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 16 OF THE PROSPECTUS

UNITY AND FAITH, PEACE AND PROGRESS

FEDERAL GOVERNMENT OF NIGERIA

Pursuant to the Local Loans (Registered Stock and Securities) Act, CAP. L17, LFN 2004

FBN MERCHANT BANK LIMITED

&

LOTUS FINANCIAL SERVICES LIMITED

on the authority of the

FGN ROADS SUKUK COMPANY 1 PLC

Offers for Subscription and is authorized to receive applications for

₦100,000,000,000 7-Year 16.47% Ijarah Sukuk due 2024

Issue Price: ₦1,000 per unit

Opening Date:	**September 14, 2017**
Closing Date:	**September 20, 2017**
Settlement Date:	**September 22, 2017**

Payable in full on Application

Financial Advisers

FBN Merchant Bank

FBN Merchant Bank Limited RC: 264978

Lotus Financial Services Limited

Lotus Financial Services Limited RC: 1078362

This Prospectus is dated September 22, 2017

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1. Presentation of Information

The information set forth herein has been obtained from 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 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, including financial and statistical information, 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 ("DMO"), the National Bureau of Statistics ("NBS") and the Office of the Accountant General of the Federation. 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 to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

DEFINITION OF TERMS

TERM	MEANING
“Aggregate Sukuk Amount”	The total amount raised from the Sukuk issuance
"Allotment Date"	The date on which the Sukuk is allocated 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 August 30, 2017 authorizing the Sukuk issuance
"Business Day"	Any day except Saturdays, Sundays and public holidays declared by the Federal Government of Nigeria
"CAMA"	Companies and Allied Matters Act Cap C20 LFN, 2004
"CBN"	The Central Bank of Nigeria
"Certificate or Sukuk"	The investment certificates or notes of equal value issued by the Issuer/Trustee, evidencing undivided ownership of the Sukukholders in the Lease Asset and/or usufruct and/or rights to the rental receivables from the Lease Asset 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 PMC
"CITA"	Companies Income Tax Act Cap. C21 LFN, 2004 (as amended by the Companies Income Tax (Amendment Act No. 11 of 2007)
"Collection Account"	Means the non-interest account for collection of Subscription Amounts from investors provided on page 100 of this Prospectus
"Construction Agency Agreement"	The agreement between the Issuer and the Federal Government of Nigeria (represented by the Honorable Minister of the Federal Ministry of Works, Power and Housing), 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
"CSCS" or the "Clearing System"	Central Securities Clearing System PLC
"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 Sukuk holders and appointed the Delegate Trustees as its delegate trustee under the trust to hold the beneficial interest of the Issuer’s covenants in trust for the Sukukholders
"Delegate Trustees"	FBN Trustees Limited; STL Trustees Limited; and/ or such other person(s) as may be appointed by the Issuer/Trustee or the Originator to act as agent of the Issuer/Trustee in its capacity as Trustee
"Delivery Acceptance"	A receipt issued, pursuant to the Forward Ijara Agreement, by the Lessee to the Lessor certifying the complete and satisfactory delivery of the Lease Assets
"Dissolution Date”	Means the date on which the FGN will purchase the Roads in accordance with the Purchase Undertaking

DEFINITION OF TERMS

"Dissolution Distribution Amount"	Means 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"	Means the date of the Transaction Documents
"Engineer"	The Director of Federal Highways in the Federal Ministry of Power, Works & Housing of the Federal Government of Nigeria, 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 in the Lease Agreement
"Exchange"	The Nigerian Stock Exchange and the FMDQ OTC Securities Exchange
"FBN Merchant Bank Limited" or "FBN MB"	Joint Financial Adviser
"Federal Government" or "FGN"	Federal Government of Nigeria
"Financial Advisers"	FBN Merchant Bank Limited Lotus Financial Services Limited
"FIRS"	Federal Inland Revenue Service
"FMDQ"	FMDQ OTC Securities Exchange
"Forward Ijara Agreement"	Means the forward lease agreement between the Issuer and the FGN for the lease of the Lease Assets
"GDP"	Gross Domestic Product
"High Net Worth Individual"	An individual investor with a net worth of at least ₦300 million, excluding automobiles, homes and furniture as defined by Rule 321 of the SEC Rules and Regulations (as amended)
"ISA" or "the Act"	Investments & Securities Act, No 29, 2007
"Issue Date"	The date on which the Sukuk is issued as evidenced by the Certificate
"Issuer" or "SPV/ Issuer" or "Trustee"	FGN Roads Sukuk Company 1 PLC
"Issue Proceeds Account"	Means 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 Ijara Agreement) by the Issuer to the Obligor
"Lease Assets"	Means the assets sought to be leased by the Lessee from the Lessor pursuant to the Forward Ijara Agreement
"Lease Commencement Date"	The date of the delivery of the first Certificate of Completion by the Lessor to the Lessee in accordance with the provisions of the Forward Ijara 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 Ijara Agreement
"Lease Rental" or "Rental"	The rent payable by the Lessee to the Lessor in respect of the lease of the Lease Assets
"Lessee"	The Federal Government of Nigeria represented by the Honourable Minister of Power, Works and Housing
"Lessor"	FGN Roads Sukuk Company 1 PLC

DEFINITION OF TERMS

"LFN"	Laws of the Federation of Nigeria
"Lotus Financial Services Limited" or "LFSL"	Joint Financial Adviser
"Maturity Date"	The date falling seven (7) years from the Issue Date
"Naira", "NGN" or "₦"	The Nigerian Naira
"Nigeria"	The Federal Republic of Nigeria and the term "Nigerian" shall be construed accordingly
"NSE"	The Nigerian Stock Exchange
"Obligor"	The Federal Government of Nigeria represented by the Honourable Minister of Finance
"Originator"	The Federal Government of Nigeria represented by the Debt Management Office
"OTC"	Over the counter
"Participant"	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"	The Central Bank of Nigeria
"Payment"	Payments made or to be made by the Lessee to the Lessor pursuant to the Forward Ijara Agreement and the Purchase Undertaking, including 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
"Periodic Distribution Amount"	The amount to be paid to the Sukukholders every six months commencing from the Issue Date
"PFAs"	Pension Fund Administrators
"PITA"	Personal Income Tax Act, Cap P8, LFN 2004 as amended by the Personal Income Tax (Amendment) Act 2011
"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
"Purchase Price"	The price at which the Obligor purchases the Lease Assets
"Purchase Undertaking"	The deed entered into by the Lessee on or about the date of the Forward Ijara 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 Issuer or Sponsor clears the allotment returns in respect of the Sukuk and on which the Sukuk are deemed issued to the identified subscribers; also construed as the Issue Date

"Rental Payment Date"	The last day of a Rental Period
"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 16.47% per annum to be distributed every six months to the Sukukholders, expressed as a percentage of the Aggregate Sukuk Amount
"Roads"	The sections of the roads described on page 19 to be financed from the Sukuk issuance and bears the same meaning as the Lease Asset
"Road Contractor"	Means an entity appointed by the Federal Ministry of Power, Works and Housing, 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
"Sale Undertaking"	The deed entered into by the Lessor on or about the date of the Forward Ijara 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
"Settlement Date"	The date by which the investor must pay for the Sukuk delivered by the Issuer and represents the same date as the Issue Date
"Sponsor"	Federal Government of Nigeria through the Debt Management Office
"Subscription Amount"	Means the amount paid by investors for purchase of their subscription to the Sukuk
"Sukukholder" or "Holder"	Any registered owner or beneficial owner of the Sukuk to be issued
"Taxes"	Means 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"	Means the Letter of Allocation, Deed of Declaration of Trust, Forward Ijara Agreement, Purchase Undertaking, Sale Undertaking, Construction Agency Agreement, and the Service Agency Agreement
"Trust Asset"	(a) the interest, rights, title, benefits and entitlements, present and future, of 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 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"	FGN Roads Sukuk Company 1 PLC in its capacity as Trustee under the Declaration of Trust Deed

DEFINITION OF TERMS

"Trustees Act"	Trustees Investments Act Cap T22, LFN 2004
"WHT"	Withholding Tax as provided for in Section 78(2) of CITA

OVERVIEW OF THE OFFERING

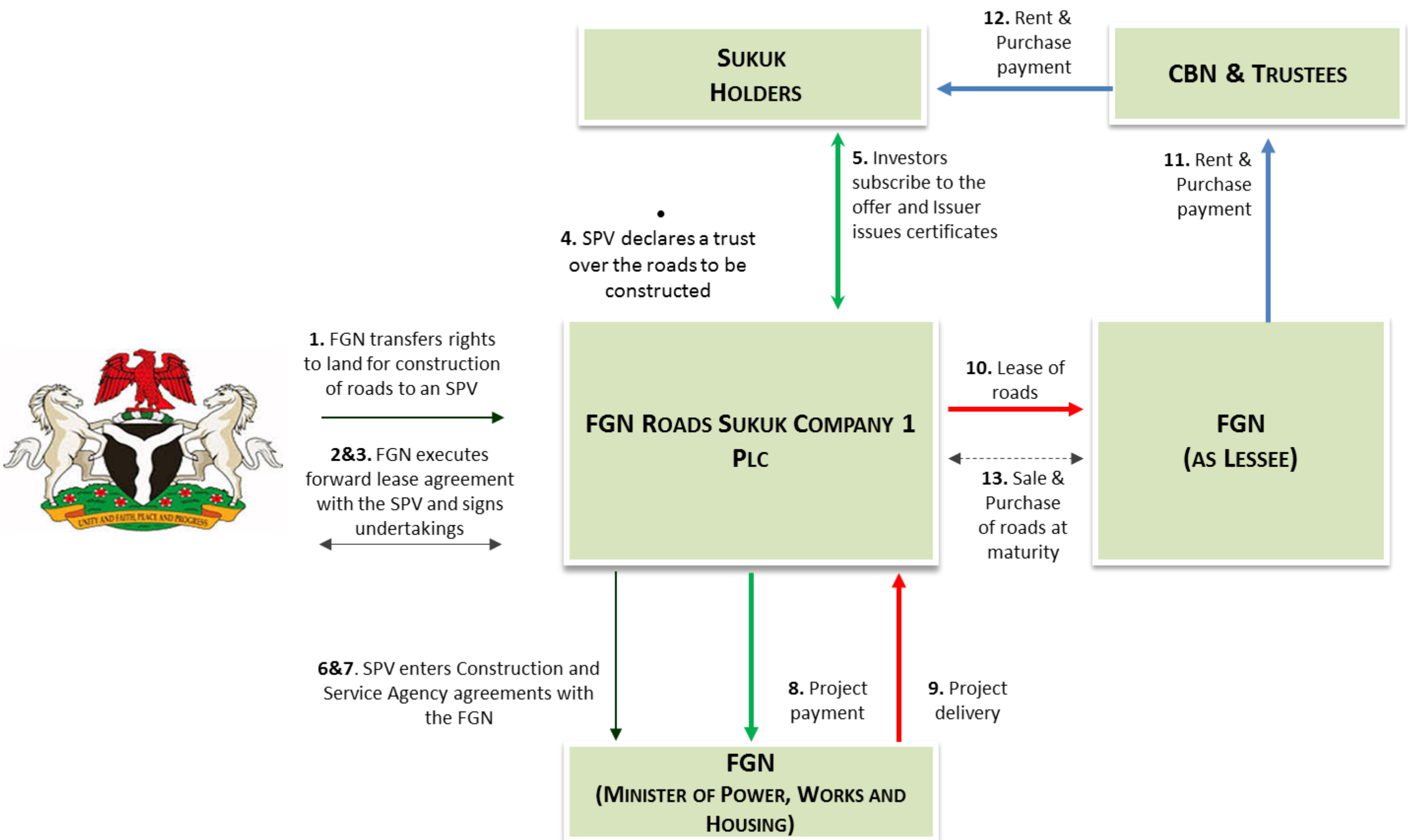
The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Sukuk. Each 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:	FGN Roads Sukuk Company 1 PLC wholly-owned by the Federal Government of Nigeria through the Ministry of Finance Incorporated and the Debt Management Office
Administration of the Issuer:	The Issuer will be administered by the DMO and the Delegate Trustees
Financial Advisers:	FBN Merchant Bank Limited Lotus Financial Services Limited
Description:	7-Year FGN Sovereign Sukuk due 2024 at a return of 16.47%
Trustees:	FGN Roads Sukuk Company 1 PLC in its capacity as Trustee under the Deed of Declaration of Trust
Delegate Trustees:	FBN Trustees Limited STL Trustees Limited
Paying Agent:	The Central Bank of Nigeria on behalf of the Sponsor
Certificates/Sukuk:	₦100,000,000,000 Certificates due 2024
Issue Size:	₦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 (1unit) thereafter
Oversubscription:	Any oversubscription will be absorbed by new projects
Under subscription:	In case of under subscription, the Issuer may re-open the Offer
Specified Currency:	Naira ("₦")
Trust Assets:	The Trust Assets are: (e) the interest, rights, title, benefits and entitlements, present and future, of the Issuer/Trustee in, to and under the Roads and any proceeds from the Roads; (f) the interest, rights, benefits and entitlements, present and future, of the Issuer/Trustee in, to and under the Transaction Documents; (g) all moneys standing to the credit of the Issue Proceeds Account from time to time; and (h) 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. Sukuk holders 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 Trustee 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 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, unconditional and unsecured obligations of the Federal Government of Nigeria which rank pari passu, without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured obligations of the Federal Government of Nigeria.
Gross proceeds:	₦100,000,000,000
Use of Proceeds:	The proceeds of the issue of the Certificates will be used by the Issuer/Trustees for the payment of the Road Project under the Construction Agency Agreement
Issue Date:	September 22, 2017
Maturity Date:	September 22, 2024
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 calculated at the Rental Rate of 16.47% per annum on the outstanding Aggregate Sukuk Amount which will be funded by the FGN
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 provided that if such a business day falls into the next calendar month, such Rental Payment Date shall be brought backward to the immediately preceding Business Day

