



MINISTERIAL PRESS STATEMENT ON FISCAL STIMULUS MEASURES IN RESPONSE TO THE COVID-19 PANDEMIC & OIL PRICE FISCAL SHOCK

INTRODUCTION

1. His Excellency, Mr. President, on Monday, 9th March 2020, set up a Committee comprising senior government officials, including:
 - a. Hon. Minister of Finance, Budget & National Planning ('HMFBNP') – Chairperson;
 - b. Hon. Minister of State for Budget & National Planning ('HMSBNP');
 - c. Hon. Minister of State for Petroleum Resources ('HMSPR');
 - d. Governor of the Central Bank of Nigeria ('CBN'); and
 - e. Group Managing Director of the Nigerian National Petroleum Corporation ('NNPC').
2. Pursuant to the meeting with Mr. President, the Committee was mandated to recommend fiscal measures for Mr. President's kind consideration and approval. In this regard, the Committee recognised that Nigeria is currently facing significant fiscal risks due to the current global economic disruption caused by the COVID-19 crisis. Furthermore, Nigeria is exposed to the risks of both a pronounced decline in oil prices and spikes in risk aversion in the global capital markets.
3. Although similar challenges were experienced in 2008/2009 as well as in 2015/2016, Nigeria has considerably lower fiscal buffers now than in previous economic downturns. The decline in international oil prices and domestic production may be magnified if a severe outbreak of COVID-19 occurs, despite ongoing efforts to curtail the spread of the Pandemic through compulsory lockdown of Lagos and Ogun States, as well as the Federal Capital Territory ('FCT').
4. To directly address these health and economic challenges, Mr. President has approved the following **Fiscal Stimulus Package**, as part of an Integrated Policy Framework to ensure that Nigeria's healthcare system, fiscal position and economy are sufficiently supported to weather these shocks. This **Fiscal Stimulus Package** comprises various measures as indicated in greater detail below.

ESTABLISHMENT OF A N500 BILLION COVID-19 CRISIS INTERVENTION FUND

5. Mr. President has approved the establishment of a **N500 billion COVID-19 Crisis Intervention Fund**. The establishment of this **COVID-19 Crisis Intervention Fund** will involve drawing much-needed cash resources from various Special Funds and Accounts, in consultation with and with the approval of the National Assembly. The **N500 billion** is proposed to be utilized to:



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- a) Upgrade healthcare facilities as earlier identified by the Presidential Task Force on COVID-19 and approved by Mr. President;
 - b) Finance the Federal Government's Interventions to support States in improving healthcare facilities;
 - c) Finance the creation of a Special Public Works Programme; and
 - d) Fund any additional interventions that may be approved by Mr. President.
6. With regards to the Special Public Works Program, Mr. President had previously approved a Pilot Special Public Works Programme in eight (8) States to be implemented by the National Directorate of Employment ('NDE') from February 2020 to April 2020. Mr. President has now approved that this Programme be extended to all 36 States and the FCT from October 2020 to December 2020. The selected timeframe is to ensure that the Programme is implemented after the planting season is over, and it will result in the employment of about 774,000 Nigerians (that is, 1,000 people per each Local Government). **N60 billion** in allowances and operational costs has been earmarked from the **COVID-19 Crisis Intervention Fund** for this initiative.
7. The Federal Ministry of Finance, Budget and National Planning is also evaluating how best to extend the Special Public Works Programme, to provide modest stipends for itinerant workers to undertake Roads Rehabilitation, Social Housing Construction, Urban and Rural Sanitation, Health Extension and other critical services. This intervention will be undertaken in conjunction with the key Federal Ministries responsible for Agriculture, Environment, Health and Infrastructure, as well as the States, to financially empower individuals who lose their jobs due to the economic crisis.
8. Further details regarding the operation of the **N500 billion COVID-19 Crisis Intervention Fund** will be announced once the consultations with the National Assembly and the key Ministries are concluded.

ENHANCED FINANCIAL SUPPORT TO THE STATES FOR CRITICAL HEALTHCARE EXPENDITURE

9. The Nigeria Centre for Disease Control ('NCDC') has access to a Regional Disease Surveillance Systems ('REDISSE') facility from the World Bank in the sum of **US\$90 million**, out of which **US\$8 million** has been drawn. We have requested to fully draw down on the outstanding balance of **US\$82 million**. The Government has also requested for additional financing in the sum of **US\$100 million** from the REDISSE project to meet COVID-19 emergency needs in all the 36 States and the FCT, through the NCDC and Federal Ministry of Health. This will enable us to expand the capacity of intensive Care Units ('ICUs'), enhance laboratory capacity, accelerate the procurement of test kits, strengthen surveillance mechanisms as well as improve information management.



