Nigeria's Economic Growth and Recovery Plan

Summaries of the 140-Page Document with Suggestions to the Capital Market

OCE Policy Brief

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1. Introduction

Government is keen to improve the resilience of the economy and make it less vulnerable to external shocks through a reduction in its dependence on the oil sector, and better implementation of government policies. The economy's overdependence on crude oil has amplified the gravity of the recession that had its origin mainly from adverse developments in international crude oil market. In response to the need to lay a solid foundation for the economy to emerge out of recession and restore economic growth, the government of President Muhammadu Buhari on 7th March 2017 released the Economic Recovery and Growth Plan (ERGP), a medium term plan (2017-2020) which builds on Strategic Implementation Plan (SIP) earlier developed for the 2016 budget.

The ERGP aims to achieve sustained inclusive growth, driven by the following principles: focus on tackling constraints to growth; leveraging the power of the private sector; promoting national cohesion and social inclusion; allowing markets to function and; upholding core values in Nigeria's Constitution.

The three broad strategic objectives of ERGP are to: i) restore growth through macroeconomic stability and economic diversification; ii) build a globally competitive economy through investment in infrastructure, improvement in business environment and promotion of digital-led growth and; iii) invest in the Nigerian people through programmes on social inclusion, job creation, youth empowerment and improved human capital.

Earlier Plans have delivered limited results. The authorities hope to improve the performance of the current plan by introducing a set of six important features: i) A strong political commitment with a focus on implementation is reflected in the establishment of a Delivery Unit in the Presidency and Monitoring and Evaluation exercise to be conducted by the Ministry of Budget and National Planning (MBNP); ii) Pursuit of some bold initiatives such as raising oil production to 2.5mbpd by 2020, privatisation of selected public assets, revamping the refineries and environmental restoration in the Niger Delta; iii) Incorporation of previous plans like the National Industrial Revolution Plan (NIRP) and Nigeria Integrated Infrastructure Master Plan; iv) Proposed support for the private sector to become the engine of national growth and development and the application of science and technology; v) The merger of Budget and Planning into the MBNP will ensure budgets are properly aligned with planning for effective implementation; vi) Collaboration with State Governments for common goals and coordination.

Since its announcement, the 140-page Plan has generated mixed reactions. Many commentators and reviewers have understandably been interested in what the Plan implies for their areas of interest. This brief aims to provide a summary of important aspects of the Plan and draw its implications to the economy in general and the capital market in particular.

Therefore, the broad purpose of this Policy Brief is to summarise the document into a few pages and draw relevant implication and suggestions for the capital market. Specifically, for each of the sections of the Plan, this Brief presents:

i. A background of the situation
ii. Objectives of the Plan
iii. Strategies of the Plan to achieve objective
iv. Reference to the capital market in the Plan
v. Suggestions to the capital market

The last section of this Brief presents a summary of the different sections along with recommendations that may be useful to operators in the capital market, and government in the course of plan implementation.

2. Restoring Growth– Macroeconomic Stability

In Nigeria, the oil and gas sector accounts for approximately 94% of export earnings and about 62% of government revenue. The decline in global oil prices and the instability in the oil producing areas of the country have contributed to significant reduction in import earnings. Concomitantly, foreign exchange reserves fell by 8.83% from US$28.3 billion in December 2015 to US$25.8 billion in December 2016. The ensuing economic recession that started in 2016 have seen both unemployment and inflation rates rise. Inflation in particular rose from 9.5% in 2015 to 18.5% by the first quarter of 2017.

2.1. Objectives of the Plan

The objectives of the plan are to restore macroeconomic stability, promote sustained economic growth, stabilize monetary, fiscal and external policies and create jobs. The plan targets an annual average growth of 4.62% over the period, and to bring inflation to single digit (9.9%)by 2020. Other selected macroeconomic indicators are projected as shown in table 1

Table 1: Macroeconomic Projections

	2016	2017	2018	2019	2020
Real GDP growth %	-1.54	2.19	4.80	4.50	7.00
Inflation rate %	18.55	15.74	12.42	13.39	9.90
Oil production (mbpd)	1.7	2.2	2.3	2.4	2.5
Oil Price Benchmark ($)	38.00	42.50	45.00	50.00	52.00
Unemployment plus underemployment (%)	32.77	33.51	31.88	29.65	26.92
Government revenue (% of GDP)	3.95	4.68	4.30	4.61	4.46
Oil	0.74	1.88	1.68	2.11	2.01
Non-oil	3.22	2.80	2.62	2.50	2.45
Budget Deficit (% of GDP)	-2.26	-2.23	-1.96	-1.24	-1.12
Domestic (% of financing)	53.68	53.21	34.38	20.57	26.06
Foreign (% of financing)	28.80	45.30	65.62	79.43	71.66