OVERVIEW OF THE OFFERING

Change of Rental or Redemption/Payment Basis:	Not Applicable
Status:	• 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. • The Sukuk will constitute an irrevocable obligation of the Federal Government of Nigeria and shall rank *pari passu* in all respect with its existing debt obligations
Security:	Backed by the full faith and credit of the Federal Government of Nigeria.
Rating:	The Sukuk is a direct obligation of the Federal Government of Nigeria and bears its credit rating
Dissolution Distribution Amount:	In relation to each Certificate, means the aggregate outstanding face amount of the Certificates plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificates.
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 Ijara Agreement, and unless the Certificates are previously redeemed or purchased and cancelled, the Issuer will apply the Dissolution Distribution Amount to redeem each Certificate and the Trust will be dissolved on the Issuer on the Scheduled Dissolution Date.
Form and Delivery of the Certificates:	The Certificates will be dematerialized and delivered via e-allotment to the CSCS accounts of the Sukukholders
Clearing System:	Central Securities Clearing System PLC (CSCS)
Listing:	The NSE and FMDQ
Method of Distribution:	Offer for Subscription
Paying Agent:	The 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 section in the Islamic law of commercial transactions (Mu'amalat).
Selling Restrictions:	There are no restrictions on the distribution of this Prospectus. It is open to all interested investors – local and foreign
Trading:	Trading of the Sukuk will commence once construction of the Roads commences



Sukuk Proceeds **Road Delivery** **Rentals Payment**

STRUCTURE DIAGRAM

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

1. The FGN issues a letter of allocation of specific sections of land to the Issuer/Trustee for construction and rehabilitation of identified Federal Highways.

2. The FGN through the Federal Ministry of Power, Works and Housing ("FMPWH") executes a Forward Ijarah Agreement with the Issuer/Trustee to lease constructed roads.

3. A unilateral Purchase Undertaking is executed by the FGN to purchase constructed roads from the Issuer/Trustee at maturity.

4. The Issuer/Trustee declares a trust over the Roads to be constructed in favour of the Sukuk holders under a Declaration of Trust Deed and appoints FBN Trustees and STL Trustees (the "Delegate Trustees") to carry out its functions as Trustee under the trust.

5. Investors subscribe to the offer and the Issuer/Trustee issues electronic investment certificates through the CBN as registrar.

6. The Issuer/Trustee enters into a Construction Agency Agreement with FMPWH to appoint contractors to construct/supervise the road construction.

7. The Issuer/Trustee also enters into a Service Agency Agreement with the FMPWH to undertake major repairs on the road after construction.

8. The Issuer/Trustee pays the contractors through the FMPWH for construction/rehabilitation of roads from the Sukuk proceeds after the work done by the contractors are certified by the FMPWH and the Delegate Trustees.

9. The contractors deliver the completed roads to the Issuer/Trustee, through the FMPWH.

10. The Issuer/Trustee (as Lessor) leases the Roads to FGN (as Lessee) in line with the Forward Ijarah Agreement.

11. The FGN pays periodic rentals for the use of the roads and purchase amounts at maturity to the FGN Sukuk Repayment Account with the CBN.

12. The CBN, as Paying Agent, transfers the periodic distribution amounts to Sukukholders per the scheduled dates.

13. At maturity of the Sukuk, the Roads are purchased by the FGN.

STATEMENT OF CERTIFICATION BY THE FINANCIAL REGULATION ADVISORY COUNCIL OF EXPERTS (FRACE) OF THE CENTRAL BANK OF NIGERIA

The Financial Regulation Advisory Council of Experts (FRACE) has reviewed the structure and transaction documents of the FGN Roads Sukuk Company 1 Plc Public Offer of Sukuk Al Ijara due 2024 issued on behalf of the Federal Government of Nigeria and is of the view that the structure, terms and conditions of the Sukuk are compatible with the principles of Islamic Shari'ah and the transaction documents reflect the structure, terms and conditions of the Sukuk Al Ijara product.

The Sukuk may be purchased by any interested party in the primary market. The sukuk may also be traded on any relevant exchanges after the commencement of work on the project.

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

And Allah knows best.

Sheikh Shariff Ibrahim Saleh Al Husaini	(Chairman)	
Prof. Mohammad Akram Laldin	(Member)	
Dr. Abdul-Razzaq Abdul-Majeed Alaro	(Member)	
Dr. Mohammed Burhan Arbouna	(Member)	
Dr. Ibrahim Muhammad Jalo	(Member)	
Sheikh .A. Idoko	(Member)	
Dr. Bashir Aliyu Umar	(Member/Secretary)	

Dated this 3rd Day of August, 2017

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 does not discount the possibility of other risks emerging in the course of the sukuk's tenor. In addition, risks that are considered immaterial may also become material through the life of the sukuk.

COUNTRY RISKS

Political Risk

Nigeria runs a multi-party democratic system. Although Nigeria has not experienced any significant political disruptions in recent years notwithstanding the change in ruling party; there is no certainty that a subsequent change in the ruling party will not result in a change in the direction of government's policy. In addition, the country's social landscape includes diverse ethnic groups and religions. As is typical of countries with broad cultural factions, some parts of Nigeria have recently recorded periods of unrest. Some of the skirmishes include the North-East insurgency, Niger Delta militant crisis, farmers against cattle rearer's crisis and inter-tribal clashes in the North Central region.

The current administration has made laudable efforts to bring stability to most affected areas through military intervention, dialogue and social safety nets. In particular, the Federal Government commenced social intervention programmes such as the Home Grown School Feeding Programme, Government Economic Empowerment Programme, N-Power Job Creation Programme and Conditional Cash Transfers, which it expects will improve social welfare and reduce propensity for unrest across the country.

In the North-East, the Federal Government has provided funding and support to the regional Multinational Joint Task Force (MNJTF), which comprises military units from the Republic of Benin, Cameroon, Chad, Niger and Nigeria. The MNJTF has recorded remarkable success in curtailing the activities of insurgents in the region and the ensuing stability has ensured that close to one million displaced persons as well as 106 children captives have returned home. In addition, the reconstruction of social infrastructure in the region is ongoing and agriculture is gradually recovering. To further developments in the region, the Federal Government has also allocated ₦45 billion under the 2017 budget to its North-East intervention fund. The security situation in the North-East has improved over the last two years, although, there are still terror threats in border towns and neighboring countries.

In the Niger Delta region, the Federal Government has commenced the environmental remediation of Ogoni land in line with the recommendations of the United Nations Environment Programme (UNEP). The Federal Government has also engaged with representatives of the local communities to understand their unique challenges in a bid to reach a lasting resolution. Consequently, the Federal Government allocated ₦65 billion to the Presidential Amnesty Programme for the reintegration of ex-militants in the 2017 budget. The resulting truce between the Federal Government and militants has reduced the spate of attacks on oil installations and allowed for repairs to damaged facilities. Noteworthy, in May 2017, operations of the Trans-Forcados crude export pipeline resumed over a year after it was attacked by militants.
In spite of these developments, precedent shows that the current truce between the Federal Government and militants could degenerate rapidly if either side loses conviction in the programme.

RISKS RELATED TO THE MACROECONOMY

Economic Risk

Nigeria's economic performance has had strong correlation to the country's crude oil earnings given that oil receipts accounted for about 80% of the Federal Government's revenue prior to 2015. In 2014, the Nigerian economy was adversely impacted by the global slump in crude oil prices and the country slipped into recession by the second quarter of 2016. Other factors that exacerbated the shocks to the economy included disruptions to oil production and exchange rate volatility.

In December 2016, the Organization of Petroleum Exporting Countries (OPEC) and 10 participating non-OPEC members agreed to collectively reduce their oil production by 1.8mbpd until June 2017. Subsequently, the key oil producers resolved to extend the expiration of the deal by nine months until March 2018. The concerted effort has helped to stabilize oil prices to a current average of $50pb, thus reducing the strain on the domestic economy.

In addition, the Federal Government has made efforts to improve the non-oil sector by providing subsidies for agriculture under various programmes such as the Anchor Borrowers Programme and the Presidential Fertilizer Initiative. These interventions resulted in notable improvements in local grain production as well as reduced the importation of some food products such as rice. However, there can be no assurances that such support, reforms and initiatives will continue to be successful.

Though the country is on the path to economic recovery, the current reliance on crude oil ensures that vulnerabilities persist. In recognition of this vulnerability, Fitch Ratings affirmed Nigeria's sovereign credit rating at "B+" but lowered the rating outlook to negative on 25 January 2017.

Inflation risk

In 2016, currency depreciation and the attendant higher prices of petroleum products, electricity and imported foods pushed inflation upwards to 18.55% in December 2016 from 9.55% in December 2015. The CBN has introduced tighter monetary policies to curb inflation and according to the National Bureau of Statistics, inflation has charted a downward trend in 2017, falling to 16.10% in June 2017 from 18.72% in January 2017. Despite these improvements, there can be no assurance that inflation will not remain high. Significant inflation could have a material adverse effect on the real returns to Sukuk investors.

RISKS RELATED TO THE SUKUK

Credit Risk

Similar to conventional bonds, the major risk is that the Obligor may default on its obligations, leading to the non-payment of rentals and principal at the time of maturity. However, this risk is remote given that the Sukuk is a direct obligation of the Federal Government of Nigeria and the FGN has never defaulted on its debt obligations or entered into any arrangement with its creditors.

Regulatory Risk

The Sukuk is governed by the laws of the Federal Republic of Nigeria and is issued based on the existing legal framework as at the date of this Prospectus. This is the debut sovereign Sukuk issuance in Nigeria to operationalize the existing regulatory framework. 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. It is equally possible that there would be future changes in Nigerian law, administrative practices or judicial decisions; the impact of which may not be quantifiable or predetermined at present. Nevertheless, Nigerian securities laws have been stable in the last decade and a material change that may affect the Sukuk appears unlikely.

Shari'ah Non-Compliance Risk

The Sukuk is required to remain Shari'ah complaint 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 others.

The Sukuk has been structured by Financial Advisers with expertise in Islamic finance and under the guidance of their Shari'ah board. 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

Although the Sukuk has a fixed annual Rental Rate, changes in conventional interest rates may adversely affect the price of the Sukuk on the relevant exchanges. In a high interest rate environment, investors seeking a yield higher than the fixed annual Rental Rate on the Sukuk will offer a lower price on the Exchanges. Consequently, the yield on the Sukuk may fall below the fixed annual rental rate unless the securities are held until maturity.

