projects

North Central	8	₦26.50bn	○ Dualization of Suleja-Minna road (Phase 2) ○ Abuja-Abaji Road (Section 1) ○ Abuja-Lokoja Road (Section 4) ○ Dualization of Obajana Junction to Benin (Phase 2, Section 1) ○ Construction of Oju/Loko-Oweto Bridge ○ Reconstruction of Bida-Lambata road ○ Makurdi-Naka-Adoka-Ankpa ○ Construction of Bardo Port to Gulu Town
North East	8	₦30.50bn	○ Kano-Maiduguri road (Section 2-5) ○ Rehabilitation of Gwoza – Damboa – Goniti – Ngamdu ○ Mayo Belwa – Jada – Ganye – Ganye Tougo road ○ Construction of Ibi Bridge ○ Rehabilitation of Nguru – Gashua – Bayamari road (Section 2)
North West	7	₦26.50bn	○ Dualization of Kano-Maiduguri road (Section 1) ○ Dualization of Kano-Katsina road (phase 1 and 2) ○ Construction of Kano western bypass and Kaduna eastern bypass ○ Rehabilitation of Sokoto – Tambuwal – Jega – kontagora – Makera (Section 1) ○ Rehabilitation of Ajingi – Jahun – Kafin Hausa road
South East	5	₦26.00bn	○ Rehabilitation of the outstanding section of Onitsha-Enugu expressway ○ Rehabilitation and Reconstruction of Enugu-Port Harcourt Dual Carriageway (Section 1-3) ○ Rehabilitation of old Enugu – Onitsha road
South South	10	₦26.00bn	○ Rehabilitation of Enugu-Port Harcourt road (sections 4) ○ Dualization of Yenegwe road junction- Kolo-Otuoke Bayelsa Palm ○ Construction of Ikom Bridge ○ Dualization of Obajana Junction to Benin Phase 2

			(Section 2 – 4) o Rehabilitation of Odukpani – itu - ikotekpene road (Section 1) o Dualization of Sapele – Ewu road (Section 1 and 2) o Rehabilitation of Alesi – Ugep section
South West	6	₦27.06bn	o Reconstruction of the outstanding section of Benin-Ofosu - Ore - Ajebandele-Shagamu expressway (Phase 3) o Pavement Strengthening and Aspalt overlay of Ajebandele – Ijebu Ode – Shagamu road o Dualization of Ibadan-Ilorin road (Section 2) o Rehabilitation and Expansion of Lagos – Badagry Expressway o Rehabilitation of the outer Marina road o Addendum 3 to Dualization of Lagos – Otta road
Total	44	**₦162.56bn**	

The sukuk was overwhelmingly subscribed to the tune of ₦669.124bn, a remarkable oversubscription of 446%. Retail subscription increased further to the tune of 18.23% and all Retail Investors were fully allotted. The FGN has successfully raised **₦362.56bn** from Sukuk issuances since its debut issuance in 2017.

Pictures of select roads constructed with proceeds from FGN Sukuk Series III (2020)

Abuja - Abaji road

Obajana Junction

Ibi Bridge

Sokoto – Tambuwal road

Sapele – Ewu road

Lagos – Badagry expressway

Table 6: FGN Sukuk III (2020) Allotment by investor category

Investor category	Allotment
Retail	18.23%
Deposit Money Banks	16.73%
Ethical Fund Managers/Non-Interest banks	15.91%
Other Fund managers/Non-Financial Institutions	15.01%
Pension Fund Administrators	13.17%
Other Institutional Investors & Foreign Investors	10.48%
High Net worth Individuals	5.27%
Government Agencies	4.11%
Insurance Companies	1.07%
Total	**100.00%**

In 2021, the FGN came to the capital market once again with its fourth Sukuk issuance of ₦250bn for a tenor of 10 years for the construction of **71** major road projects across the six geopolitical zones of the country and under three ministries as detailed below:

Table 7: List of roads being constructed/rehabilitated with proceeds from FGN Sukuk Series IV (2021)

FEDERAL MINISTRY OF WORKS & HOUSING

Zone	Projects	Amount	Projects
North Central	12	₦33.33bn	○ Abuja-Lokoja road section iv (Koton Karfi Lokoja): ○ Dualisation of Obajana junction to Benin phase 2: section 1 (Obajana junction to Okene); ○ Construction of Oju/Loko-Oweto bridge to link Loko and Oweto with approach roads; ○ Makurdi - Naka – Adoka-Ankpa road in Benue state; ○ Construction of Baro port to Gulu town in Niger state; ○ Reconstruction of Nasarawa - Loko road in Nasawara state section i ○ Completion of outstanding works on the reconstruction of Nasarawa-Loko road in Nasawara state ○ Rehabilitation of Makurdi - Gboko-katsina-ala road (Makurdi-Gboko-section) ○ Rehabilitation of new Bussa - Kaiama road in Niger and Kwara states ○ Construction of Suleja – Chaza - Baburu road, Niger state ○ Construction of a standard 4 spans of 20 m each bridge at km 18 200 along langtang wase road, plateau state
North East	11	₦33.33bn	○ Kano - Maiduguri road (section iv v); ○ Rehabilitation of Gwoza – Damboa – Goniri - Ngamdu Borno State ○ Mayo Belwa – Jada – Ganye – Ganye - Tougo Road in Adamawa State ○ Construction of Ibi Bridge ○ Rehabilitation of Nguru-Gashua-Bayamari road, section ii (Gashua-Bayamari) phase ii (km 22 000 59 000 in Yobe state ○ Rehabilitation of Yola – Hong - Mubi road in Adamawa State ○ Construction of Jarmai – Bashar – Zurak - Andame Road In Karim Lamido Lga, Plateau And Taraba states; ○ Rehabilitation of Potiskum-Bajoga-Gombe road in Yobe and Gombe states, length 189 km ○ General maintenance of Yola Fufore road in Adamawa state contract ○ Construction of Biu Numan road in Borno Adamawa