10. We deeply appreciate the support we have received so far from our partners at the World Bank. We are continuing our engagements with the World Bank, the African Development Bank and the Islamic Development Bank to access concessional funding to support the implementation of the 2020 Budget. We have also applied for funding from the International Monetary Fund's COVID-19 Rapid Credit Facility to draw from our existing holdings with the World Bank Group / International Monetary Fund. This loan will not be tied to any conditionalities. However, it is important to clarify that Nigeria does not intend to negotiate or enter into a formal programme with the International Monetary Fund, at this time, or in the foreseeable future.

11. The Federal Government has provided **N102.5 billion** in resources to be available for direct interventions in the healthcare sector. Of this sum, **N6.5 billion** has already been made available to the NCDC for critical expenditure. The Federal Government remains committed to supporting the States in these difficult times, particularly those States that are currently battling with the COVID-19 Pandemic. Lagos State has already been provided **N10 billion** in emergency funding. As the situation in the FCT and other States at the forefront of our efforts unfolds, explicit criteria are to be agreed with the Federal Ministry of Health and the NCDC to determine when funds would be released to the affected States and the FCT. More funds are to be provided from the proposed **COVID-19 Crisis Intervention Fund** to address emerging and priority funding needs as these arise.

12. To complement these initiatives, we are taking steps to activate, release and (where necessary) enhance the hazard allowances provided in the remuneration structure of the Federal health sector workers. The Federal Government enjoins the affected States to take similar measures.

13. We take this opportunity to recognise the patriotism and sacrifice of our frontline healthcare workers, whose critical roles in combatting the COVID-19 Pandemic place their health and lives at risk. We thank all of you for your heroic efforts to protect your fellow citizens from disease and death. The Federal Government hereby assures our frontline healthcare workers of adequate insurance, compensation and support during, and in the aftermath of the COVID-19 Pandemic.

AUGMENTATION TO THE STATES' FAAC ALLOCATIONS & MORATORIUM ON STATES' DEBTS

14. Based on the fiscal assumptions underpinning the 2020 Appropriation Act, monthly Federation Account Allocation Committee ('FAAC') disbursements to the Federal and State Governments were projected at **N888.5 billion**. However, due to the significant drop in international oil prices, FAAC monthly disbursements have declined in recent months to **N716.3 billion** in January and **N647.4 billion** in February 2020. Our experience shows that monthly average FAAC receipts must average at least **N650 billion** for the Federal and State Governments to meet their current obligations.



Unfortunately, we project that monthly receipts may decline to below **N400 billion**, over the next 3 to 6 months.

15. To address these emerging fiscal risks, Mr. President has approved that the sum of **US\$150 million** be withdrawn from the Nigeria Sovereign Investment Authority ('NSIA') Stabilization Fund to support the June 2020 FAAC disbursement. The Stabilization Fund was created for such emergencies and is to be utilized for this purpose. We are also exploring other options to augment FAAC disbursements over the course of the 2020 fiscal year.
16. Mr. President has also approved that the Federal Ministry of Finance, Budget and National Planning should engage with the CBN to agree on a **Debt and Interest Moratorium for States** on Federal Government and CBN-funded loans, in order to create fiscal space for the States given the projected shortfalls in FAAC allocations. Accordingly, once monthly average FAAC receipts fall below a specific threshold, interest and capital payments by States, shall be suspended till monthly average FAAC receipts exceed the threshold. The details of this Moratorium will be expeditiously worked out with a view to submitting the final proposals for Mr. President's guidance and final approvals. This intervention is vital to create fiscal space for the States, as they deal with the health and economic impact of the crisis. States will also be encouraged to explore similar arrangements for their outstanding debts to Commercial Banks.