Liquidity Risk

This is the first sovereign Sukuk in Nigeria. Thus, secondary market liquidity may be limited by the Sukuk size and the number of participants willing to trade on the exchanges. Furthermore, the price of the Sukuk may be volatile in response to macroeconomic indicators such as interest rates, inflation and developments in local and international capital markets. There is, therefore, a possibility that the Sukuk may not be easily disposed of at prices and volumes deemed appropriate by holders before maturity. The Sponsor has a strategic goal of deepening the domestic Sukuk market and is expected to follow-up with further issuances to increase the size of the Sukuk market in the short to medium term.

Construction Risk

The proceeds of the Sukuk will be used to construct/rehabilitate roads which will be leased to the Federal Government of Nigeria. The Sukukholders, through the Issuer, bear primary responsibility for ensuring the roads are constructed. Therefore, in the event that the Road Contractors fail to construct/rehabilitate the roads, this will adversely impact the legitimacy of rent paid to Sukukholders. However, this risk is remote because the Federal Government is the executing agency to appoint contractors for the road project and only highly rated (grade ‘A’) contractors have been selected. The Delegate Trustees will also monitor the road construction/rehabilitation through the services of a project management consultant and payment to contractors will be based on milestones.

Taxation

By virtue of the Companies Income Tax Order 2011, the Personal Income Tax (Amendment) Act 2011 and Value Added Tax 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.

USE OF PROCEEDS

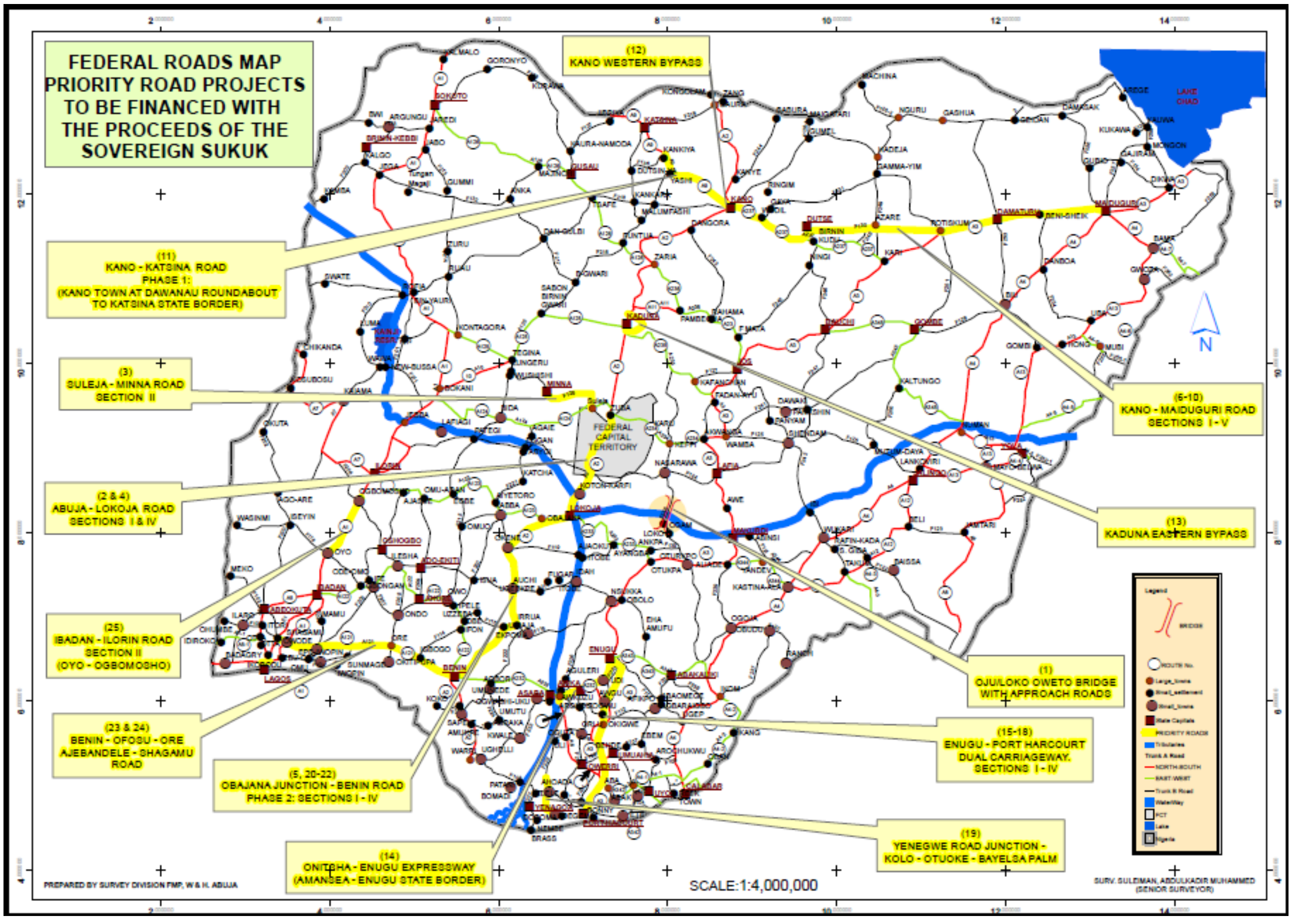
The proceeds of the issue of the Certificates, amounting to ₦100,000,000,000 will be used to construct parts of 25 major road projects across the six geopolitical zones of the country as more particularly described below:

	S/N	Project Title	Milestone		Amount (₦)	Estimated Delivery Date
			Length (KM)	Location/Work scope		
North Central	1	Construction of Oju/Loko - Oweto Bridge over River Benue to link Loko (Nasarawa State) and Oweto (Benue State) along Route F238	Bridge Works	Superstructure of East and West bridge 2 Superstructure of West bridge 1 wing walls of West bridge 2 Parapets of east and west bridge Approach roads	4,144,708,134.18	December 2017
North Central	2	Dualization of Abuja- Abaji - Lokoja Road Section I (International Airport link road junction - Sheda Village Junction	8.32	CH18+000 - CH20+780, CH21+780 - CH22+880, CH15+000 - CH18+000, CH20+780 - CH21+780, CH22+880 - CH25+400, CH27+400 - CH29+200	3,000,000,000.00	March 2018
North Central	3	Dualisation of Suleja-Minna Road in Niger State Phase II (km 40+000-km101+000)	12.20	CH0+000 - CH1+000(1km), CH4+000 - CH8+300 (4.3km), CH35+000 - CH40+000 (5km), CH40+000 - CH42+000 (2km): Completion of flyover 1&2, Bridge No. 3 and 2Nos culverts	3,521,958,532.49	April 2018
North Central	4	Dualization of Abuja-Abaji-Lokoja Road: Section IV Koton Karfe - Lokoja in Kogi State	11.33	CH5+225 - CH5+825, CH4+300 - CH5+225, CH17+425 - CH17+664, CH9+000 - CH9+116, CH9+194- CH9+375 (New): CH47+000 - CH48+250, CH26+396 - CH28+011, CH23+400 - CH19+500, CH17+875 - CH19+500 (Old) and Bridge 1 at Gada Haha	3,500,000,000.00	January 2018
North Central	5	Dualization of Lokoja-Benin Road: Obajana Junction-Benin Section I Phase I: Obajana – Okene in Kogi State	14.300	CH41+000 - CH45+000, CH42+400 - CH45+000, CH45+000 - CH48+000, including Concrete lined drains, pipe culvers, box culverts stone pitching	2,500,000,000	January 2018
			39.50	Maintenance works on CH0+000 - CH39+500		
		North Central Total			**16,666,666,666.67**	
North East	6	Dualisation of Kano-Maiduguri Road linking Kano-Jigawa-Bauchi-Yobe	19.70	CH3+300 - CH23+000 (LHS)	4,166,666,666.67	March 2018

		and Borno States - Section II (Shuari-Azare) in Bauchi State				
	7	Dualisation of Kano-Maiduguri Road linking Kano-Jigawa-Bauchi-Yobe and Borno States Section III (Azare-Potiskum) in Bauchi State	10.00	Potiskum Bypass, 8.50km New Jersey Barrier, 25.85 Surface dressing	3,500,000,000.00	December 2017
	8	Dualization of Kano-Maiduguri Road linking Kano-Jigawa-Bauchi-Yobe and Borno States - Section IV (Potiskum-Damaturu Road) in Yobe State	21.92	CH11+660 - CH31+575 (RHS), CH25+000 - CH27+000(RHS)	4,000,000,000.00	December 2017
	9	Dualization of Kano-Maiduguri Road linking Kano-Jigawa – Bauchi - Yobe and Borno States (Section V) Damaturu -Maiduguri	23.57	CH150+150 - CH169+150	5,000,000,000.00	February 2018
				CH106+300- CH154+500		September 2018
				CH23+000+CH27+219		June 2018
		North East Total			**16,666,666,666.67**	
North West	10	Dualization of Kano-Maiduguri Road linking Kano - Jigawa –Bauchi - Yobe and Borno States Section I (Kano - Wudil -Shuari) in Kano State	21.50	CH11+660 - CH31+575 (RHS), CH25+000 - CH27+000(RHS)	5,000,000,000 .00	June 2018
	11	Dualization of Kano - Katsina Road Phase I, Kano Town at Dawanau roundabout to Katsina State Border in Kano State.	19.97	CH27+000 - CH35+000, (8.00km)	3,000,000,000.00	March 2018
				CH0+00 - CH5+000 (5.00km)		September 2018
	12	Construction of Kano Western Bypass as an Extension of Dualization of Kano - Maiduguri Road Section 1	9.00	Bridge No 3, Bridge No.4 Wearing CH0+000 - CH9+000, road works CH9+000 - CH10+000	4,000,000,000.00	May 2018
	13	Construction of Kaduna Eastern By-pass in Kaduna State	17.00	CH17+300 - CH34+300	4,666,666,666.67	January 2018
		North West Total			**16,666,666,666.67**	
South East	14	Rehabilitation of outstanding section of Onitsha-Enugu Expressway: Amansea-Enugu State Border	10.57	CH24+620 - 35+185 (Enugu Bound)	5,166,666,666.67	December 2017

	15	Rehabilitation of Enugu-Port Harcourt Dual Carriage Section I: Lokpanta-Umuahia in Abia State	23.90	CH84+600 - CH108+500 (RHS)	4,000,000,000.00	March 2018
	16	Rehabilitation of Enugu-Port Harcourt Dual Carriage Section II: Umuahia Tower-Aba Township Rail/Road Bridge Crossing in Abia State	29.84	RHS CH127+800 - CH134+350, CH120+800 - CH128+525, CH126+700 - CH127+260. CH129+600 - CH134+800: LHS CH120+500 - CH124+500, CH124+500 - CH128+800, CH131+800 - CH133+300	3,750,000,000.00	December 2017
	17	Rehabilitation of Enugu-Port Harcourt Road Section 3: Enugu Lokpanta	20.00	CH36+160 - CH56+160 (20km)	3,750,000,000.00	December 2017
		South East Total			**16,666,666,666.67**	
South South	18	Rehabilitation Of Enugu-Port Harcourt Road Section IV: Aba-Port Harcourt in Rivers State	10.00	CH196+600 - CH206+600 (LHS) 10km	3,500,000,000.00	July 2018
South South	19	Dualization of Yenegwa Road Junction-Kolo - Otuoke - Bayelsa Palm (20km) in Bayelsa State	5.50	CH0+000 - CH2+000	3,500,000,000.00	November 2017
				CH2+000 - CH4+000		February 2018
				CH4+000 - CH5+500 (5.5km)		July 2018
South South	20	Dualization of Lokoja-Benin Road: Obajana Junction-Benin Section II Phase I: Okene-Auchi, Kogi/Edo States	8.48	CH52+260 - CH60+725, CH13+845 - CH13+859	3,000,000,000.00	December 2017
South South	21	Dualization of Lokoja-Benin Road: Obajana Junction-Benin Section III Phase I: Auchi – Ehor in Edo State	6.00	CH27+600 - CH29+000 LHS, CH24+000 - CH27+600 RHS, CH24+000 - CH27+600LHS, CH23+000 - CH24+000LHS, CH23+000 - CH29+000 Both sides including pile works	3,166,666,666.67	June 2018
	22	Dualization of Lokoja-Benin Road: Obajana Junction-Benin Section IV Phase I: Ehor-Benin City, Edo State	17.82	Asphalt Wearing Course CH6+000-CH 13+600 EB CH6+000-CH 14+000 BB Crushed Stone Base CH3+000-CH 6+000 Median Barrier	3,500,000,000.00	December 2017