			states section i: ch 0+000-ch 45+000
North West	11	₦33.33bn	○ Kano maiduguri road (section i, kano wudi shuari): ○ Dualisation of kano katsina road phase 1: kano town at dawanau roundabout to katsina state border in kano state ○ Construction of kaduna eastern by-pass: ○ Construction of kano western bye pass ○ Dualisation of kano katsina road in kano/katsina states phase ii (km 74+100 km 152+655) in kano/katsina states border katsina steel rolling mills round about ○ Rehabilitation of Sokoto - Tambuwal – Jega – Kontagora -Makera Sectioni in Sokoto/Kebbi States; ○ Rehabilitation of Ajingi – Jahun - Kafin Hausa road in Jigawa State ○ Rehabilitation Kaduna-Pambeguwa Jos Road in Kaduna /Plateau States: ○ Construction of Kunya-Babura-Niger border: Babura-Niger Republic Border In Kano State: ○ Reconstruction of Kwanar Damawa – Kunya - Kanya Baba babura – gidan – babban – mutum - niger republic border road section i Kwanar-Damawa-Kunya-Kanya baba in Kano and jigawa States ○ Kano – Kazaure - Daura -Mai Adua Road In Kano, Jigawa and Katsina States
South East	8	₦33.33bn	○ Rehabilitation of enugu-port harcourt dual carriageway section (i iii) ○ Rehabilitation of outstanding section of onitsha-enugu expressway amansea-enugu state border ○ Rehabilitation of old enugu-onitsha road opi junction-ukehe okpatu-aboh udi-oji to anambra border); ○ Rehabilitation of onitsha-enugu dual carriageway section ii (anambra state border – enugu) in enugu state ○ Full rehabilitation of 9 th mile enugu port harcourt dual carriageway in enugu state including 9 th mile bypass ○ Rehabilitation of achingali-udobiz-udo-na-umu-uwana-ubakala road including bridge across imo river in imo state
South South	10	₦33.33bn	○ Dualisation of obajana junction to benin phase 2: section (ii iv); ○ Rehabilitation of enugu port harcourt road section iv: aba-port harcourt ; ○ Dualisation of yenegwe road junction-kolo-otuoke

			Bayelsa palm(20km); o Construction of ikom bridge in cross river state; o Dualisation of sapele-ewu road: section i: sapele-agbor in delta state; o Dualisation of sapele-ewu road: section ii: agbor ewu in delta state; o Rehabilitation of Alesi Ugep Iyamoyung Ugep) section in cross river state; o Rehabilitation of odukpani junction akpet central section of calabar ikom ogoja road in cross river state
South West	8	₦33.33bn	o Reconstruction of the outstanding sections of Beni-Ofosu-Ore-Ajebandele-Shagamu expressway phase iii o Pavement strengthening and asphalt overlay of Ajebandele-Ijebu-Ode Shagamu road in Ogun State o Rehabilitation of the outer marina bonny camp and eko bridge through Apongbom bridge with access ramps in Lagos State o Addendum iii to dualisation of Lagos Otta road in Lagos o Rehabilitation of Ikorodu Shagamu road in Lagos State o Dualisation of Ibadan Ife Ilesha road in Oyo State o Dualisation of Akure Ado Ekiti road in ondo Ekiti States o Rehabilitation of outstanding sections of Iseyin-Okeho road including two 2 bridges, Oyo State
Total	60	**₦250bn**	

Federal Capital Territory Administration

Zone	Projects	Amount	Projects
North Central	12	₦37.00bn	o Construction of Southern Parkway from Christian Centre (S8/9) to Ring Road I (RR I); o Completion of Roads B6, B12 & Circle Road, Abuja Central Area; o Rehabilitation and expansion of Outer Southern Expressway from Villa Roundabout to OSEX/Ring Road 1 (RR1) Junction including Four (4) Nos. Interchange and Extension of Right and Left Hand Service Carriageways to Wasa Junction (Villa Roundabout Osex /Shehu Shagari Junction - Apo Roundabout - Wasa Junction); o Construction of the 15km Left Hand service Carriageway of Outer Southern Expressway (OSEX) Stage II from Ring Road I (RRI) Junction to Wasa Junction; o Construction of One Service Carriageway of Inner o Northern Expressway (INEX) from Ring Road III (RIII) to Ring Road IV (RRIV); o Extension of Inner Southern Expressway (ISEX) from

			Southern Parkway to Ring Road II (Christian Centre /CBN Galadimawa Roundbout

Ministry of Niger Delta Affairs

Zone	Projects	Amount	Projects
South South	5	₦37.00bn	○ Dualisation Of East West Road (Section II I) Port Harcourt Ahoada , 47Km; ○ Dualisation Of East West Road (Section II II) Ahoada Kaiama, 54Km; ○ Upgrading of 15km of Section III from Port Harcourt ○ Eleme Junction to Onne Port Junction, 15Km; ○ Dualization Of East West Road (Section IV) Eket Oron , 51Km; ○ Construction of Eket Bypass 9.75Km (dual carriageway)

Table 8: FGN Sukuk IV (2021) Allotment by investor category

Investor category	Allotment
Co-operative Societies	0.08%
Deposit Money Banks	63.69%
Ethical Funds/Non-Interest Banks	9.61%
Fund Managers	1.41%
Government Agencies	0.72%
Insurance Companies	0.18%
Investment/Unit Trusts	0.10%
Other Institutional Investors	0.42%
Pension Fund Administrators	15.14%
Pension Fund Administrators – Fund VI (Non-interest)	1.14%
Retail	6.98%

Investor category	Allotment
Stockbrokers/Market Makers	0.42%
Trustees/Custodians	0.11%
Total	**100.00%**

Preceding the FGN Sukuk, however, was the Osun State Government Sukuk in 2013, the first public offer of an Islamic finance debt instrument in the Nigerian Capital Markets. The offer was similarly oversubscribed at the time and proceeds were utilized for the construction of schools across the State.

Sukuk issuances and other short-term liquidity management instruments for Non-interest Finance Institutions have become essential needs as pension funds, non-interest banks, takaful operators, ethical funds, and other ethically inclined investors would demand such securities.

I. Material Contracts

The FGN Roads Sukuk Company 1 PLC ("the Issuer/Trustee") has entered into the following contracts, which are considered material to the Sukuk Issuance:

- Letters of Allocations dated on or around the date of the Prospectus from the Federal Ministry of Works and Housing and the Federal Capital Territory Administration, for and on behalf of Federal Government of Nigeria, allocating rights to construct/rehabilitate roads on certain federal highways to the Issuer/Trustee free of any consideration and encumbrance.

- A Trust Deed dated on or around the date of the Prospectus between the FGN Roads Sukuk Company 1 PLC, the FGN represented by the Federal Ministry of Works and Housing and Federal Capital Territory Administration and the Debt Management Office Nigeria (DMO), and Apel Capital and Trust Limited & FBNQuest Trustees Limited (the 'Delegate Trustees') under which;

    - the Issuer declares a trust over the Trust Assets;

    - the Delegate Trustees declares themselves trustees for the Sukukholders to among other functions, ensure the construction of the Roads on behalf of the Sukukholders;

    - the FMWH undertakes to lease the constructed roads and;

    - the DMO undertakes to pay for the lease as part of the FGN's debt servicing obligations.