2.2. Achieving the Objectives

The plan will strengthen the coordination between fiscal, monetary and trade policies, increase oil production through improvement in dialogue with militants to establish peace, and strengthen and improve non-oil revenue generation. To achieve its objectives, the government also plans to privatise some of its public enterprises/assets, achieve self-sufficiency especially in agricultural production, promote non-oil export and provide incentives that will attract foreign investors.

2.3. Reference to the Capital Market in the Plan

This section of the plan did not explicitly assign any role to the capital market. However, proper implementation of the plan is expected to produce important positive effects for the capital market. For example, the capital market will benefit from the reforms aimed at improving the ease of doing business and enhancing governance in Nigeria. The plan to reduce domestic borrowing would achieve a reduction in interest rates which will lower the cost of borrowing.

2.4. Suggestions to the Capital Market

The capital market should take advantage of the privatisation efforts the Plan seeks to implement through the sale of its assets and enterprises. Government's enterprises can be privatised by listing them on the stock exchange. This will serve the purposes of generating the required money for the government, allow the Nigerian public to participate in the ownership of privatised government assets and deepen the capital market. With regards to debt, the plan is to reduce domestic borrowing, and by helping to lower interest rates and cost of borrowing, this will permit corporates better access to funds from the capital market

3. Restoring Growth – Economic Diversification

The agricultural sector accounts for 23.1% of GDP and it employs 38% of working population. The manufacturing sector accounts for 9.5% of the GDP, growing at 13.3% in 5years. Solid minerals sector is another sector that has potential for growth, though its contribution to GDP is small. The Services sector accounts for 53% of Nigeria's GDP. The Oil and Gas upstream sector contributes about 10% to GDP but accounts for 94% of export earnings and 62% of government revenue. The downstream sector accounts for just 0.3% of GDP as the four refineries with installed capacity of 445,000 bpd operate below capacity; leading to high importation of refined petroleum products.

3.1. Objectives of the Plan

Millions of Nigerians depend on agriculture for livelihood. Yet, the country's food import bill has been staggering, contributing to pressures on foreign exchange. Achieving self-sufficiency in food was therefore considered an important plank of the EGRP. Under the Plan, the contribution of agriculture to the country's GDP is set to rise from ₦16 trillion in 2015 to ₦21 trillion in 2020. The country is further projected to achieve self-sufficiency in tomato paste by 2017, rice in 2018 and wheat by 2020. To double the contribution of manufacturing to GDP, the Plan seeks to turn the fortunes of the sector from negative growth recorded in 2016 to 10.6% by 2020 and promote forward and backward linkages amongst industrial sub-sectors and other sectors of the economy. The plan aims to grow Solid Minerals GDP at an average annual growth rate of 8.54% (2017-2020).

Under the Plan, active mobile broadband subscription would increase from 20.95% in 2016 to 50% in 2020, and apart from seeking to increase the volume of assets and the diversity of financial instruments it aims to review the capitalization of some financial institutions, encourage lending to agriculture and manufacturing sectors and increase the number of individuals using the internet from 47.4% to 75% by 2020.

To help reduce the yawning housing deficits, a total of 2,700 housing units will be constructed in the short term, rising to 10,000 units a year by 2020. This is aside from the construction by 2020 of a total of 20,000 pilot social housing units. Additionally, a total of 23 federal secretariats will be constructed by 2020 in all the states where none currently exists. While helping to reduce housing deficits in the country, these efforts will achieve a direct employment impact of 105,200. As part of measures to achieve these lofty targets, the Federal Mortgage Bank of Nigeria will be recapitalized from N2.5 billion to N500 billion.

The plan also intends to restore oil production to 2.2 mbpd and increase it to 2.5 mbpd by 2020, increase local refining capacity to meet domestic demand and become a net exporter of petroleum products by 2019.