				CH0+000-CH 0+800 Kerb Stones CH0+000-CH 0+800 E/W CH 14+000 - CH 24+000		
		South South Total			**16,666,666,666.67**	
South West	23	Reconstruction and Asphalt Overlay of Benin-Ofosu-Ore-Ajebandele-Shagamu Dual Carriageway Phase IV: Ajebandele-Shagamu; KM 162+586 (Ondo State) to KM 261+000 (Ogun State) in Ondo/Ogun States	17.27	Asphalt Wearing Course CH171+030 - CH 188+290 LB Asphalt Wearing Course CH171+025 - CH 188+294 BB Macadam CH171+010 - CH 188+525 BB Crushed Stone Base CH188+550 - CH 174+625 BB Side Line Drain CH183+337 - CH188+200L/B Kerb Stones CH183+337 - CH188+200L/B Maintenance of Bridges CH193+631-CH 193+739BB	6,000,000,000.00	December 2017
	24	Reconstruction of the outstanding sections of the Benin – Ofusu – Ore –Ajebandele - Shagamu Expressway, Phase III	22.21	Asphalt Wearing Course CH139+675 - CH 142+056 BB Median Barrier CH102+000 - CH142+056 Concrete Lay Bay CH102+000 - CH106+000BB Kerb Stones CH102+000 - CH106+000BB Maintenance of Bridges CH142+056-CH 142+099	5,000,000,000.00	December 2017
	25	Dualisation of Ibadan - Ilorin Road (Route No. 2) Section II: Oyo-Ogbomosho Road, in Oyo State	13.64	CH54+600 - CH61+750(Ogbomosho Bound), CH62+306 - CH68+800 (Oyo Bound)	5,666,666,666.67	December 2017
		South West Total			**16,666,666,666.67**	
		TOTAL			**100,000,000,000.02**	


FEDERAL ROADS MAP
PRIORITY ROAD PROJECTS
TO BE FINANCED WITH
THE PROCEEDS OF THE
SOVEREIGN SUKUK
(12)
KANO WESTERN BYPASS
(11)
KANO - KATSINA ROAD
PHASE 1:
(KANO TOWN AT DAWANAU ROUNDABOUT
TO KATSINA STATE BORDER)
(3)
SULEJA - MINNA ROAD
SECTION II
(2 & 4)
ABUJA - LOKOJA ROAD
SECTIONS I & IV
(25)
IBADAN - ILORIN ROAD
SECTION II
(OYO - OGBOMOSHO)
(23 & 24)
BENIN - OFOSU - ORE
AJEBANDELE - SHAGAMU
ROAD
(5, 20-22)
OBAJANA JUNCTION - BENIN ROAD
PHASE 2: SECTIONS I - IV
(14)
ONITSHA - ENUGU EXPRESSWAY
(AMANSEA - ENUGU STATE BORDER)
(19)
YENEGWE ROAD JUNCTION -
KOLO - OTUOKE - BAYELSA PALM
(15-18)
ENUGU - PORT HARCOURT
DUAL CARRIAGEWAY,
SECTIONS I - IV
(1)
OJU/LOKO OWETO BRIDGE
WITH APPROACH ROADS
(13)
KADUNA EASTERN BYPASS
(6-10)
KANO - MAIDUGURI ROAD
SECTIONS I - V
FEDERAL
CAPITAL
TERRITORY
N
SCALE:1:4,000,000
PREPARED BY SURVEY DIVISION FMP, W & H. ABUJA
SURV. SULEIMAN ABDULKADIR MUHAMMED
(SENIOR SURVEYOR)

USE OF PROCEEDS | PICTORAL REPRESENTATION

DUALIZATION OF ABUJA- ABAJI - LOKOJA ROAD (INTERNATIONAL AIRPORT LINK ROAD JUNCTION - SHEDA VILLAGE JUNCTION)

DUALIZATION OF KANO-MAIDUGURI ROAD LINKING KANO-JIGAWA-BAUCHI- YOBE & BORNO STATES

REHABILITATION OF ENUGU-PORT-HARCOURT EXPRESSWAY, SECTION III: ENUGU-LOKPANTA

DUALIZATION OF LOKOJA-BENIN ROAD: OBAJANA JUNCTION-BENIN, AUCHI - EHOR, EDO

EXISTING ROAD CONDITION DUALIZATION OF YENEGWE ROAD JUNCTION: KOLO-OTUOKE-BAYELSA PALM IN BAYELSA STATE

REHABILITATION OF ENUGU - PORT HARCOURT EXPRESSWAY, ABA - PORT HARCOURT ABIA/RIVERS STATE

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 or notes 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 Debt Management Office, and the Board of Directors of the Issuer for the construction, development or rehabilitation of roads in Nigeria.

The Shareholders of FGN Roads Sukuk Company 1 PLC are the Ministry of Finance Incorporated and the Debt Management Office in accordance with the below table;

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

PROFILE OF THE BOARD OF DIRECTORS

ADEKUNLE AWOJOBI

Adekunle Awojobi is currently the Managing Director of FBN 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 honours from Ogun State University (Olabisi Onabanjo University), Ago-Iwoye, Ogun State. Prior to joining FBN 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.

BOLANLE OYELADE

Bolanle Oyelade is a Law graduate of the Olabisi Onabanjo University after which she obtained a Barrister at Law degree from the Nigerian Law School.

Prior to joining FBN Trustees Limited, Bolanle worked in G. Elias & Co., a full service business law firm, where she acquired varied experiences in corporate and commercial law. While at G. Elias, she acted as the Secretary to the Trust Reform Committee set up by Lagos State under the chairmanship of Dr. Gbolahan Elias (SAN) to review and make recommendations on the State's Trust Laws.

Bolanle joined FBN Trustees Limited in March 2009 and in 2011, she was appointed as Head, Public Trust Unit. As a member and now Head of the Public Trust Unit, Bolanle has successfully administered trust mandates in state government bonds, mutual funds and reserve fund spheres. An Executive Member of the Association of Corporate Trustees, she is currently pursuing a Masters Programme from the University of Leicester, UK. She has attended several trainings in the course of her career.

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 (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 Bachelors degree in Law and a Masters 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.

OGONNA CHINEDU-EZE

Ogonna Chinedu-Eze is a Senior Associate at the law firm of Udo Udoma & Belo-Osagie and a member of the firm's corporate and commercial practice team. Her specializations include Islamic finance, capital markets, corporate law, mergers and acquisition, corporate restructuring and funding, private equity and insolvency.

Ogonna is an external faculty member of the Nigerian Capital Market Institute and has facilitated various trainings and workshops on a number of capital market topical issues, including Islamic Finance and Sukuk issuance, real estate investment trusts and mergers and acquisitions. She participated actively in the structuring of the first Nigerian Shari'ah-complaint Islamic corporate bond (Sukuk) in 2010 and in the development of other Shari’ah compliant instruments.

In addition to her membership in the Nigerian Bar Association, she also belongs to the Institute of Chartered Secretaries and Administrators (UK), Business Recovery and Insolvency Practitioners Association of Nigeria and its international body which is the Insolvency International Institute.

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 Financial Advisers (as defined in the Conditions)

Letter of Allocation

The Letter of Allocation is the document by which the FGN through the Honourable Minsister of Power, Works and Housing transfers to the Issuer beneficial interest in the lands comprising roads, i.e. the Allocated Lands, for construction and/or rehabilitation of roads as detailed on pages 19 - 22 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 Assests 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, Trustees and Originator.

Forward Ijara Agreement

The Forward Ijara Agreement is the document by which the Lessor as the owner of the Roads specified on pages 19 - 22 of this Prospectus has offered to lease and the Lessee has agreed to accept the lease of the Roads (as defined in the Construction Agency Agreement) (the "Lease Assets") on prescribed terms and conditions.

Purchase Undertaking

The Purchase Undertaking is the document by which the FMPWH as lessee of the Lease Assets unconditionally and irrevocably undertakes to purchase all of the Issuer's beneficial title and ownership rights in the Lease Assets at the Purchase Price in accordance with prescribed terms.

Sale Undertaking

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

Construction Agency Agreement

This is the Agreement between the FMPWH, 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 (SAA) is the document by which the Issuer in its capacity as lessor of the Lease Assets under the Forward Ijarah Agreement appoints the FGN to be its service agent to undertake maintenance of the Lease Assets after construction and the FGN accepts such appointment on prescribed terms and conditions. The SAA 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, Budget Office of the Federation, Federal Ministry of Power, 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 Advisers 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, Republic of Chad to the North East, Republic of Cameroon to the East, 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 air ports in the country. There are currently 774 constitutionally recognized Local Government Areas and Area Councils in Nigeria.

According to the United Nations Population Division (UNPD)'s World Population Prospects, Nigeria's population was approximately 185.9 million in 2016, representing growth of 2.6% from 2015. Undoubtedly, Nigeria is the most populous nation in Africa, accounting for approximately 47% of the West African populace. Nigeria has a relatively young population, with 2.7% of the population aged 65 and above, 53.3% between the ages of 15 and 64 and 44% under 15 years of age, as of the end of December 2015. The World Bank estimated the average population density for the country at 205.3 people per square kilometer in 2016 and at 200 people per square kilometer in 2015. Kano State had the highest population among Nigerian states in 2015, followed closely by Lagos State, which had the highest population density. Other densely populated states are Kaduna, Katsina, Oyo and Rivers States. In 2015, approximately 50.5% of Nigeria's population was male and approximately 49.5 was female.

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 37.2 billion barrels of proven oil reserves and 5.3 trillion cubic feet of proven natural gas according to 2015 data by the Organization of the Petroleum Exporting Countries (OPEC). The structure of the Nigerian economy is predominantly Services (55.45%), Agriculture (21.35%) and Industries (23.21%). Agriculture is a major source of livelihood, employing roughly 70% of the labour force. According to the United States Energy Information Administration, in 2015, the country was the 13th largest producer of petroleum in the world, and has the 10th 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 29 May, 2007. However, President Yar'Adua's tenor was short lived due to his demise on 05 May, 2010; following which Goodluck Ebele Jonathan was sworn in as President on 06 May, 2010 in accordance with the Nigerian Constitution.

OVERVIEW OF NIGERIA

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. In the most recent general elections held on 28 March, 2015, President Mohammed Buhari was elected as President under the platform of the All Progressives Congress (APC) marking a new era for the Country and the end of a 16-year rule by the PDP.

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 three 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.

ECONOMIC OVERVIEW

Gross Domestic Product (GDP)

According to the World Bank, Nigeria was Africa's largest economy by GDP in 2016, ahead of Egypt and South Africa. Following strong growth in the early part of the decade, Nigeria's economy entered a recession due to the low oil-price environment which started in the second half of 2014. Second quarter 2017 GDP data however reveals real growth of 0.55% (year-on-year), indicating the emergence of the economy from recession after five consecutive quarters of contraction since Q1 2016. This growth is 2.04% higher than the rate recorded in the corresponding quarter of 2016 and higher by 1.46% points from rate recorded in the preceding quarter, (–0.91%). Quarter on quarter, real GDP growth was 3.23%.

Data from the NBS show that Nigeria recorded real GDP growth rates of 4.2% in 2012, 5.5% in 2013, 6.2% in 2014, 2.8% in 2015, a contraction of real GDP of (1.5%) in 2016 and negative growth of 0.91% in Q1 2017. The economy is highly dependent on the oil and gas sector for revenues and export earnings. Prior to 2016 when the oil and gas sector contributed to the federally collectible revenue fell to about 51%, it had accounted for over 70% of government revenue in previous years. This is in spite of the fact that the sector contributes less than 14% to GDP over the years and down to about 8.2% in 2016. Dependence on oil and gas revenue makes the economy vulnerable to oil price fluctuations. However, GDP performance in recent years generally has been supported by growth in non-oil and gas GDP, which grew by 5.8% in 2012, 8.4% in 2013, 7.2% in 2014 and 3.8% in 2015, followed by a contraction of (0.2)% in 2016, with the biggest growth drivers being agriculture, telecommunications, manufacturing and trade. The contraction in real GDP in 2016 was largely attributable to Mining and Quarrying (which includes the oil and gas sector), Manufacturing and Electricity, Steam and Air Conditioning Supply, which contracted by (13.7)%, (4.3)% and (15.0)%, respectively. Despite the overall contraction in real GDP in 2016, the agriculture sector grew by 4.1% and the information and communications sector grew by 2.0%.