- Forward Ijarah Agreements dated on or around the date of the Prospectus between the Issuer/Trustee as lessor and the FGN represented by FMWH & FCTA as lessee and the DMO under which the FGN undertakes to lease the Lease Assets from the Issuer/Trustee and the DMO undertakes to pay for the lease as part of the FGN's debt servicing obligations.

- Construction Agency Agreements dated on or around the date of the Prospectus between the Issuer/Trustee and the Federal Government of Nigeria, represented by the FMWH & FCTA for the appointment of contractors to construct and deliver the Roads to the Issuer/Trustee.

- Purchase Undertakings dated on or around the date of the Prospectus, which is a unilateral declaration by the FGN promising to purchase the Lease Assets from the Issuer/Trustee at the maturity of the Sukuk. The purchase price will reflect any outstanding principal investment amount.

- Sale Undertakings (the "Undertaking") dated on or around the date of the Prospectus, which is a unilateral declaration by the Issuer/Trustee that upon fulfilling certain conditions as contained in the Undertaking, the Issuer/Trustee will sell the Lease Assets to the FGN.

- Service Agency Agreements dated on or around the date of the Prospectus, by which the Issuer/Trustee appoints the FGN (through the FMWH & FCTA) as the agents to undertake repairs of the Lease Assets.

Save as disclosed above, the Issuer has not entered into any material contract in connection with the Issue.

II. Costs & Expenses

All approved costs and expenses of issuing the Sukuk including professional fees and cost of printing will be settled by the Obligor.

III. Indebtedness

The Issuer, FGN Roads Sukuk Company 1 PLC, is a special purpose vehicle created by the Federal Government of Nigeria for the sole purpose of issuing the Sukuk. Save for the previous Sukuk issuances, the Issuer has no indebtedness as at the date of this Prospectus neither does it have any power to subsequently create any indebtedness throughout its existence. The Sukuk Certificates are entirely the obligation of the Federal Government of Nigeria.

IV. Claims and Litigations

The Issuer since incorporation has not been, and is not involved in any on-going, or anticipated litigation or arbitration proceedings, third party claims, or other alternative dispute resolution proceeding.

V. Extracts from the Deed of Declaration of Trust

2. DECLARATION OF TRUST

The Issuer/Trustee hereby irrevocably and unconditionally declares that it holds all rights, title, interest and benefits, present and future, in, to and under the Trust Assets, upon trust absolutely for the Sukukholders pro rata, according to the face amount of the Sukuk Certificate held by each Sukukholder, in accordance with this Declaration of Trust and the Conditions of the Sukuk Certificates.

4. DURATION OF TRUST

The Trust created by this Deed shall remain in full force and effect until the date on which, following the maturity of the Sukuk Certificates:

i. the Issuer/Trustee and Delegate Trustees receive an unconditional confirmation in writing from the Registrar that the Dissolution Distribution Amount has been paid to the Sukukholders; and

ii. the Issuer/Trustee and Delegate Trustees receive notice in writing from the Originator that title in the Roads are vested in the Obligor; and

iii. the Originator receives an unconditional release in writing from the Issuer/Trustee and Delegate Trustees from all of the FGN's obligations under this Deed.

13. FUNCTIONS OF THE DELEGATE TRUSTEES

The Delegate Trustees will, in relation to the Sukuk Certificates, inter alia:

a. ensure that title to all the Trust Assets is vested in the Issuer/Trustee;

b. follow up with the Debt Management Office Nigeria or other relevant government departments to ensure the timely payment of the Periodic Distribution Amount and/or the Dissolution Distribution Amount to Sukukholders;

c. enforce the Trust Assets;

d. ensure the collection and distribution of the proceeds of the Trust Assets in accordance with the terms of the Declaration of Trust and the Conditions;

e. distribute the proceeds of any enforcement of the Trust Assets;

f. take such other steps as are reasonably necessary to ensure that the Sukukholders receive the distributions to be made to them in accordance with the Transaction Documents and the Terms and Conditions;

g. carry out all periodic and statutory filings required to be filed by the Issuer/Trustee with any relevant authority;

h. ensure the proper administration and management of the Issuer/Trustee;

i. appoint the Project Management Consultant to undertake an inspection and monitoring of the construction of the Roads in accordance with specifications and timelines in the Construction Agency Agreement;

j. ensure, to the best of its ability, that the Roads are constructed within the timelines stated in Schedule 3 of the Construction Agency Agreement;

k. issue a Certificate of Completion to each Road Contractor and ensure that the Road Contractors employed by the FGN are paid once the Certificate of Completion is issued;

l. submit periodic reports to the CBN FRACE through the DMO on the utilization of the Sukuk proceeds and the conditions for the Trust Assets bi-annually; and

m. do all such things that are incidental to their powers and functions under this Declaration of Trust.

14 POWERS OF THE DELEGATE TRUSTEES

Without prejudice to the powers vested in the Delegate Trustees by this Deed or otherwise, the Delegate Trustees will have the following powers:

a. to enter into and execute all contracts, deeds and documents and do all acts, matters or things which it may deem expedient for the purpose of giving effect to and carrying out the trusts, authorities, powers and discretions conferred upon the Issuer/Trustee and/or Delegate Trustees by this Deed, provided that where an expense exceeding ₦50,000,000.00 (fifty million Naira) in a calendar year would be incurred, the consent of the Originator shall be sought;

b. to appoint, at its discretion, remove or suspend consultants, agents, servants and other delegates, and to determine the powers and duties to be delegated to them and to pay such remuneration to them as it may think fit, subject to agreeing such remuneration with the Originator;

c. to institute, conduct, defend, compound or abandon any legal proceeding concerning the affairs of the Trust and also to compound and allow time for payment or satisfaction of any debts due and of any claims or demands by or against the Trust;

d. to settle or compromise any claim or demand by or against the Trust, and to refer any claim or demand by or against the Trust to arbitration and observe and carry out any actions required of them as Delegate Trustees;

e. to make and give receipts, releases and other discharges for money payable to the Trust and for the claims and demands of the Trust;

f. to maintain proper written financial records in respect of the activities of the Issuer/Trustee and cause those records to be audited and filed as may be required by any statute or regulation unless an express exception from these obligations, is issued by a competent authority, in favour of the Issuer/Trustee; and

g. to determine who shall be entitled to sign on the Issuer/Trustees behalf receipts, acceptances, endorsements, releases, contracts and documents.