3.2. Achieving the Objectives

Achieving these objectives requires a multi-pronged effort in which agriculture, manufacturing and oil and gas sectors would receive priority attention. In the agricultural sector, government intends to build on its agriculture plans such as the Green Alternative Agriculture Promotion Policy and the Presidential Initiative on Fertilizer. As for manufacturing, plans are afoot to develop Special Economic Zones (SEZs) as part of efforts to strengthen its impact and build on the Nigeria Industrial Revolution Plan (NIRP) to develop the agri-business and agro-allied enterprises. For the oil and gas, the government intends to review policy of regulation, improve the business environment and drive investment, continue the gas revolution, revamp existing refineries and improve Niger Delta security.

3.3. Reference to the Capital Market in the Plan

This section of the Plan assigns the capital market a specific role of helping to rejuvenate the manufacturing sector. Specifically, the plan intends to promote innovation and technology-led industries by encouraging the development of private equity and venture capital players through an attractive fiscal and regulatory framework.

3.4. Suggestions to the Capital Market

The capital market can be quite useful in achieving the government's objective of diversifying the economy. For instance, lending to government priority areas like agriculture and solid minerals can be obtained from the capital market on a more long-term basis at affordable rates. The capital market also provides avenue for obtaining capital towards meeting the re-capitalization requirements of some financial institutions identified in the plan. Various instruments in the capital market such as infrastructure fund, Real Estate Investment Trusts (REITs) and Mortgage-Backed Securities (MBS) will also be useful towards achieving government's objective of housing for the populace.

4. Building a Competitive Economy

Nigeria's total infrastructure stock (road, rail, power, airports, water, telecoms, and seaports) is just 35 per cent of the country's GDP, a considerably low proportion when compared with the average of 70 per cent in emerging market economies. Additionally, although its installed power capacity is low (at 12.5GW), less than 30% of this is operational and about 15% is actually distributed to end users. That the country lags behind its peers is reflected also in Nigeria's transport infrastructure as well as in the ease of doing business. In its 2016/17 report on ease of doing business, the World Economic Forum ranked the country 127th in a list of 138 countries. Similarly, the World Bank ranked the country 169th out of 190 countries in its 2017 Global Competitive Index.

4.1. Objectives of the Plan

The plan intends to build a competitive economy by accelerating infrastructural development and making it easier to do business in Nigeria.

Power sector: The plan aims to improve access to electricity to all Nigerians, facilitate private sector investment in generation, transmission and distribution of power, increase rural electrification through the use of off-grid renewable solutions, restore financial viability in the electricity market and eliminate sabotage of gas and power infrastructure.

Transport sector: Plan to dredge 1000km of inland waterways and reinforce riverbanks to increase the capacity of inland waterways, complete construction of the Lagos-Kano and Lagos-Calabar rail projects, restore degraded sections of the Federal highway network to improve connectivity over a distance of 4000km, and offer concession on the four major airports to improve infrastructure maintenance and boost operational efficiency.

Business environment: The plan is to make the Nigerian business environment more competitive.

4.2. Achieving the Objectives

Power sector: Optimize the existing installed capacity available for generation, privatize National Integrated Power Projects (NIPP) generation assets, restructure the Transmission Company of Nigeria, improve NBET's financial capability to support the electricity market, introduce strategy for capital market and banking programmes that ensure all upstream industry operators get paid for each contract, restore lost gas supply through the Gas Flare Commercialization Programme, resolve MDAs debts to distribution companies no later than 2017, introduce cost-reflective tariffs, and identify sources of funding to resolve accumulated payment deficits.

Transportation sector: The plan will harness the existing pool of sustainable development funds to assess the viability and bankability of critical infrastructure projects, ensure the approval of the toll policy for some federal roads, fast-track the completion of airport cargo and passenger handling terminals to increase capacity from 208,424 to 276,848 tons and 15 million to 45 million passengers, respectively, by 2020.

Business environment: Over the next 18 months, the Presidential Enabling Business Environment Council (PEBEC) will oversee reforms to make it easier to start, formalize and operate a business, simplify and clarify regulations, and simplify the processes to put them into practice. They will also facilitate the entry and exit of people and goods, simplify Federal Government procurement processes, repair airport infrastructure, as well as improve Nigeria's rank in the World Bank's Doing Business Index from 169 to 100 by 2020.

4.3. Reference to the Capital Market in the Plan

The plan intends to introduce a strategy for capital market and banking programmes to ensure all upstream industry operators get paid for each contract. In the transport sector, the capital market infrastructure bonds and diaspora bonds will be used as leverage for a sustainable and alternative mix of funding for critical infrastructure projects.