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. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effect of inflation.

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The following table 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 71.0% of real GDP in the first half of 2017:

	Year ended December 31,										June 30,	
	2012		2013		2014		2015		2016		2017	
Economic Sector	% of GDP	Growth rate (%)	% of GDP	Growth rate (%)	% of GDP	Growth rate (%)	% of GDP	Growth rate (%)	% of GDP	Growth rate (%)	% of GDP	Growth rate (%)
Agriculture	23.9	6.7	23.3	2.9	22.9	4.3	23.1	3.7	24.4	4.1	22.1	3.2
Trade	16.4	2.2	16.6	6.6	16.6	5.9	17	5.1	17.2	(0.2)	8.3	(2.4)
Information and Communication	10.5	3.1	10.7	8.2	10.8	7	11.2	6.2	11.6	1.9	5.9	0.7
Manufacturing	8	13.5	9.2	21.8	10	14.7	9.5	(1.5)	9.3	(4.3)	4.5	1.0
Mining and Quarrying	13.6	(4.8)	11.4	(12.8)	10.6	(1.1)	9.8	(5.3)	8.6	(14.5)	4.2	(7.31)

Source: NBS

The following table below provides information regarding Nigeria's nominal GDP for the periods indicated:

	For the year ended December 31,					June 30,
	2012	2013	2014	2015	2016	2017
	₦'millions					
Real GDP (constant prices)	59,929,893	63,218,722	67,152,786	69,023,930	68,705,333	32,105,696
Nominal GDP (current prices)	71,713,935	80,092,563	89,043,615	94,144,961	102,684,408	53,014,361

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 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. The NBS intends to undertake a further rebasing exercise, which is expected to be completed in 2018.

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):

	For the year ended December 31, (₦ millions, except percentages; at 2010 constant basic prices)					June 30,
Activity Sector	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Agriculture	**14,329,705.62**	**14,750,523.21**	**15,380,389.34**	**15,952,220.14**	**16,607,337.33**	**7,130,692.43**
Crop Production	12,919,542.05	13,247,801.80	13,793,450.01	14,274,936.74	14,894,447.82	6,272,021.39
Livestock	972,762.79	1,030,937.33	1,086,847.00	1,151,323.39	1,185,118.44	587,130.12
Forestry	146,094.08	154,314.17	161,338.20	167,258.41	171,642.65	86,356.23
Fishing	291,306.71	317,469.91	338,754.12	358,701.61	356,128.42	185,184.68
Agriculture (% change)	*6.70%*	*2.94%*	*4.27%*	*3.72%*	*4.11%*	3.19%

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	For the year ended December 31, (₦ millions, except percentages; at 2010 constant basic prices)					June 30,
Activity Sector	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Mining and Quarrying	**8,244,386.09**	**7,188,151.52**	**7,107,029.63**	**6,732,507.56**	**5,759,816.75**	**2,831,162.31**
Crude Petroleum and Natural Gas	8,173,255.83	7,105,283.40	7,011,814.77	6,629,963.75	5,725,168.37	2,797,395.11
Coal Mining	4,576.63	5,496.76	6,587.70	7,272.05	7,344.65	4,713.48
Metal Ores	2,889.58	3,326.64	3,878.94	4,160.92	5,023.79	4,156.36
Quarrying and Other Minerals	63,664.04	74,044.72	84,748.23	91,110.83	75,241.30	24,897.37
Mining and Quarrying (% change)	*(4.78)%*	*(12.81)%*	*(1.13)%*	*(5.27)%*	*(13.66)%*	(7.31)%
Manufacturing	**4,783,659.43**	**5,826,358.45**	**6,684,217.74**	**6,586,618.64**	**6,302,232.45**	**3,072,360.19**
Oil Refining	223,520.19	344,710.73	311,383.84	200,883.05	205,966.43	74,598.27
Cement	270,345.66	376,446.41	488,279.07	596,173.72	564,213.86	273,198.34
Food, Beverage and Tobacco	2,628,306.89	2,938,606.11	3,104,004.91	2,937,062.39	2,752,898.95	1,380,389.17
Textile, Apparel and Footwear	815,285.85	1,096,388.66	1,438,342.87	1,423,019.65	1,407,504.32	680,172.35
Wood and Wood Products	157,343.70	171,312.06	193,065.36	205,212.33	196,929.27	98,405.64
Pulp, Paper and Paper Products	30,348.04	44,017.16	50,243.71	53,671.22	51,431.11	24,752.13
Chemical and Pharmaceutical Products	61,899.43	92,636.14	127,773.72	150,992.61	152,792.52	75,334.97
Non-Metallic Products	112,063.11	148,213.28	198,958.94	227,227.04	234,495.00	120,221.90
Plastic and Rubber products	106,425.78	138,509.58	180,371.28	212,628.01	220,268.05	110,068.98
Electrical and Electronics	4,525.31	4,759.19	5,067.19	5,134.31	4,716.98	2,009.99
Basic metal, Iron and Steel	124,491.86	141,109.72	163,112.52	168,192.21	169,399.09	81,159.99
Motor vehicles & assembly	35,317.97	44,401.45	55,773.39	52,678.91	37,394.36	15,229.80
Other Manufacturing	213,785.65	285,247.96	367,840.93	353,743.18	304,222.48	136,818.67
Manufacturing (% change)	*13.46%*	*21.80%*	*14.72%*	*(1.46)%*	*(4.32)%*	1.00%
Electricity, Gas, Steam and Air Conditioning Supply	**286,970.94**	**328,764.36**	**300,206.38**	**272,431.57**	**231,569.73**	**102,353.93**
Electricity, Gas ,Steam and Air Conditioning Supply (% change)	*14.61%*	*14.56%*	*(8.69)%*	*(9.25)%*	*(14.99)%*	20.21%
Water Supply, Sewerage, Waste Management and Remediation	**45,971.19**	**66,813.53**	**82,234.93**	**94,883.16**	**103,675.42**	**56,808.36**
Water Supply, Sewerage, Waste Management and Remediation (% change)	*4.10%*	*45.34%*	*23.08%*	*15.38%*	*9.27%*	7.46%
Construction	**1,989,464.28**	**2,272,376.69**	**2,568,464.75**	**2,680,216.00**	**2,520,852.18**	**1,355,539.35**
Construction Growth Rate	*9.44%*	*14.22%*	*13.03%*	*4.35%*	*(5.95)%*	0.14%
Trade	**9,853,678.82**	**10,507,899.27**	**11,125,795.61**	**11,697,587.66**	**11,669,061.39**	**5,607,417.22**

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	For the year ended December 31, (₦ millions, except percentages; at 2010 constant basic prices)					June 30,
Activity Sector	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Trade Growth Rate	*2.21%*	*6.64%*	*5.88%*	*5.14%*	*(0.24)%*	(2.36)%
Accommodation and Food Services	**310,950.38**	**540,627.40**	**639,714.73**	**654,215.32**	**619,419.23**	**278,892.31**
Accommodation and Food Services (% change)	*15.85%*	*73.86%*	*18.33%*	*2.27%*	*(5.32)%*	(3.99)%
Transportation and Storage	**711,076.24**	**738,078.52**	**770,690.90**	**805,455.74**	**808,597.29**	**388,741.03**
Road Transport	601,854.84	616,125.63	639,304.77	667,810.60	679,305.23	333,554.74
Rail Transport & Pipelines	146.86	159.66	171.80	176.39	175.25	77.15
Water Transport	3,750.51	3,919.20	4,261.77	4,621.74	4,686.63	2,129.40
Air Transport	54,099.70	59,139.72	60,867.24	63,120.21	60,054.09	27,625.91
Transport Services	33,392.30	39,136.21	44,692.90	47,111.52	46,584.26	17,664.62
Post and Courier Services	17,832.03	19,598.11	21,392.43	22,615.28	17,791.83	7,689.21
Transportation and Storage (% change)	*(3.42)%*	*3.80%*	*4.42%*	*4.51%*	*0.39%*	2.22%
Information and Communication	**6,268,513.42**	**6,783,070.36**	**7,257,062.04**	**7,708,113.83**	**7,858,698.29**	**3,988,997.16**
Telecommunications and Information Services	5,176,559.39	5,420,654.36	5,677,875.45	5,933,089.01	6,053,663.28	3,002,373.52
Publishing	12,631.74	14,230.59	16,051.42	17,703.14	18,127.90	9,735.93
Motion Pictures, Sound recording and Music production	491,893.60	610,870.38	735,768.14	765,640.63	734,432.87	389,549.11
Broadcasting	587,428.68	737,315.03	827,367.03	991,681.06	1,052,474.24	587,338.60
Information and Communication (% change)	*3.05%*	*8.21%*	*6.99%*	*6.22%*	*1.95%*	0.73%
Arts, Entertainment and Recreation	**97,834.04**	**112,444.89**	**129,182.67**	**141,329.25**	**146,579.96**	**84,069.83**
Arts, Entertainment and Recreation (% change)	*27.36%*	*14.93%*	*14.89%*	*9.40%*	*3.72%*	5.89%
Financial and Insurance	**1,687,905.91**	**1,833,645.51**	**1,982,669.74**	**2,123,896.82**	**2,027,512.30**	**1,046,578.12**
Financial Institutions	1,461,704.34	1,592,125.49	1,723,775.90	1,851,828.28	1,748,753.70	895,406.02
Insurance	226,201.57	241,520.01	258,893.84	272,068.54	278,758.60	151,172.09
Financial and Insurance (% change)	*21.02%*	*8.63%*	*8.13%*	*7.12%*	*(4.54)%*	5.51%
Real Estate	**4,379,936.80**	**4,904,636.97**	**5,155,727.95**	**5,264,695.89**	**4,903,604.64**	**2,179,271.46**
Real Estate (% change)	*5.65%*	*11.98%*	*5.12%*	*2.11%*	*(6.86)%*	(3.33)%
Professional, Scientific and Technical Services	**2,190,072.53**	**2,265,110.18**	**2,390,438.12**	**2,516,073.97**	**2,536,292.03**	1,161,216.69
Professional, Scientific and Technical Services (% change)	*7.81%*	*3.43%*	*5.53%*	*5.26%*	*0.80%*	(0.15)%
Administrative & Support Services	**13,370.39**	**13,720.21**	**13,982.48**	**14,473.98**	**14,374.75**	**6,767.49**
Administrative & Support Services (% change)	*(3.29)%*	*2.62%*	*1.91%*	*3.52%*	*(0.69)%*	(0.24)%
Public Administration	**1,838,732.42**	**1,828,842.45**	**1,874,943.17**	**1,644,782.79**	**1,569,517.75**	**765,655.22**
Public Administration (% change)	*(20.31)%*	*(0.54)%*	*2.52%*	*(12.28)%*	*(4.58)%*	(0.17)%
Education	**1,105,896.41**	**1,278,414.00**	**1,391,953.38**	**1,498,707.07**	**1,518,933.09**	**643,300.77**
Education (% change)	*1.68%*	*15.60%*	*8.88%*	*7.67%*	*1.35%*	(0.18)%
Human Health and Social Services	**390,300.73**	**427,717.45**	**472,633.66**	**484,336.50**	**475,690.00**	**231,410.55**
Human Health and Social Services (% change)	*4.33%*	*9.59%*	*10.50%*	*2.48%*	*(1.79)%*	0.02%
Other Services	**1,401,467.40**	**1,551,526.76**	**1,825,448.63**	**2,151,384.05**	**2,257,471.35**	**1,174,461.45**
Other Services (% change)	*49.95%*	*10.71%*	*17.65%*	*17.86%*	*4.93%*	1.95%
Total GDP	**59,929,893.04**	**63,218,721.73**	**67,152,785.84**	**69,023,929.94**	**67,931,235.93**	**15,861,213.02**