Documents Available for Inspection

Copies of the following documents may be inspected at the offices of the Issuing Houses; **Greenwich Merchant Bank Limited** at Plot 1698A, Oyin Jolayemi Street, Victoria Island, Lagos, Nigeria, **Stanbic IBTC Capital Limited** at I.B.T.C. Place, Walter Carrington Crescent, Victoria Island, Lagos, Nigeria, and **Vetiva Capital Management Limited** at Plot 266B, Kofo Abayomi Street, Victoria Island, Lagos, Nigeria, during normal business hours on any weekday (except public holidays) during the validity of the offer.

- The Memorandum and Articles of Association of the Issuer;
- Certificate of Incorporation;
- The Board Resolution dated [x], 2022;
- The Material Contracts referred to on page 105 of this Prospectus;
- The Exemption Order issued by the Honourable Minister of Finance, exempting the Sukuk from compliance with the ISA as is the standard with conventional FGN Bonds;
- Letter from the FIRS confirming that Sukuk has the same tax treatment as a conventional bond;
- Letter from the CBN granting Liquidity Status to the Sukuk; and
- FRACE Certification of the Transaction

The provisions of the terms and conditions set out below (the "Conditions") are applicable to the Sukuk issued pursuant to the Declaration of Trust (defined below). All provisions of these Conditions which are inapplicable to the Sukuk shall be deemed to be deleted from these Conditions, as required to give effect to the terms of the relevant Prospectus.

Each of the Sukuk due 2032 is issued by FGN Roads Sukuk Company 1 PLC (in its capacity as issuer (the "SPV/ Issuer") and on behalf of the Federal Government of Nigeria and represents an undivided ownership interest in the Trust Assets (defined below) held in trust (the "Trust") by the SPV/ Issuer (in its capacity as trustee) for the benefit of the Sukukholders pursuant to a declaration of trust (the "Declaration of Trust" or "Trust Deed" or "Deed") dated on or around the date of the Prospectus (the "Effective Date") made by and between FGN Roads Sukuk Company 1 PLC (in its capacity as the Issuer), The Federal Government of Nigeria (acting through the Honorable Minister of Works and Housing and Honourable Minister of Federal Capital Territory. In its capacity as the obligor and the Debt Management Office Nigeria, in its capacity as Originator) and the Delegate Trustees.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Declaration of Trust and the other Transaction Documents. In these Conditions, words, expressions and rules of construction and interpretation set out in the Declaration of Trust shall, unless otherwise defined herein or the context otherwise requires, have the same meanings herein. Copies of the Transaction Documents are available for inspection from 8:00am to 5:00pm on any Business Day at the specified office of the Delegate Trustees for the time being. The Sukukholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Each initial Sukukholder, by its acquisition and holding of its interest in the Sukuk, shall be deemed to authorize and direct the Delegate Trustees, on behalf of the Sukukholder, to (i) pay for the construction/rehabilitation of the Roads as envisioned and more specifically outlined in the Prospectus and the Construction Agency Agreement; and (ii) enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions.

1. **FORM, DENOMINATION AND TITLE**

a. **Form and Denomination**

The Sukuk Certificates are issued in registered form in Naira.

The Sukuk Certificates shall be issued only as fully paid.

The Sukuk Certificates shall be issued in uncertificated (dematerialized, electronic or book-entry) form and registered in the Register. Each Certificate shall be registered with a separate securities identification code with the CSCS or any other custodian that may be appointed for that purpose.

b. **Title**

The registered Holder of any Sukuk Certificate will (except as otherwise required by law) be treated as the absolute owner of the Sukuk represented by the Sukuk Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Sukuk Certificate) and no person will be liable for so treating the Holder of any Sukuk Certificate. The registered Holder of a Sukuk Certificate will be recognised by the Trustees as entitled to his Sukuk Certificate free from any equity, set-off or counterclaim on the part of the Issuer/Trustee against the original or any intermediate Holder of such Sukuk Certificate.

2. **TRANSFERS OF SUKUK CERTIFICATES**

a. **Transfer of Sukuk Certificates**

Title to Sukuk which will be issued in uncertificated form shall be effected in accordance with the rules governing transfer of title in securities held by the CSCS/ Custodian and/or any Exchange upon which the Certificate is listed.

b. **Delivery of New Sukuk Certificates**

Upon allotment, the Sukukholders will receive an e-allotment statement issued by the Registrars/ CSCS/Custodian confirming the Sukukholder's aggregate interests in the Sukuk Assets. In the case of joint Sukukholders, the joint Sukukholders shall be entitled to only one E-allotment statement for Certificates held jointly by them. Such statement shall be issued in the names of the joint Sukukholders and the delivery of a statement to one of the joint Sukukholders shall be sufficient delivery to all such Sukukholders.

c. **Closed Periods**

No Sukukholder may require the transfer of a Certificate to be registered during the period of 2 (two) days ending on (and including) the due date for any payment of any Periodic Distribution Amount (as stated in Condition 10.2a)

d. **Formalities Free of Charge**

Registration of any transfer of the Sukuk will be effected without charge by or on behalf of the Issuer/Trustee or the Registrar but upon payment (or the giving of such indemnity as the Issuer/Trustee or the Registrar may reasonably require) by the transferee in respect of charges which may be imposed by the CSCS/Custodian in relation to such transfer.

3. **STATUS AND LIMITED RECOURSE**

3.1. **Status**

Each Sukuk Certificate represents an undivided ownership interest in the Trust Asset and will rank pari passu, without any preference, with the other Sukuk Certificates.

The Sukuk Certificates are direct, unconditional, unsubordinated unsecured obligations of the Federal Government of Nigeria (FGN) and rank and will at all times rank at least pari passu, without any preference among themselves, with all other present and future direct, unconditional, unsubordinated and unsecured indebtedness of the Republic.

3.2. **Limited Recourse**

Proceeds of the Trust Assets are the sole source of payments on the Sukuk. The Sukuk do not represent an interest in or obligation of any other asset of the Issuer, the Delegate Trustees, the Originator, the Paying Agent or their respective affiliates. Accordingly, the Sukukholders, by subscribing for or acquiring the Sukuk, acknowledge that they will have no recourse to any other assets of the Issuer or Delegate Trustees (other than the Trust Assets).

The FGN in its respective capacity as Obligor and the Lessee, is obliged to make certain payments under the Transaction Documents to the Issuer/Trustee. The Delegate Trustees as agents of the Issuer/Trustee will have direct recourse against the FGN in its capacity as Obligor and the Lessee to recover such payments. The net proceeds of realization of, or enforcement of, the Trust Assets may not be sufficient to make all payments due in respect of the Sukuk. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Sukuk, subject to paragraph 11 of the Conditions, no Sukukholder will have any claim against the Issuer/Trustee (to the extent that the Trust Assets have been exhausted); the Obligor, the Lessee or the Delegate Trustees (to the extent that each fulfils all of its obligations under the Transaction Documents to which it is a party) or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall, and any unsatisfied claims of the Sukukholders shall be extinguished. The Issuer, the Delegate Trustees and the Sukukholders shall only be entitled to deal with the Trust Assets as expressly permitted by the Transaction Documents and the sole right of the Delegate Trustees subject to paragraph 11 of the Conditions and the Sukukholders against the Lessee or the Obligor shall be to enforce their obligations in their respective capacities under the Transaction Documents.