4.4 Suggestions to the Capital Market

The capital market can be a source of funding for the Federal Government by issuing bonds like infrastructural bonds for financing the building of the Mambilla hydropower plant as well as other major infrastructures. Also the privatization of NIPP generating assets could be done through the stock market for efficient pricing, wealth distribution and liquidity. Assets slated for concession may also be considered for listing now or later when turned around.

5. Investing in Our People

The Plan acknowledges the low level of quality of human capital and utilization in Nigeria, and attributes this to a range of factors such as poor quality of health care delivery system, poor educational infrastructure, with science and technology courses in dire shape, and the tendency for economic growth to fail to translate in improvements in quality of lives of many. In view of the United Nations projections that by 2050 there will be over 289 million people in the country, the challenge is particularly daunting.

5.1. Objectives of the Plan

Healthcare: The objective of the recovery plan is to improve the availability, accessibility, affordability, coverage and quality of health services.

Education: Ensure quality education for all and prioritize education for the girl child.

Social Inclusion: Increase social inclusion and address region-specific exclusion challenges.

Job Creation and Youth Empowerment: Reduce unemployment to 11.23% by 2020.

Population and Growth Management: Manage Nigeria's population growth for sustainable development.

Environmental Sustainability: Address severe land degradation and desertification, attract financing for sustainable development projects and eliminate gas flaring by 2020

5.2. Achieving the Objectives

Healthcare: Revitalise the primary health care system, expand the coverage of the National Health Insurance Scheme (NHIS) and improve the capacity of the health care personnel.

Education: Improve teacher quality by conducting annual workshops on teacher training, and reviewing the education curriculum in line with international best practices, increase investment in science and technology education

Social Inclusion: Implement more social safety net programmes targeted at the vulnerable and introduce social programmes for the aged and physically challenged.

Job Creation and Youth Empowerment: Boost job creation, public works programmes and place emphasis on Made- in-Nigeria goods.

Population Growth Management: Review of the current status of the population policy and also develop and implement a revised population policy.

Environmental Sustainability: Establish one forest plantation in all states; implement projects under the Great Green Wall initiative to address land degradation and desertification.

5.3. Reference to the Capital Market in the Plan

The plan specified raising a green bond to finance the environmental projects to aid the achievement of environmental sustainability.

5.4. Suggestions to the Capital Market

The mention of green bond in the Plan is an evidence of government interest in this instrument. This calls for more studies and awareness in the structuring, pricing and regulation of this instrument and other avenues that the capital market can support the environment.

6. Governance

Weak governance structures at country and firm levels have aided the country's poor standing in international governance comparison of countries. The transparency international corruption perception index in 2015 ranked Nigeria 136 out of 168 countries. Insurgency in the North East and militancy in the Niger Delta have also constituted serious obstacles to Nigeria's growth and development. Payment of workers' entitlements has often posed serious challenges, and contractors that have discharged their contractual obligations often face difficulties getting the various tiers of government to settle them. Even the contributory pension system, earlier trumpeted to have significant promise for reversing the ills of the previous non-contributory system, has begun to face some teething challenges, with some retirees taking months without receiving their entitlements.

However, the reduction from 31 to 24 in the number of federal ministries has reduced some of the fiscal pains the authorities have encountered from a rather bloated scheme. In addition, progress has been made in elimination of ghost workers through the use of electronic payment. What is more, the federal government has offered a bail-out to state governments, and the adoption of the Treasury Single Account (TSA) has helped improve transparency and accountability.

6.1. Objectives of the Plan

Transparency and Anti-corruption: To enhance transparency and fight against corruption by complying with due process and ensuring the transparent management of returned assets.

Public Safety and Security: To reinforce security and ensure safety of all Nigerians and their environment as well as to safeguard critical infrastructure.

Public Service Reform: This is intended to achieve a range of objectives such as improving productivity, reducing the cost of governance and improving the procurement process.

Strengthen Sub-national Coordination: To ease the means of doing business by creating an enabling business environment and to ensure states take measures to improve their financial stability.

6.2. Achieving the Objectives

Transparency and Anti-corruption: Incentives have been devised and protection given to whistle blowers who provide credible information about corrupt practices. In addition, capacity of anti-corruption agencies is being developed for more effective handling and prosecution of corruption cases. To further promote transparency, monthly FAAC allocations are published in the papers and posted to the website of relevant agencies. Measures are in place for verification of accuracy and authenticity of forex sales to allow for efficient duties and tax payments.