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	For the year ended December 31, (₦ millions, except percentages; at 2010 constant basic prices)					June 30,
Activity Sector	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Total GDP (% change)	*4.21%*	*5.49%*	*6.22%*	*2.79%*	*(1.58)%*	*(0.18)%*

Sources: NBS, CBN

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):

	For the year ended December 31, (% of GDP at 2010 constant basic prices)					June 30,
Activity Sector	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Agriculture	**23.91**	**23.33**	**22.90**	**23.11**	**24.44**	**22.21**
Crop Production	21.56	20.96	20.54	20.68	21.93	9.23
Livestock	1.62	1.63	1.62	1.67	1.74	0.86
Forestry	0.24	0.24	0.24	0.24	0.25	0.13
Fishing	0.49	0.50	0.50	0.52	0.52	0.27
Mining and Quarrying	**13.76**	**11.37**	**10.58**	**9.75**	**8.48**	**4.17**
Crude Petroleum and Natural Gas	13.64	11.24	10.44	9.61	8.35	4.12
Coal Mining	0.01	0.01	0.01	0.01	0.01	0.01
Metal Ores	0.00	0.01	0.01	0.01	0.01	0.01
Quarrying and Other Minerals	0.11	0.12	0.13	0.13	0.11	0.04
Manufacturing	**7.98**	**9.22**	**9.95**	**9.54**	**9.28**	**4.52**
Oil Refining	0.37	0.55	0.46	0.29	0.30	0.11
Cement	0.45	0.60	0.73	0.86	0.83	0.40
Food, Beverage and Tobacco	4.39	4.65	4.62	4.26	4.05	2.03
Textile, Apparel and Footwear	1.36	1.73	2.14	2.06	2.07	1.00
Wood and Wood Products	0.26	0.27	0.29	0.30	0.29	0.14
Pulp, Paper and Paper Products	0.05	0.07	0.07	0.08	0.08	0.04
Chemical and Pharmaceutical Products	0.10	0.15	0.19	0.22	0.22	0.11
Non-Metallic Products	0.19	0.23	0.30	0.33	0.35	0.18
Plastic and Rubber products	0.18	0.22	0.27	0.31	0.32	0.16
Electrical and Electronics	0.01	0.01	0.01	0.01	0.01	0.00
Basic metal , Iron and Steel	0.21	0.22	0.24	0.24	0.25	0.12
Motor vehicles & assembly	0.06	0.07	0.08	0.08	0.06	0.02
Other Manufacturing	0.36	0.45	0.55	0.51	0.45	0.20
Electricity, Gas, Steam and Air Conditioning Supply	**0.48**	**0.52**	**0.45**	**0.39**	**0.34**	**0.15**
Water Supply, Sewerage, Waste Management and Remediation	**0.08**	**0.11**	**0.12**	**0.14**	**0.15**	**0.08**
Construction	**3.32**	**3.59**	**3.82**	**3.88**	**3.71**	**2.00**
Trade	**16.44**	**16.62**	**16.57**	**16.95**	**17.18**	**8.25**
Accommodation and Food Services	**0.52**	**0.86**	**0.95**	**0.95**	**0.91**	**0.41**
Transportation and Storage	**1.19**	**1.17**	**1.15**	**1.17**	**1.19**	**0.57**
Road Transport	1.00	0.97	0.95	0.97	1.00	0.49
Rail Transport & Pipelines	0.00	0.00	0.00	0.00	0.00	0.00
Water Transport	0.01	0.01	0.01	0.01	0.01	0.00
Air Transport	0.09	0.09	0.09	0.09	0.09	0.04

Transport Services	0.06	0.06	0.07	0.07	0.07	0.03
Post and Courier Services	0.03	0.03	0.03	0.03	0.03	0.01
Information and Communication	**10.46**	**10.73**	**10.81**	**11.17**	**11.57**	**5.87**
Telecommunications and Information Services	8.64	8.57	8.46	8.60	8.91	4.42
Publishing	0.02	0.02	0.02	0.03	0.03	0.01
Motion Pictures, Sound recording and Music production	0.82	0.97	1.10	1.11	1.08	0.57
Broadcasting	0.98	1.17	1.23	1.44	1.55	0.86
Arts, Entertainment and Recreation	**0.16**	**0.18**	**0.19**	**0.20**	**0.22**	**0.12**
Financial and Insurance	**2.82**	**2.90**	**2.95**	**3.08**	**2.98**	**1.54**
Financial Institutions	2.44	2.52	2.57	2.68	2.57	1.32
Insurance	0.38	0.38	0.39	0.39	0.41	0.22
Real Estate	**7.31**	**7.76**	**7.68**	**7.63**	**7.22**	**3.21**
Professional, Scientific and Technical Services	**3.65**	**3.58**	**3.56**	**3.65**	**3.73**	**1.71**
Administrative & Support Services	**0.02**	**0.02**	**0.02**	**0.02**	**0.02**	**0.01**
Public Administration	**3.07**	**2.89**	**2.79**	**2.38**	**2.31**	**1.13**
Education	**1.85**	**2.02**	**2.07**	**2.17**	**2.24**	**0.95**
Human Health and Social Services	**0.65**	**0.68**	**0.70**	**0.70**	**0.70**	**0.34**
Other Services	**2.34**	**2.45**	**2.72**	**3.12**	**3.32**	**1.73**
Total GDP	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Total GDP (%change)	*4.21%*	*5.49%*	*6.22%*	*2.79%*	*(1.58)%*	*(0.18)%*
Oil GDP (%change)	*(4.95)%*	*(13.07)%*	*(1.32)%*	*(5.45)%*	*(14.45)%*	*(7.47)%*
Non-Oil GDP (%change)	*5.81%*	*8.42%*	*7.18%*	*3.75%*	*(0.22)%*	*0.58%*

Sources: NBS, CBN

Oil and Gas

The oil and gas sector plays a central role in Nigeria's economy. However, the impact of the sector on employment generation and diversification of other economic sectors has been comparatively low. Its contribution to the country's real GDP was 8.4% in 2016, despite constituting 50.1% of total gross federally collectible revenue. In 2015 and 2016, the oil sector accounted for about 92.5% of export earnings in each year. According to the United States Energy Information Administration, in 2016, Nigeria was the 13th largest producer of "petroleum and other liquids" and had the 11th largest proven crude oil reserves in the world. With respect to natural gas, in 2014, Nigeria was the 19th largest producer, and the ninth largest proven natural gas reserves.

According to the NNPC, in December 2016, the average price of Nigerian crude oil (Bonny Light) was US$53.89 per barrel, an increase of 42.6% compared to $37.80 per barrel in December 2015. In December 2014, December 2013 and December 2012, the price of Nigerian crude oil was $63.28, $112.75 and $114.49 per barrel, respectively. The decline in oil prices has reduced export earnings, government revenue and national disposable income.

Revenue Sources

Oil and gas revenue is a significant source of revenue for Nigeria, constituting 50.1% of federally collectible revenue in 2016, compared to 61.5% in 2015 and 72.5% in 2014.

The primary sources of oil revenues are described below:

- Revenue from sales 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 owner of oil or gas as compensation. 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.

Oil and Gas Reforms

The Federal Government has sought to reform the petroleum industry with a general overhaul of the oil and gas sector. The Federal Government's aim is to remedy key policy, regulatory, fiscal and operational challenges in the Nigerian oil and gas industry by encouraging investment and improve Nigerians' participation in the sector both directly and through participatory schemes in line with international best practice. This led to the proposed Petroleum Industry Bill in 2008, which was never enacted, and to the enactment of the Nigerian Oil and Gas Industry Content Development Act in 2010. In an effort to expedite the passage of the necessary reforms, the proposed petroleum\ industry reform legislation has been divided into separate bills. The Federal Government intends to implement the first phase of regulatory and institutional reforms through the Petroleum Industry Governance Bill 2017 ("PIGB"), and will then proceed to the other bills. The upper house of the National Assembly of Nigeria (the Senate) commenced debating the PIGB in April 2016 and on 25th May, 2017, the Senate passed the bill. The PIGB is before the lower house (the House of Representatives) for consideration. It has been reported that the three other petroleum industry reform bills (including a petroleum fiscal framework reform bill, a petroleum host community bill and an upstream and midstream administration bill) will also be considered by both houses of the National Assembly.

<u>The Petroleum Industry Governance Bill (PIGB)</u>

The PIGB seeks to:

a. Establish a framework for the creation of commercially oriented and profit driven petroleum entities;
b. Promote transparency and accountability in the administration of petroleum resources, thus foster a conducive business environment within the sector;
c. Create efficient and effective governing institutions with clear and distinct roles for the petroleum industry; and
d. Foster a conducive business environment for petroleum operations.

To this end, the bill proposes the following:

1. To curb the existing powers of the minister of petroleum resources ("the Minister") by limiting his primary function to that of national petroleum policy driver and adviser/representative to the federal government on petroleum matters;
2. To establish a Nigeria Petroleum Regulatory Commission (the Commission) that will be vested with the combined functions of the current Petroleum Inspectorate, the Department of Petroleum Resources (DPR) and the Petroleum Products Pricing Regulatory Agency. One key function of the proposed Commission is the issuance, modification, amendment, suspension, review and cancellation of upstream licenses – functions that are currently exercised by the Minister;
3. The unbundling of the Nigerian National Petroleum Corporation (NNPC) and establishment of 3 commercial entities – the Ministry of Petroleum Incorporated, the Nigeria Petroleum Assets Management Company (the Management Company) and the National Petroleum Company (the NPC). It is proposed that the Management Company will be responsible for managing the NNPC's interest in Production Sharing Contract (PSC) assets and 'Back-in Right' assets, while the NPC will take-over all other NNPC assets, excluding PSCs and 'Back-in Right' assets. A 4th entity, the Nigeria Petroleum Liability Management Company, is proposed to assume certain liabilities of the NNPC and the DPR.

Construction of Modular Refineries

As part of a move towards national self-sufficiency, the Federal Government is looking to commence construction of modular refineries in the Niger Delta region. The community-based refinery project is a genuine effort to provide alternative to illegal refining in the Niger Delta. The arrangement will allow a 40% equity for oil-bearing communities while the Federal Government augments the effort with a 60% investment through its agencies, including the Nigeria Sovereign Investment Authority (NSIA).

Agriculture

Agriculture is a major driver of economic growth in Nigeria and is important to diversifying the Nigerian economy away from reliance on oil. Agriculture is divided into four subsectors: crop production (including food crops), forestry (including tree crops), livestock and fishing. In the first half of 2017, Agriculture grew by 3.19% from the corresponding period in 2016. As of December 31, 2016, the agriculture sector amounted to approximately 24.4% of real GDP, compared to 23.1% in 2015, 22.9% in 2014, 23.3% in 2013 and 23.9% in 2012. In 2016, the agriculture sector grew by 4.1%, compared to 3.7% in 2015, 4.3% in 2014, 2.9% in 2013 and 6.7% in 2012. According to the United Nations International Labour Organization ("**ILO**"), in 2009, the agricultural sector employed 54.5% of the Nigerian workforce.

The dominance of the oil sector, urbanization and slow modernization of the agricultural sector led to a decrease in agriculture's contribution to GDP from over 60% in the early 1960s to 23.1% in 2015. The agriculture sector accounted for approximately 43.2% and 48.9% of non-oil exports from Nigeria in 2014 and 2015, respectively. Since 2005, agriculture has been one of the largest drivers of Nigeria's GDP growth, due primarily to large increases in crop production. Crop production was the main driver of growth in the agriculture sector in 2015 and 2016, contributing 20.7% and 22.1% to total real GDP, respectively.