3.3. **Agreement of Sukukholders**

By purchasing the Sukuk Certificates, each Sukukholder is deemed to have agreed that notwithstanding anything to the contrary contained in the Declaration of Trust, the Conditions, or any Transaction Document that:

a. no payment of any amount whatsoever shall be made by or due on the Sukuk Certificates, except from the Trust Assets;

b. all payments due under the Conditions shall be made by the Paying Agent as a direct obligation of the FGN, from the proceeds of the Trust Assets, in accordance with paragraph 4.2 of the Conditions;

c. no recourse shall be had to the Delegate Trustees for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against any of the Issuer, the Delegate Trustees or the Obligor (to the extent that the Trust Assets have been exhausted following which all obligations of the Issuer, the Delegate Trustees and the Obligor shall be extinguished); and

d. it will not institute, or join any other person in instituting, against the Issuer or the Delegate Trustees, any bankruptcy, reorganization, arrangement or liquidation proceedings or other similar proceedings under any bankruptcy or similar law.

4. **THE TRUST**

4.1. **The Trust Assets:**

Pursuant to the Declaration of Trust (and subject to the provisions thereof), the Trustees hold the Trust Assets in trust absolutely for and on behalf of the Sukukholders pro-rata according to the face amount of each Sukuk Certificate held by each Holder. The term ‘‘Trust Assets’’ means:

a. the interest, rights, title, benefits and entitlements, present and future, of the Sukukholders represented by the Issuer/Trustee in, to and under the Roads and any proceeds from the Roads;

b. the interest, rights, benefits and entitlements, present and future, of the Sukukholders represented by the SPV/ Issuer in, to and under the Transaction Documents;

c. all moneys standing to the credit of the Issue Proceeds Account from time to time; and

d. all proceeds of the foregoing.

4.2. **Application of Proceeds from Trust Assets:**

On each Periodic Distribution Date and on the Dissolution Date, the Obligor shall pay the Rental Rate, through the Paying Agent, in the following order of priority (in each case, only if and to the extent that payments of a higher priority have been made in full):

a. first, towards payment to Sukukholders of all Periodic Distribution Amounts due but unpaid, pro rata to their respective holdings; and

b. second (only if such payment is due on a Dissolution Date), to the Sukukholders of the Dissolution Distribution Amount, pro rata to their respective holdings.

5. **RIGHTS OF SUKUKHOLDERS**

5.1. Each Sukukholder shall have an undivided ownership interest in the Trust Assets and no Sukuk Certificate shall confer any interest or share in any particular part of the Trust Assets. No Sukukholder shall have a right to call for any partition or division of any portion of the Trust Assets by virtue of his/its ownership interest in the Trust Assets.

5.2. The Sukukholders shall not have any right against the Trustees in respect of their investments except such rights as are expressly conferred upon them by the Declaration of Trust, these Conditions or by any law, subsidiary legislation, regulation or any order of court.

5.3. A Sukukholder shall have the right to share in the benefits from the Trust Assets proportionate to the number of his/its ownership interests in the Trust Assets.

5.4. Only persons who have been duly registered in the Register maintained by the Registrar as Sukukholders shall have the right to be recognized as such.

5.5. A Sukukholder shall have the right to pledge, charge, mortgage, or otherwise offer his Sukuk Certificate as security/collateral and in any such case the Sukukholder shall notify the Delegate Trustees, the Registrar and the CSCS/Custodian, in writing, of the pledge, charge, mortgage or obligation.

6. **SPV/ ISSUER'S COVENANTS**

The SPV/ Issuer, in its capacity as trustee under this Declaration of Trust hereby covenants that it shall not:

a. do anything or carry out any activity not expressly permitted by its memorandum and articles of association;

b. redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders (excluding, for the avoidance of doubt, any consideration payable by the SPV/ Issuer to the FGN as contemplated by the Transaction Documents and/or the Terms and Conditions);

c. use the proceeds of the issue of the Sukuk for any purpose other than as stated in the Transaction Documents;

d. put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it;

e. enter into any contract, transaction, amendment, obligation or liability that may be detrimental to the interest of the Sukukholders;

f. co-mingle the Trust Assets with its assets or any other assets which it holds in trust for any person other than the Sukukholders;

g. incur any indebtedness whatsoever, or give any guarantee in respect of any obligation of any person or issue any securities (or rights, warrants or options) except, in all cases, as contemplated in the Transaction Documents;

h. secure any of its present or future indebtedness for borrowed money by any lien, pledge, charge or other security interest with the Trust Assets; or

i. sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of (i) its title to the Trust Assets or any interest therein except pursuant to the Transaction Documents or (ii) its interests in any of the other Trust Assets except pursuant to the Transaction Documents.

7. **DELEGATE TRUSTEES COVENANTS**

7.1. With respect to the Trust Assets, the Delegate Trustees covenant that, as long as the Sukuk Certificates are outstanding, they shall not:

a. co-mingle the Trust Assets with their assets or any other assets but shall ensure that the Trust Assets are separately identified and segregated in their records and accounts and from other investments held for the benefit of any other party or for themselves;

b. incur any indebtedness in any form whatsoever, or give any guarantee in respect of any obligation of any person or issue any securities (or rights, warrants or options except, in all cases, as contemplated in the Transaction Documents;

c. secure any of their present or future indebtedness for borrowed money by any lien, pledge, charge or other security interest with the Trust Assets;

d. sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of (i) the SPV/ Issuer's title to the Trust Assets or any interest therein except pursuant to the Transaction Documents or (ii) the Issuer's interests in any of the other Trust Assets except pursuant to the Transaction Documents;

e. use the proceeds of the issue of the Sukuk Certificates for any purpose other than as contemplated in the Transaction Documents; and

f. amend or agree to any amendment of any Transaction Document and/or the Terms and Conditions in a manner which is prejudicial to the rights of the Sukukholders.

7.2. With respect to the Trust Assets, the Delegate Trustees covenant that as long as the Sukuk Certificates are outstanding, they shall:

a. act with diligence and prudence in the administration of the Trust;

b. observe the utmost good faith in any transaction carried out on behalf of the Sukukholders; and

c. avoid any conflict of interest with those of the Sukukholders.