Public Safety and Security: Development of a comprehensive action plan for the North East, sporting activities to engage youth in restive areas, improved Amnesty Plan, strengthening capacity of security agencies, establishing a national criminal records registry and promotion community policing are among measures to ensure public safety and security.

Public Service Reform: Streamline the number of MDAs to eliminate overlapping mandates and reduce costs, introduce e-government, develop institutional capacity in budget and planning and promotion of result-based management in public service.

Strengthen Sub-national Coordination: Encourage States to key into the ERGP by developing their own plans and initiatives, monitor States' implementation of the 22-point Fiscal Sustainability Plan and use it to design future financial relief

6.3. Reference to the Capital Market in the Plan

Although this section of the plan does not specifically assign a role to the capital market, the 22-point Fiscal Sustainability Plan referred to in the Plan recommends the following capital market activities to the sub-national governments: a) State should consider the privatization or concession of suitable State-owned enterprises to improve their efficiency and management; b) States should attain and maintain a credit rating; c) States are encouraged to access funds from the capital markets for bankable projects.

6.4. Suggestions to the Capital Market

The recommendations by the FSP to the sub-national government are quite relevant given the dwindling FAAC allocations and the pressing needs for infrastructure development. Beyond issuing general purpose bonds therefore, states should take advantage of the improved capital market guidelines to issue revenue bonds. These have the feature of using a state's debt to develop key infrastructure, generate revenue and diversify the economy. Further, the capital market's contributions in the area of transparency and anti-corruption should be acknowledged; particularly on initiatives such as E-dividends and Direct Cash Settlement which have reduced the number of sharp practices in the nation's financial market.

7. Delivery

The implementation and delivery of the ERGP will determine its level of success. This is important given the experience of the country in implementing prior plans. The ERGP lays out 60 strategies which it deems essential for its success. The plan purports to mobilize the federal, state and local governments and the private sector including donors and society groups for effective implementation. To also aid the full implementation of the Plan, a delivery approached based on the following seven principles is also given.

7.1. Focus on priorities

There are 60 strategies seen as necessary to achieve ERGP objective. Emphasis will be laid on stabilizing the macroeconomic environment, agriculture, food security, sufficiency on energy, among others.

7.2. Establish clear accountability

Collaboration among the MDAs, State and Local Governments and other relevant agencies would be accountable to implementing the target plans. A Delivery Unit within the presidency would be also be tasked with oversight and ensuring ERGP succeeds.

7.3. Set targets and developed detailed action plans.

To ensure the success of ERGP, there has to be a measure of the step by step stages of achievements. ERPG plans to monitor and evaluate its strategic progress using a set of well-defined metrics. These would be in collaboration with other agencies.

7.4. Mobilize and allocate resources to priorities.

Due to inadequate budget and a projected medium term fiscal deficit of 7.6 trillion dollars from 2017 to 2019, the private sector would be encouraged and included to diversify funding for ERGP. These resources would go into key areas such as infrastructure, services, agriculture manufacturing, solid minerals and oil and gas.

7.5. Create an enabling policy and regulatory environment.

The federal government will review some old policies and implement reform where necessary. An example would be merging the Bureau for Public Procurement Act, Enterprise and Bureau for Public Procurement Act, and the Infrastructure Concession and Regulatory Act to ease entry to potential investors.

7.6. Monitor and drive progress

There would be a delivery and monitoring system to measure implementation. The MBNP would be tasked with monitoring the progress of the Plan. Each ministry would be tasked with driving ERGP in its own respective organisation. Delivery mechanisms such as policy management offices would also be used to track and monitor specific progress.

7.7. Communication

The government plans to communicate regularly and precisely with the general public and other relevant stakeholders on the stage by stage success. There will also be a quarterly report by the MBNP on the progress of the ERGP implementation.

8. Conclusion

The ERGP has the vision of achieving and sustaining inclusive growth for Nigeria. By doing so, it aims to turn the country into a globally competitive economy. The objective of this Policy Brief is to summarize the Plan and draw relevant implications and suggestions for the capital market.

Following a review of each of the sections of the ERGP, Box 1 shows that the capital market and its instruments are specifically referred to in some of the sections. These include the activities of the private equity and venture capital players under 'Economic Diversification'; the use of infrastructure and Diaspora bonds for infrastructure under 'Competitive Economy'; green bonds for environmental projects under 'Investing in our People' and; the recommendation that State Governments access funds from the capital market under 'Governance'.