Crops

Palm oil and cassava are the traditional Nigerian crops. Between 2012 and 2016, Nigeria's primary crops, in terms of production, were cassava, yam, maize, guinea corn/sorghum and millet. The following table sets forth crop production levels for the periods indicated:

Crop	2012	2013	2014	2015	2016
	(thousands of metric tons)				
Cassava	58,980.40	61,249.40	63,961.00	66,457.60	68,947.90
Yam	41,599.40	42,998.30	43,038.00	44,690.50	45,409.80
Maize	16,199.50	16,798.50	16,998.10	17,240.80	18,001.70
Guinea corn/Sorghum	15,398.60	15,904.60	16,103.90	16,756.40	17,109.00
Millet	10,899.20	11,177.20	11,297.70	11,382.00	11,455.20
Vegetables	7,817.40	8,097.40	8,102.40	8,360.80	9,503.30
Beans/Cowpeas	6,960.60	7,180.60	7,300.10	7,617.40	7,787.20
Rice	5,971.90	6,209.90	6,464.70	6,724.60	6,971.00
Groundnut/Peanut	5,263.80	5,463.80	5,592.50	5,721.30	6,054.60
Cocoyam	3,754.60	3,864.60	3,868.50	4,007.80	4,064.80
Sugarcane	3,486.10	3,586.10	3,719.60	3,853.10	3,988.60
Soya Bean	2,442.00	2,552.00	2,636.30	2,720.70	2,808.00
Potatoes	2,511.10	2,611.10	2,693.00	2,814.10	2,905.00
Plantain	1,892.20	1,932.20	1,982.20	2,069.30	2,514.30
Cotton	829.2	850.3	879.7	909	938.3
Palm oil	356.1	364.1	379.1	394.2	409.2

Source: CBN

Between 2012 and 2016, Nigerian crop production increased broadly, with cassava production rising by 16.9% from 58,980.4 metric tons in 2012 to 68,947.9 metric tons in 2016 and yam production rising by 9.2% from 41,599.4 metric tons in 2012 to 45,409.8 metric tons in 2016. The general increase in output in recent years is attributable to the Government's concerted efforts to diversify the economy towards agriculture. Other factors that boosted growth were the adoption of improved varieties of seedlings, as well as foreign investment.

Agricultural Policy

Agriculture in Nigeria is largely subsistence-based, but the Government aims to modernize the sector, building on reforms initiated in 2011. 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 food production of maize, rice and cassava and thus reduced Nigeria's food import bill. In 2016, the Federal Government introduced the Agricultural Promotion Policy (2016—2020), with the sole aim of consolidating the gains and building on the successes of the Agricultural Transformation Agenda and to close key gaps.
- ***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 United States of America. Nigeria has consistently been reckoned 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), Nigeria Export Promotion Council, Nigeria Customs Service, Standards Organization of Nigeria, Nigeria Agricultural Quarantine Service, Nigeria Ports Authority and Nigerian Shippers' Council.

Power

The electricity, gas, steam and air conditioning sector contracted by 5.04% in the first quarter of 2017 and contributed 0.19% to the GDP figure of the same period. In 2016, the sector contributed 0.3% to real GDP, compared to 0.4% in 2015, 0.5% in 2014, 0.5% in 2013 and 0.5% of real GDP in 2012. The sector contracted by 15.0% in 2016, compared to contractions in 2015 and 2014 of 9.3% and 8.7%, respectively. In 2013 and 2012, the sector grew by 14.6% each year. The sector's contraction of (15.0)% in 2016 was attributable in part to reduced electricity production as a result of gas supply shortages and vandalism.

OVERVIEW OF NIGERIA

From 2005 to 2013, the generation, transmission and distribution of electricity in Nigeria were largely managed by the 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. Only about 25% of the total installed capacity was distributed to the end users. Demand for electricity in Nigeria substantially exceeds supply. According to the 2015 Nigeria Power Baseline Report, approximately 55% of Nigeria's population lacks access to grid-connected electricity supply. 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 set forth in the 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 with the goal of increasing electricity generation capacity. The current government has stated that the proposed strategy to 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, 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 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.

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:

- Engineering design for the 3,050 megawatts Mambilla Hydroelectric Power Project is expected to be completed in 2018. The Buhari Administration relaunched the 3,050 megawatts Mambilla Hydroelectric Power Project which was suspended by the previous administration due to litigation.
- 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 primarily be 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 2019. 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.
- Nigerian Bulk Electricity Trading PLC ("**NBET**") entered into 1,075 MW worth of power purchase agreements with solar generation project promoters. These projects are expected to reach commissioning in 2018 and 2019.
- The 2017 budget included ₦20 billion for rural electrification projects.

In addition to efforts by the Federal Government, certain state governments, such as Lagos and Akwa-Ibom, have started to generate power through their own state independent power producers. In Akwa Ibom State, the Government established a 190-megawatt independent power producer in Ikot Abasi. Several other states, including Delta and Edo, recently awarded contracts for the construction of independent power projects. The majority of state-owned independent power producers are on-grid power stations that supply power into the national grid through the transmission network operated by the Transmission Company of Nigeria ("**TCN**"). However, some power stations only supply electricity to a particular installation or facility.

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.

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.

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.

Manufacturing

Real GDP growth in this sector was 1%, year-on-year as at end of the June 2017. This was the first positive growth rate recorded in the sector for over a year and was 6.18% points higher than the corresponding quarter of 2016. In 2016, the manufacturing sector accounted for approximately 9.3% of Nigeria's real GDP, compared to 9.5% in 2015. The largest component of manufacturing sector output is food, beverage and tobacco, which contributed 4.1% to real GDP in 2016, compared to 4.3% in 2015 and 4.6% in 2014. The contribution of the oil refining to real GDP was 0.3% 2016, compared to 0.3% in 2015 and 0.5% in 2014. The contribution of the cement sector to real GDP was 0.8% in 2016, compared to 0.9% in 2015 and 0.7% in 2014.

Nigeria manufactures a variety of goods, including: cement, pharmaceutical and chemical products, beverages, food, glass, paints, paper, plastic, textile, cigarettes, sugar, wood products, soaps, beer, confectioneries and soft drinks. Trucks, motorcycles and passenger cars are assembled in Nigeria. Conglomerates such as Dangote Group, Flour Mills of Nigeria PLC, John Holt, Dana Group and AG Leventis and multinationals such as Unilever, PZ Cussons, Nestle PLC, Guinness, Nigerian Breweries (Heineken) and Lafarge are the largest participants in the manufacturing sector in Nigeria

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, which may be extended for a further two year period) from the date of first production. Although the grant of pioneer status has been suspended due to the 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 April 2010, the CBN approved a ₦200 billion Manufacturing Intervention Fund to refinance and restructure banks loans to the manufacturing sector with a view to increasing the availability of credit to the sector. The objectives of the Manufacturing Intervention Fund are to accelerate the development of the Nigerian manufacturing sector by improving access to credit by manufacturers, improving the financial position of banks, increasing output, generating employment, diversifying the revenue base, increasing foreign exchange earnings and providing inputs for the industrial sector on a sustainable basis. The Bank of Industry is the managing agent for the Manufacturing Intervention Fund and is responsible for its day-to-day administration.

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. In nominal terms, the sector grew by 17.43% (year-on-year) in the fourth quarter of 2016, this is 6.42% points higher than the rate of 11.01% recorded in the same quarter of 2015, and 8.17% points higher than rate recorded in the preceding quarter. Publishing was the activity to exhibit the highest nominal growth rate in the period of review, at 22.66%. The Quarter on Quarter growth rate was recorded at 20.08 %. The Information and Communications sector contributed 10.78 % to total Nominal GDP in the fourth quarter of 2016, higher than the rate recorded in the same quarter of 2015, and also higher than the 9.90 % it contributed in the preceding quarter.

The economy also recorded growth in the Arts, Entertainment and Recreation industry which contributed 0.26% to real GDP in Q2 2017, a slight rise from the corresponding period last year and the Q4 2016 figure. Growth in the Nigerian entertainment sector has been phenomenal and was further reinforced by its inclusion in the computation of the nation's rebased GDP in 2014. Before now, the entertainment industry struggled to generate the desired interest that will attract investors and relied heavily on funding from selected sources or groups within the industry. More often, personal finance was required to sustain productions. According to a research by Dunn Loren Merrifield, Nigeria's media and entertainment industry is currently estimated to be worth US$4.00billion and is expected to grow above US$8.00billion by 2019.

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 for day-to-day. Data from the NBS reveal that, the year-on-year headline inflation in 2014, 2015 and 2016 was 8.0%, 9.6% and 18.6% respectively. According to the July 2017 inflation report issued by the NBS, the CPI increased on a headline basis by 16.05% (year-on-year). Price increases were recorded across various individual consumption divisions that yield headline index with the food sub-index and Garments & Clothing recording the highest increases.

The year-on-year change for food (non-core) inflation was 17.4% as at 31 December 2016, compared to 10.6% in December of the preceding year. In December 2014, 2013 and 2012, the year-on-year change for food (non-core) inflation was 9.2%, 9.3% and 10.2%, respectively. One of the major factors contributing to the inflation in Nigeria is the predominance of imported (household and everyday) goods, including food. Due to the fact that most goods sold at the commercial market are imported, the prices of these goods are subject to and significantly affected by currency movements. Inflation figures inched up as high as 18.72% in January this year, but has eased steadily over the last six months owing to the CBN's policy measures on the foreign exchange market which has moderated exchange rate pass-through on domestic prices.

Interest Rate

The Monetary Policy Rate (MPR) is reviewed periodically by the CBN's Monetary Policy Committee (MPC) to control 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% during the said period, until it was revised to 13% 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%, 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 12% in March 2016 and further upward to 14% in July 2016 to stem the high inflationary trend which had culminated into negative real interest rates in the economy. The MPC in subsequent meetings has retained MPR at 14% to achieve price stability.

Foreign Reserves

Gross external reserves as at August 29, 2017 stood at US$31.81 billion, showing an increase of 15.27% compared with the levels in the fourth quarter of 2016. The development, relative to the fourth quarter of 2016, was due to the inflow from the FGN Eurobond proceeds and other official purchases. A breakdown of the external reserves by ownership showed that the share of Federation reserves was US$2.68 billion (8.9%); Federal Government reserves, US$7.00 billion (23.3%); and the CBN reserves, US$20.33 billion (67.8%) of the total. Comparison with the gross foreign reserves of the country which was US$29.1 billion as at December 2015, US$34.5 billion as at December 2014 and US$43.8 billion at the end of 2013, reveals the nation's overdependence on crude oil for foreign currency earnings.

The improvement in external reserves to US$30.93 billion in August 2017 has been attributed to increased oil production and a number of CBN policies aimed at removing what it terms "unnecessary" demand for foreign exchange in order to stem the drag on the Country's foreign reserves and ensure exchange rate stability.

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 are 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 articulates 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**).

Vision 20:2020

In May 2009, the Government launched Vision 20:2020, a long-term strategic plan which aims for Nigeria to become one of the 20 largest economies in the world by 2020. The three key pillars of Vision 20:2020 are:

- optimizing the key sources of economic growth;
- guaranteeing the productivity and wellbeing of the Nigerian people; and
- fostering sustainable economic development.

The First NIP

In May 2010, the Government adopted the First NIP for the years 2010-2013. The First NIP was a medium-term plan for implementing the first stage of Vision 20:2020 and the first of three expected national implementation plans. In early 2011, the Government announced the Transformation Agenda, which prioritized the key projects and programs in Vision 20:2020 and the First NIP for the four following years.

The First NIP had six main areas of focus:

- Physical Infrastructure—focusing on power, transport and housing;
- Productive Sector—focusing on the key sectors of economic growth such as agriculture, oil and gas and manufacturing;
- Human Capital and Social Development—focusing on the social sectors of the economy, namely, education, health, labor, employment and productivity;
- Building a Knowledge-Based Economy—building a knowledgeable workforce and ensuring widespread access to information, internet and communication technology;
- Governance and General Administration—focusing on electoral reform and combating corruption; and
- Regional Geopolitical Zone Development—fostering accelerated, sustainable social and economic development among regions in Nigeria by encouraging economic competition.

Transformation Agenda

Following his election in 2011, former President Goodluck Jonathan introduced the Transformation Agenda, which was based on the goals of the Vision 20:2020 and the First NIP. The Transformation Agenda included pillars addressing (1) the macroeconomic framework, (2) governance, (3) human capital development, (4) the productive sector and (5) infrastructure. The Transformation Agenda fell short of its goals due to lower than expected global growth and the steep fall in petroleum prices beginning in 2014.

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 (2017-2019), which was adopted by the Senate in January 2017, 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 2017 to 2019.