8. **FGN'S COVENANTS**

8.1. The Originator, in its capacity as a shareholder of the SPV/ Issuer, covenants that:

a. it shall ensure that the Delegate Trustees shall be entitled to appoint a majority of the directors on the SPV/ Issuer's Board of Directors, including the chairman of the Board of Directors.

b. it shall exercise all voting rights and other powers of control available to it as a shareholder of the SPV/ Issuer to ensure that the SPV/ Issuer shall not perform or undertake to perform any of the following acts unless the prior approval in writing of the Delegate Trustees have been obtained:

i. a change of the company's name;

ii. any alteration of the memorandum of association with respect to the business or objects of the company;

iii. any alteration of the articles of association;

iv. the re-registration of the company from a public to a private company;

v. any reduction of the company's share capital;

vi. any variation of rights attaching to any class of shares;

vii. the winding up by the court at the instance of the company;

viii. the voluntary winding up of the company;

ix. any purchase by the company of any of its shares;

x. the approval by the company of any financial assistance for purchase of any of its shares;

xi. the approval of an arrangement on sale of the SPV/ Issuer's property during a members' voluntary winding up;

xii. any provision for reserve liability capital;

xiii. the payment of any dividend;

xiv. the incorporation of any subsidiary of the SPV/ Issuer;

xv. the transfer of any material assets of the SPV/ Issuer;

xvi. any decision to enter into a merger with another entity;

xvii. an application for judicial pre-insolvency hearings; and

xviii. any decision to list the SPV/ Issuer on any recognised publicly traded stock exchange.

8.2. The Originator, as an agent of the FGN, hereby covenants to ensure that the FGN performs all of its obligations under this Declaration of Trust Deed and all the other Transaction Documents.

8.3. The Obligor hereby covenants to:

a. transfer title in the relevant land, on which the Roads will be constructed, to the SPV/ Issuer and issue all requisite title documents, certificates, permits, license and any other document required to ensure that title in such land vests in the SPV/ Issuer and make the land available to the SPV/ Issuer for the construction/rehabilitation of the Roads free of any payment, interference or encumbrance until the payment of the Dissolution Distribution Amount;

b. enter into the Forward Ijarah Agreement and all other Transaction Documents, to which it is a Party, and perform all of its covenants, duties and obligations under such Transaction Documents; and

c. pay the Rental Rate under the Forward Ijarah Agreement and the Purchase Price under the Purchase Undertaking.

8.4. The FGN hereby covenants to:

a. ensure that the Central Bank of Nigeria pays all amounts due under any Transaction Document to the relevant beneficiary in accordance with the terms laid out in the Transaction Documents; and

b. ensure that the Central Bank of Nigeria pays all monies due to the Sukukholders as at when due and be directly liable to the Sukukholders and the Delegate Trustees for the payments due to the Sukukholders.

9. **PAYMENT AND DISTRIBUTIONS**

9.1. **Payment Conditions**

a. The FGN hereby undertakes to pay directly, through the Paying Agent, all payments due to the Sukukholders under the Deed.

b. Payments of Periodic Distribution Amounts or the Dissolution Distribution Amount in respect of each Certificate shall be paid to the person shown on the Register at the close of business on the Business Day before the due date for payment thereof (‘‘Record Date’’).

c. Payments of Periodic Distribution Amounts or the Dissolution Distribution Amount in respect of each Certificate shall be made in Naira by transfer to an account in Naira maintained by the Sukukholder with an authorized bank in Nigeria.

d. All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment.

e. No commission or expenses shall be charged to the Sukukholders in respect of such payments.

f. If any date for payment in respect of any Certificate is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any profit or other sum in respect of such postponed payment.

9.2. **Periodic Distribution Amounts**

a. A rental distribution shall be payable in arrears in respect of the Certificates on each Periodic Distribution Date at the Rental Rate.

b. The Periodic Distribution Amounts shall be distributed to Sukukholders by the Paying Agent on behalf of the FGN, pro rata to their respective holdings, out of amounts payable by the FGN under the Forward Ijarah Agreement.

c. Each Certificate will cease to be eligible to earn Periodic Distribution Amounts from the Dissolution Distribution Date.

9.3. **Dissolution Distribution Amounts**

a. Pursuant to a Purchase Undertaking, the Obligor has undertaken to purchase the Roads at the Purchase Price.

b. Upon the purchase of the Roads by the Obligor under the Purchase Undertaking, the Paying Agent shall pay the Dissolution Distribution Amount to the Sukukholders pro rata to their respective holdings.

9.4. **Dissolution of the Trust**

a. Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed on the Dissolution Date at the Dissolution Distribution Amount, and, upon the payment of such amount to Sukukholders, the Trust shall dissolve, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and none of the SPV/ Issuer, the FGN and Delegate Trustees shall have any further obligations in respect thereof.

b. Where an Event of Default occurs, the Delegate Trustees shall exercise the powers and rights conferred on the Lessor under Clause 10 of the Forward Ijarah Agreement.

10. **ENFORCEMENT AND EXERCISE OF RIGHTS**

10.1. Following the distribution of the proceeds of the Trust Assets in respect of the Sukuk to the Sukukholders, in accordance with the Conditions and the Declaration of Trust, the Delegate Trustees shall not be liable for any further sums and, accordingly, the Sukukholders may not take any action against the Delegate Trustees (to the extent that they have fulfilled their obligations under the Transaction Documents) to recover any such sum in respect of the Sukuk Certificates or the Trust Assets.

10.2. Upon the payment of all Rental and the Dissolution Distribution Amount, the obligations of the SPV/ Issuer in respect of the Sukuk Certificates shall be satisfied and no Holder of the Sukuk Certificates may take any further steps against the Issuer/Trustee to recover any further sums in respect of the Sukuk and the right to receive any such sums unpaid shall be extinguished. In particular, no Holder of the Sukuk Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer/Trustee.

11. **THE REGISTER**

11.1. The Registrar shall establish and maintain the Register of the Sukukholders at such place and in such form as it considers adequate and shall enter therein the following particulars:

i. the name and address of each Sukukholder;

ii. the amount invested;

iii. the date of investment;

iv. the duration of the investment and the expected date of redemption;

v. the date on which the investor ceases to be a Sukukholder; and

vi. other details which the Delegate Trustees may consider necessary or desirable.

11.2. The Delegate Trustees shall not incur any liability or responsibility on account of any mistake in the Register.

11.3. Every Sukukholder shall promptly notify the Delegate Trustees and the Registrar in writing of any change of name or address and the Registrar shall alter the Register accordingly.