ENSURING ADEQUATE SUPPLIES OF ESSENTIAL FOOD ITEMS & CRITICAL MEDICAL SUPPLIES, AS WELL APPROPRIATE STEWARDSHIP OF DONATED ITEMS & FUNDS

17. The responses to the COVID-19 Pandemic and the impact of the 14-days lockdown, will have a significant impact on the transportation, distribution and availability of essential food items and medical supplies. Furthermore, the Government recognises the adverse implications of these extraordinary decisions on our market women, farmers, traders and smaller businesses.
18. The Finance Act, 2019 fortuitously provided significant tax relief for Micro, Small and Medium-sized Enterprises ('MSMEs'). Corporate tax rates for Medium-sized Enterprise were cut from 30% to 20%, and Small / Micro Enterprises are completely exempt from corporate taxation. This tax relief will be invaluable for businesses in the large informal sector that earn **N25 million** or less in a financial year. The Finance Act, 2019 has also expanded the VAT Exemption List for essential food, medical supplies and other basic items that are critical in our efforts to address the COVID-19 Pandemic.
19. We deeply appreciate the overwhelming show of solidarity by public-spirited individuals and corporate bodies towards combating the COVID-19 Pandemic through financial and material contributions. In this regard, the Government recognises its responsibility to put an adequate framework in place for the collection, management and reporting of these donations. Accordingly,



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the Federal Ministry of Finance, Budget and National Planning is developing a comprehensive framework for the transparent management of the contributions.

20. In the interim, Mr. President has approved the restructuring of the Treasury Single Account ('TSA') in order to better mobilize cash donations from the generality of our people and corporate bodies across the nation, create flexibility and build a coalition with financial institutions while maintaining the sanctity of the TSA. Going forward, the COVID-19 Donor Accounts, which will form part of the existing TSA arrangement shall be opened with the following banks:

- a) Zenith Bank
- b) Access Bank
- c) Guaranty Trust Bank,
- d) UBA; and
- e) First Bank.

21. These accounts will be linked to the main TSA for ease of monitoring and reporting.

22. I will be issuing circulars and Ministerial Orders to ensure that charitable donations by benevolent companies to support our COVID-19 Pandemic efforts are tax deductible, pursuant to Section 25 of the Companies Income Tax Act.

AMENDMENT OF 2020 APPROPRIATION ACT

23. The 2020 Appropriation Act was based on certain fiscal assumptions, which we have been compelled to revisit given the emerging economic realities. Specifically, projected Oil Revenues have been significantly affected in that:

- a. Dated Brent Oil Prices fell to as low as US\$19.125/barrel (as at Friday 3rd April 2020) as compared with the 2020 Budget Benchmark of US\$57/barrel; and
- b. Oil production in 2020 year-to-date is 2.0mbpd as compared with the 2020 Budget's projection of 2.18mbpd.

24. We are therefore revising the benchmark oil price for 2020 to US\$30/barrel and oil production to 1.7mbpd. We have similarly had to adjust downwards our Non-Oil Revenue projections including various tax and customs receipts, as well as proceeds of privatisation exercises. In this regard, the Budget Office is currently working on a revised 2020 – 2022 Medium-Term Expenditure



Framework / Fiscal Strategy Paper ('MTEF/FSP') as well as an Amendment to the 2020 Appropriation Act.

25. The proposed Amended Budget will provide for the **COVID-19 Crisis Intervention Fund** and other adjustments required due to the decline in international oil prices. We have also commenced engagements with the Leadership and key Committees of the National Assembly to discuss our plans, such that once the Executive's 2020 Amendment Budget is completed, we shall expeditiously seek the requisite Presidential and Legislative approvals.

CONCLUDING REMARKS

26. The emerging health and economic risks resulting from the COVID-19 Pandemic and decline in international oil prices pose existential threats to Nigeria's economy, healthcare system, national security, as well as the lives of our citizens. Accordingly, extra-ordinary measures will be required, as the situation evolves, to address these challenges.

27. I will continue to work closely with my colleagues at the Ministries of Finance, Budget and National Planning; Industry, Trade and Investment; Petroleum Resources; Health; as well as the CBN, to pursue greater coherence and coordination of Nigeria's fiscal, monetary as well as trade policies, during the difficult days and months ahead. The Economic Sustainability Committee chaired by His Excellency, the Vice President, will continue to coordinate our efforts and strategies, as well as provide regular updates to Mr. President.

28. In closing, I wish to reassure our citizens and residents that the Federal Government remains committed to working closely with the National Assembly, the State Governments, Multilateral Organisations, the Donor Community, and the International Community at large, to alleviate the suffering of our people due to the ongoing economic and healthcare challenges.

29. I would like to particularly appreciate the extensive understanding and support that we have received from our development partners, especially the World Bank, the International Monetary Fund, the African Development Bank and the Islamic Development Bank in our efforts to grapple with the COVID-19 crisis.

30. Thank you for your time and attention, as well as your continued cooperation with the various measures Government has taken, at this time, to protect the health and lives of our citizens, our economy, as well as our national security.



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