In addition to these, we also suggest that some of the planned privatization exercises can be done on the stock exchange for inclusive wealth distribution and deepening of the capital market. Also, the capital market can be used to achieve the Plan's objective of affordable housing for Nigerians. At the sub-national level, the option of revenue bonds can be explored to achieve the dual purpose of revenue generation and infrastructure provision.

The importance of the Plan is definitely not in question. But as the Plan also said about itself that its aspirations are ambitious, it is therefore important for the government to come up with definite investment plans and programmes towards achieving these objectives. These will contain the specific things that each Lead MDA will do, how and when. Equally important are the metrics for measuring success and the accompanying milestones for ensuring little or no deviations from the programmes. It will also be crucial to safeguard the political interference during election period beginning 2018 and see how much of the laudable initiatives of the Plan can be achieved within so short a period.

It is however clear from the Plan that the private sector should serve as the engine of growth in Nigeria. Given the importance of the capital market in private sector development, there is no doubt that the Nigerian capital market is a key stakeholder in achieving the objectives.

Box 1: Capital Market in the ERGP

	Reference to the Capital Market in the Plan	Suggestions to the Capital Market
Macro Stability	This section plan did not explicitly assign any role to the capital market. However, proper implementation of the plan is expected to have a positive spill over effect on the capital market. Some of the policies that will have these impacts include reforms in ease of doing business and improved governance. The plan to reduce government domestic borrowing will also free some funds for corporates to raise capital from the capital market at lower interest rate.	Privatisation – the government plans to privatise some of its assets and enterprises. Government's enterprises can be privatised by listing them on the stock exchange. This will serve the purposes of generating the required money for the government, allow the Nigerian public to participate in the ownership of privatised government assets, engender equitable wealth distribution, deepen the capital market, keep open an avenue for government to later buy these assets back, among several other benefits. With regards to debt, the plan is to reduce domestic borrowing; this will enable corporates to raise funds from the capital market
Economic Diversification	The only specific role assigned to the capital market in this section of the Plan is under the manufacturing sector. Specifically, the plan intends to promote innovation and technology-led industries by encouraging the development of private equity and venture capital players through an attractive fiscal and regulatory framework	The capital market can be quite useful in achieving the government's objective of diversifying the economy. For instance, lending to government priority areas like agriculture and solid minerals can be obtained from the capital market on a more long-term basis at affordable rates. The capital market also provides avenue for obtaining capital towards meeting the re-capitalization requirements of some financial institutions identified in the plan. Various instruments in the capital market such as infrastructure fund, Real Estate Investment Trusts (REITs) and Mortgage-Backed Securities (MBS) will also be useful towards achieving government's objective of housing for the populace.
Competitive Economy	The plan intends to introduce a strategy for capital market and banking programmes to ensure all upstream industry operators get paid for each contract. In the transport sector, the capital market infrastructure bonds and diaspora bonds will be used as leverage for a sustainable and alternative mix of funding for critical infrastructure projects	The capital market can be a source of funding for the Federal Government by issuing bonds like infrastructural bonds for financing the building of the Mambilla hydropower plant as well as other major infrastructures. Also the privatization of NIPP generating assets could be done through the stock market for efficient pricing, wealth distribution and liquidity. Assets slated for concession may also be considered for listing now or later when turned around.
Investing in our People	The plan specified raising a green bond to finance the environmental projects to aid achieve the objective of environmental sustainability which will be through the capital market.	The mention of green bond in the Plan is an evidence of government interest in this instrument. This calls for more studies and awareness in the structuring, pricing and regulation of this instrument and other avenues that the capital market can support the environment.
Governance	Although this section of the plan does not specifically assign a role to the capital market, the 22-point Fiscal Sustainability Plan referred to in the Plan recommends the following capital market activities to the sub-national governments: a) State should consider the privatization or concession of suitable State-owned enterprises to improve their efficiency and management; b) States should attain and maintain a credit rating; c) States are encouraged to access funds from the capital markets for bankable projects.	The recommendations by the FSP to the sub-national government are quite relevant given the reduced receipt from the FAAC distribution and the pressing needs for infrastructure development. Beyond issuing general purpose bonds therefore, states should take advantage of the improved capital market guidelines to issue revenue bonds. These have the feature of using a state's debt to develop key infrastructure, generate revenue and diversify the economy. Further, the capital market's contributions in the area of transparency and anti-corruption should be acknowledged; particularly on initiatives such as E-dividends and Direct Cash Settlement which have reduced the number of sharp practices in the nation's financial market.