11.4. An interest in the Trust Asset shall be said to be acquired by a person when the interest of the Sukukholder has been entered into the Register by the Registrar.

11.5. No Sukukholder may require the transfer of a Certificate to be registered during the period of seven days ending on (and including) the due date for any payment of the Dissolution Distribution Amount.

12. **NOTICES**

All notices to Sukukholders will be valid if:

a. published in a daily newspaper with national coverage; and

b. emailed to them; or

c. sent by registered post to their registered address.

The Delegate Trustees shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange on which the Sukuk are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

13. **INDEMNITIES, RIGHTS AND DISCRETION OF DELEGATE TRUSTEES**

Without prejudice to any indemnity allowed by law or elsewhere herein given to the Delegate Trustees, the following provisions shall apply:

a. The Delegate Trustees shall not be responsible for the authenticity of any transfer of a Certificate by any Sukukholder to another party.

b. The Delegate Trustees shall not incur any liability to the Sukukholders for doing or failing to do any act or thing which, by reason of any provision of any present or future law or regulation made pursuant thereto or of any decree order or judgment of any court or by action (whether of binding legal effect or not), may be taken or made by any person or body acting with or purporting to exercise the authority of any government (whether legally or otherwise) where the Delegate Trustees shall be directed or requested to do or perform or to forbear from doing or performing.

c. The Delegate Trustees shall be entitled to require that the signature of any Sukukholder or joint Holder to any document required to be signed by him/it under or in connection with the Deed be authenticated to their reasonable satisfaction.

d. The Delegate Trustees shall not be liable to account to any Sukukholder or otherwise for any payment made or suffered by the Delegate Trustees, the Originator or any person acting under their authority, in good faith nor to any duly empowered fiscal authority of Nigeria or elsewhere for Taxes arising out of or relating to any transaction of whatsoever nature under these presents notwithstanding that any such payments need not have been made or suffered.

e. The Delegate Trustees shall, as regards all the powers and discretion vested in them by the Deed, have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and in the absence of fraud and negligence, the Delegate Trustees shall not in any way be responsible for any loss, costs or damages that may result from the exercise or non-exercise thereof.

f. The Delegate Trustees may act upon the advice, statement or information obtained from stockbrokers, accountants, lawyers, bankers or other persons believed by the Trustees, in good faith, to be experts in the matters on which they have been consulted, and the Delegate Trustees shall not be liable for anything done or omitted or suffered to be done by them in reliance upon such advice statement or information.

g. The Delegate Trustees shall not be responsible for any misconduct, mistake, oversight or error or want of judgment or want of prudence on the part of any lawyer, banker, accountant, broker or other person acting hereunder as agent or adviser of the Delegate Trustees, save to the extent that such agent or adviser was acting on the instruction of the Delegate Trustees and within the course and scope of its appointment. PROVIDED that the Delegate Trustees shall be entitled to be indemnified by such agent or adviser.

h. If for any reason it becomes impossible or impracticable to carry out any of the provisions of the Deed, neither of the Delegate Trustees shall be under any liability thereof or thereby. None of the Delegate

Trustees shall incur liability for any error of law, in the absence of fraud or negligence, in connection with any matter or thing done or suffered to be done or omitted to be done by them in good faith.

i. The Delegate Trustees shall not be required to expend or risk their own funds or otherwise incur any liability in the performance of their duties or in the exercise of their rights or powers as trustees.

14. **TAXATION**

In accordance with the provisions of the relevant tax legislation, payments in respect of the Sukuk shall be made without withholding or deduction of any Taxes of whatever nature imposed or levied by or in the Federal Republic of Nigeria.

15. **MEETINGS OF SUKUKHOLDERS**

The rights and duties of the Sukukholders in respect of attendance at meetings of Sukukholders are set out in Schedule 1 to the Deed (Provisions for Meetings of Sukukholders). Decisions taken at Sukukholders meetings may only be exercised by the Delegate Trustees in accordance with the Deed.

16. **GOVERNING LAW**

This Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the laws of the Federal Republic of Nigeria and relevant Islamic law of commercial transactions.

17. **DISPUTE RESOLUTION**

17.1. In the event of any allegation of breach or question of interpretation or dispute or controversy relating to this Agreement, the parties to the dispute shall meet and negotiate in good faith with a view to settling the matter amicably. If the parties are unable to settle the matter or dispute within two weeks after the afore-mentioned meeting, then the matter or dispute shall be referred to an arbitration panel (appointed in accordance with Condition 18.2 below), whose decision shall be final and binding on the Parties.

17.2. Each Party to the dispute shall be entitled to appoint an arbitrator and the two party-appointed arbitrators shall appoint a third arbitrator who shall be knowledgeable in Islamic law of contract and Islamic finance. If either Party to the dispute fails to nominate an arbitrator within five (5) days of receiving the notice of the appointment of an arbitrator by the other party, the President of the Chartered Institute of Arbitrators, UK (Nigerian Branch) shall, at the request of either Party to the dispute, appoint an arbitrator on behalf of the defaulting party. If the first and second arbitrator appointed fail to agree upon the appointment of a third arbitrator within five (5) days of the appointment of the second arbitrator, the third arbitrator shall at the request of either party be appointed by the President of the Chartered Institute of Arbitrators, UK (Nigerian Branch).

17.3. The arbitral proceedings shall be conducted in the Federal Capital Territory, Abuja, Nigeria in English Language and shall be governed by the Arbitration and Conciliation Act, Chapter A18, Laws of the Federation of Nigeria, 2004.

17.4. The arbitral award shall be binding on the Parties to the dispute and the cost of the arbitration shall be borne as determined by the arbitrators. Each Party to the dispute, however, shall bear its legal fees.

17.5. The arbitral panel shall have a maximum number of twenty (20) Business Days, following the exchange of pleadings by the Parties to the dispute, to resolve the dispute; failing which the Parties to the dispute can institute claims at any competent court of law.

17.6. Each party hereby agrees that this agreement is founded on the principle of interest-free and each party agrees to donate any penalty interest arising from any judgment or award to charity.

18. **AMENDMENT AND MODIFICATION**

All the Parties shall be entitled pursuant to a deed supplemental hereto to modify, alter, or add to the provisions of the Conditions in such manner and to such extent as they may consider expedient for any purpose PROVIDED that unless the Delegate Trustees shall certify in writing that in their opinion such modification, alteration, or addition does not prejudice the interests of the Sukukholders, no such modification, alteration, or addition shall be made without the sanction of an Extraordinary Resolution of a Meeting of Sukukholders duly convened and held in accordance with the provisions contained in Schedule 1 of the Declaration of Trust; and PROVIDED also that no such modification, alteration or addition shall impose upon any Sukukholder any obligation to make any further payment in respect of his/its Certificate(s) or to accept any liability in respect thereof.

SUBSCRIPTION AND SALE

Prospective investors will be invited to participate in the offering of the Sukuk by way of an offer for subscription and the Sukuk Certificates will be allotted to such investors and on such terms as set out below:

1.	Certificates available for subscription	Sukuk Trust Certificates
2.	Minimum Subscription Amount for each applicant	₦10,000 and in multiples of ₦1,000 thereafter
3.	Offer Open	November 21, 2022
4.	Offer Close	November 29, 2022
5.	Settlement Date	December 2, 2022
6.	Terms of payment	Full Subscription Amount payable on the Settlement Date to the Collection Banks

1. **Eligibility for Subscription**

The offer will be open to individual and institutional investors locally.

2. **Payment Instructions**

Successful Participants should ensure that payment of the Subscription Amount is received on the **Settlement Date** via RTGS into the below designated Collection Accounts under their Investor Category:

Designated Accounts for Retail Investors and other Non-Qualified Institutional Investors[12]

Bank Name	Account Name	Account Number
Jaiz Bank PLC	FGN SUKUK V PROCEEDS ACCOUNT	0012112663
Lotus Bank Limited		1600001036
Stanbic IBTC Bank PLC		0046504440
Sterling Bank PLC		0090794129
TAJBank Limited		0003488354

[12] Includes Individual Investors, Religious Groups/Bodies and corporate investors that do not qualify as Qualified Institutional Investors

Designated Collection Accounts for Qualified Institutional Investors[13]

Bank Name	Account Name	Account Number
Greenwich Merchant Bank Limited	**FGN SUKUK V PROCEEDS ACCOUNT**	3010000555
Zenith Bank PLC		1225633006

3. **Allocation/Allotment**

3.1 For the purpose of allocation, investor categorization and priority of allotment are set forth below:

S/n	Investor Group	Priority of Allocation
1	Retail Investors	Subject to Issuer Discretion
2	Religious Groups	Subject to Issuer Discretion
3	Other Non-Qualified Institutional Investors	Subject to Issuer Discretion
4	Ethical Fund Managers/ Non-Interest Banks	Subject to Issuer Discretion
5	Other Fund Managers & Non-Bank Financial Institutions	Subject to Issuer Discretion
6	Insurance	Subject to Issuer Discretion
7	Deposit Money Banks	Subject to Issuer Discretion
8	Pension Funds	Subject to Issuer Discretion
9	Other Institutional Investors	Subject to Issuer Discretion
10	Government Agencies	Subject to Issuer Discretion

3.2 The Board of Directors of the Issuer reserve the right to accept or reject any application in whole or in part for not complying with the terms and conditions of the Issue.

3.3 Participants will receive the Sukuk in dematerialized form and are required to specify their CSCS account number/ CSCS account number of their custodian, the name of their stockbroking firm, and the Clearing House Number in the designated fields on the application form. Allotment in dematerialized form shall be effected not later than fifteen (15) Business Days from the Allotment Date.

3.4 Participants must ensure that the name specified in the application form is the same as the name in which the CSCS account number is held. In case the application is submitted in joint names, it should be ensured

[13] Includes Banks, Cooperative Societies, Fund Managers, PFAs, Insurance Companies, Government Agencies, Staff Scheme, Non-Bank Financial Institutions, Trustees/Custodians, Investment/Unit Trusts and Stockbroking firms/Market Makers

that the beneficiary's CSCS Account is also held in the same joint names and are in the same sequence in which they appear in the application form.

3.5 The Sukuk units of successful applicants without CSCS numbers will be credited to a pool account under the custody of the Delegate Trustees.

4. **Bank Account Details**

4.1 Participants are required to indicate their bank account details in the space provided on the Commitment Form for the purposes of future payments of Rentals and the Subscription Amount.

4.2 Participants are advised to ensure that bank account details stated on the Commitment Form are correct as these bank account details shall be used by the Paying Agent for all payments indicated in 4.1 above

4.3 Failure to provide correct bank account details could result in delays in credit of such payments to the affected investors. The Issuer, the FGN, the DMO, the Financial Adviser, the Issuing Houses, the Delegate Trustees, and the Paying Agent shall not have any responsibility nor will any of these specified parties undertake any liability for the same.

1.	**Issuer/Lessor/Principal**	**FGN Roads Sukuk Company 1 PLC** NDIC Building (First Floor) Plot 447/448, Constitution Avenue Central Business District, Garki Abuja
2.	**Sponsor/Originator**	**FGN represented by:** **Debt Management Office Nigeria** NDIC Building (First Floor) Plot 447/448, Constitution Avenue Central Business District, Garki Abuja **Federal Ministry of Works and Housing** Federal Ministry and Works and Housing Headquarters Mabushi Abuja **Federal Capital Territory Administration** Plot 1, Kapital Street Area 11, Garki Abuja
3.	**Financial Adviser**	**Buraq Capital Limited** 3rd Floor, Muktar El-Yakub Place Plot 1129 beside Metro Plaza Central Business District Abuja
4.	**Issuing Houses**	**Greenwich Merchant Bank Limited** Plot 1698A, Oyin Jolayemi Street Victoria Island Lagos **Stanbic IBTC Capital Limited** 3rd Floor, Building A I.B.T.C. Place Walter Carrington Crescent Victoria Island Lagos **Vetiva Capital Management Limited** Plot 266B, Kofo Abayomi Street Victoria Island Lagos

5.	**Delegate Trustees**	**Apel Capital & Trust Limited** 8, Alhaji Bashorun Street Off Norman Williams Crescent South-West Ikoyi Lagos
		FBNQuest Trustees Limited 10, Keffi Street South-West Ikoyi Lagos
6.	**Legal Advisers to the Delegate Trustees**	**Udo Udoma and Belo-Osagie** St. Nicholas House 10th, 12th & 13th Floors Catholic Mission St Lagos Island Lagos
		Felix Akinnisola-Olubodun & Co. 1st Floor, Dalian Plaza 43, Oritshe Street, Balogun Bus stop, Ikeja Lagos
6.	**Legal Advisers to the Issue**	**Abdulai, Taiwo & Co. Solicitors** Goodwill House 278, Ikorodu Road Lagos
		Tsedaqah Attorneys 38, T.F Kuboye Street Lekki Phase 1 Atlantic Side Lagos
7.	**Paying Agent/ Registrar**	**Central Bank of Nigeria** Plot 33, Abubakar Tafawa Balewa Way Central Business District Cadastral Zone, Abuja