The 2017-2019 MTEF projected Federal Retained Revenue to reach approximately ₦4,169 billion in 2017, compared to ₦3,856 billion budgeted for 2016. Projected 2017 Federal Retained Revenue consisted of Non-Oil Revenue (₦1,509 billion, compared to ₦1,455 billion budgeted for 2016); Oil Revenue (₦1,373 billion, compared to ₦718 billion budgeted for 2016); Independent Revenue (₦1,207 billion, compared to ₦1,506 billion budgeted for 2016); Unspent Balances of the Previous Fiscal Year (₦50 billion, compared to ₦50 billion budgeted for 2016); NLNG Dividend (₦14 billion, compared to ₦96 billion budgeted for 2016); Special Levies Accounts (₦9 billion, compared to ₦14 billion budgeted for 2016); Actual Balances in Special Accounts (₦7 billion, compared to ₦11 billion budgeted for 2016); and Minerals & Mining (₦1 billion, compared to ₦7 billion budgeted for 2016).

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 concessioning 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 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 with an aim 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 move 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 relate 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 commitment to fighting corruption in the country. Prior to his assumption of 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.

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.

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. 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 the manner in which 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 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 July 2017, the president of the audit team announced that variances amounting to ₦6.4 billion monthly had been discovered in payrolls across the country. Moreover, this was achieved with only 20% of MDAs on the Integrated Payroll and Personnel Information System (IPPIS), with further recoveries expected as enrolment on the system continues.

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 devaluation of the Naira, and restricted allocation for 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 favourable 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 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 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 effort by the CBN to stabilize the foreign exchange market include the moderation of the Monetary Policy Rate which it has maintained at 14% over the past one year to curb inflation and FX speculation. The spot market rate of the Naira has remained fairly stable at ₦305/US$-₦306/US$ over the past six months.

Tax Reforms

In April 2012, the Government initiated a new national tax policy aimed at ensuring that all Nigerian citizens of working age pay taxes. The National Tax Policy provides fundamental guidelines for the orderly development of the Nigerian tax system. As part of Government efforts to increase tax enforcement, a Tax Identification Number program was initiated by the Nigerian Joint Tax Board in collaboration with the Federal Inland Revenue Service and the 36 State Boards of Internal Revenue. The Tax Identification Number is a nationwide electronic database system for the registration and storage of data relating to taxpayers in Nigeria. The program is aimed at expanding the nationwide tax base, with a consequent increase in revenue collection accruable to all tiers of government, as well as modernization of the Nigerian tax system in line with global best practices. The Tax Identification Number (TIN) initiative, which was piloted in 2012, went live at the beginning of 2013 in approximately 20 states and has since been rolled-out in all 36 States and FCT. The initiative requires that applicants wishing to an open account at a Nigerian bank hold a TIN before an account may be opened.

In August 2016, the Honourable Minister of Finance inaugurated a national tax policy review committee to review and update the National Tax Policy. The new tax policy is designed to achieve the following objectives, among others:

- guide the operation and review of the tax system;
- provide the basis for future tax legislation and administration;
- serve as a point of reference for all stakeholders on taxation;
- provide benchmarks on which stakeholders shall be held accountable; and
- provide clarity on the roles and responsibilities of stakeholders in the tax system.

Specifically, the policy contains measures designed to:

- address the multiplicity of taxes and revenue agencies;
- reduce income tax rates and the compliance burden for micro, small and medium enterprises;
- improve Nigeria's ranking on the global ease of paying taxes index from 181 out of 189 economies to top 50 by 2020; and
- encourage diversification, expand the country's tax base and improve the tax to GDP ratio.

The committee completed its assignment in September 2016 and the Federal Executive Council approved the new policy in February 2017. It is expected that the new policy will be approved by the National Economic Council before its implementation can begin.

Recently, in efforts to improve tax collection, the FGN launched the **Voluntary Assets and Income Declaration Scheme** (VAIDS), an initiative designed to encourage voluntary disclosure of previously undisclosed assets and income for the purpose of payment of all outstanding tax liabilities. The scheme commenced on July 1, 2017 and main objective of the scheme is to increase the number of taxpayers in the tax net and raise revenue. Other objectives include:

- Increase Nigeria's tax to GDP ratio from the current 6% to between 10% and 15%
- Broaden the national tax base.
- Curb non-compliance with existing tax laws.
- Discourage illicit financial flows and tax evasion.

Taxes covered include Companies Income Tax, Personal Income Tax, Petroleum Profits Tax, Capital Gains Tax, Value Added Tax, Stamp Duties, Tertiary Education Tax and National Information Technology Development Agency (NITDA) levy. As an incentive, taxpayers who make full and honest declarations will enjoy waiver of interest and penalty, immunity from prosecution, confidentiality, exemption from tax audits for the periods covered and flexible payment of tax due.

According to the Chairman, Federal Inland Revenue Service, tax collection between January and June 2017 indicates a 14% increment from the corresponding period of 2016 with over four million individuals added to the tax net.

Prioritizing Capital Expenditure

The Government has focused on increased capital expenditure (capex) with over ₦2.2 trillion of the 2017 budget allocated to capex, whilst cutting down on the proportion of recurrent expenditure from about 70% to 40.2%. The Government's intention is to drive fiscal stimulus through investment spending that will generate employment and provide infrastructure needed to support and attract the private sector. This will enhance revenue base, including restoring oil production and accelerating non-oil 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 estimated GDP or any sustainable percentage as may be determined by the National Assembly for each financial year. In 2016, overall budget deficit was ₦1,976.2 billion, representing 1.92% of GDP, an increase of 0.29% compared to the ₦1,527.1 billion deficit recorded in 2015, which represented 1.62% of GDP. In 2014, 2013 and 2012, the budget deficit was ₦881.1 billion, ₦1,060.3 billion and ₦1,000.1 billion, respectively, representing 0.99% of GDP, 1.32% of GDP and 1.39% of GDP, respectively. 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 2017—2019.

Under the 2017—2019 Medium-Term Expenditure Framework and Fiscal Strategy Paper, the fiscal strategies for 2017—2019 include macroeconomic stability, national social development, infrastructure for increased productivity and development, attracting private capital for infrastructure, improving governance, and guiding the fiscal year 2017 budget with the following principles: allocative efficiency, strategic priority spending, a fiscal deficit target within the 3% threshold set out in the Fiscal Responsibility Act, transparency and accountability, and safety nets.

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. Currently, there are one hundred and fifty-three MDAs ready for registration on the System. 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 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.

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,									
	2012		**2013**		**2014**		**2015**		**2016**	
	₦' billions									
Total Gross Federally Collectible Revenue	**10,060**		**9,009**		**9,291**		**6,107**		**5,291**	
Oil Revenue	**8,026.0**	***80%***	**6,795.6**	***75%***	**6,733.7**	***72%***	**3,753.6**	***61%***	**2,695.4**	***51%***
Sales of Crude oil	3,305.1	*33%*	2,814.1	*31%*	2,973.3	*32%*	1,859.4	*30%*	1,453.2	*27%*

Sales of Gas	350.0	*3%*	255.1	*3%*	309.0	*3%*	89.9	*1%*	42.2	*1%*
Taxes	3,278.7	*33%*	2,736.0	*30%*	2,432.3	*26%*	1,245.9	*20%*	857.5	*16%*
Royalties	1,086.7	*11%*	983.0	*11%*	1,006.7	*11%*	536.5	*9%*	334.8	*6%*
Other	5.5	*0%*	7.4	*0%*	12.4	*0%*	21.9	*0%*	7.7	*0%*
Non-Oil Revenue	2,033.6	*20%*	2,213.8	*25%*	2,557.7	*28%*	2,353.8	*39%*	2,595.5	***49%***
Total Federal Government Retained Revenue	3,131.1		3,500.5		3,242.3		3,240.3		2,947.5	
Expenditure										
Statutory Transfers	307.2	*7%*	387.9	*9%*	377.4	*9%*	338.6	*8%*	344.0	*7%*
Debt Service	720.6	*17%*	794.1	*18%*	865.8	*21%*	1,018.1	*23%*	1,228.8	*26%*
Recurrent Non-Debt Expenditure	2,400.3	*58%*	2,386.8	*53%*	2,216.8	*55%*	2,550.1	*57%*	2,410.5	*51%*
Capital Expenditure	744.4	*18%*	958.0	*21%*	587.6	*15%*	577.0	*13%*	784.3	*16%*
Total Federal Government Expenditure	**4,172.5**		**4,526.8**		**4,047.6**		**4,483.8**		**4,767.6**	
Overall Deficit	1,041.4		1,026.3		805.3		1,243.5		1,820.1	
Overall Deficit (as % of GDP)	1.7%		1.6%		1.2%		1.8%		2.7%	

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

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.

Total gross federally collectible revenue and the Federation Account

Total gross federally collectible revenue for 2016 was ₦5,290.9 billion, a decrease of 13.4% from ₦6,107.3 billion in 2015, due to a decrease in receipts from oil revenues. The total gross federally collectible revenue of ₦6,107.3 billion in 2015 represented a decrease of 34.3% compared to ₦9,291.6 billion in 2014, largely attributable to lower oil revenue, due to lower international prices for crude oil. Total gross federally collectible revenue in 2013 and 2012 was ₦9,009.4 billion and ₦10,059.5 billion, respectively. The Federal Government manages the Federation Account on behalf of the three tiers of Government, namely, federal, state and local.

The Federation Account is funded from oil revenues and non-oil revenues (primarily taxes). In 2016, oil revenues were ₦2,695.4 billion, representing 50.9% of combined oil and non-oil revenues, a decrease of approximately 28.2% from ₦3,753.6 billion in 2015. Oil revenues in 2014, 2013, and 2012 were ₦6,733.9 billion, ₦6,795.6 billion and ₦8,025.9 billion, respectively.

Non-oil revenues in 2016 were ₦2,595.5 billion, a 10.3% increase from ₦2,353.8 billion in 2015. The non-oil revenues of ₦2,353.8 billion in 2015 represented an 8.0% decrease from ₦2,557.7 in 2014, reflecting a general slowdown in economic activity. Non-oil revenues in 2013 and 2012 were ₦2,213.8 billion and ₦2,033.6 billion, respectively.

Oil Revenues

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 rent 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. Royalties are paid irrespective of whether the Government shares in the crude oil produced. As of June 2016, the rate of royalties averaged about 20% of the value of crude 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 Federal Inland Revenue Service ("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; the applicable tax rate is 30%.
- Value Added Tax ("VAT"): The VAT applies to the supply of goods and services, subject to certain exemptions, such medicines, books, and basic food items. The applicable tax rate is 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 N3,200,000).

- Capital Gains Tax: Capital Gains Tax applies to gains from the disposal of assets; the applicable tax rate is 10% of net gains.
- Increased non-oil revenue from 2012 to 2016 was due partly to the introduction of lower tariff bands intended to reduce the incidence of smuggling, as well as improvements in revenue collection by the FIRS and the Nigeria Customs Service.

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.

The Federal Government's total retained revenue was ₦2,947.5 billion in 2016, a decrease of 9.0% compared to ₦3,240.3 billion in 2015. Federal Government total retained revenue was ₦3,242.3 billion, ₦3,500.5 billion and ₦3,131.1 billion in 2014, 2013 and 2012, respectively.

Federal Government Expenditures

In 2016, aggregate Federal Government expenditure was ₦4,923.7 billion, a 3.3% increase compared to ₦4,767.4 billion in 2015. The aggregate Federal Government expenditure in 2014, 2013 and 2012 was ₦4,123.4 billion, ₦4,560.8 billion and ₦4,131.2 billion, respectively.

In 2016, non-debt expenditure (total expenditure less capital expenditure and debt service payments) was ₦2,754.5 billion, a 4.6% decrease compared to ₦2,888.7 billion in 2015. Non-debt expenditure in 2014, 2013 and 2012 was ₦2,594.2 billion, ₦2,774.7 billion and ₦2,707.5 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 December 2016, the Government announced that it had identified an estimated ₦2.2 trillion in Federal Government arrears toward third parties, including construction contractors, suppliers of goods and services and state governments, that had accumulated as budgeted expenditure liabilities under previous administrations (for services both performed and yet to be performed). Such claims are expected to be verified and negotiated as appropriate. In order to settle the arrears, the administration of President Buhari has indicated that it intends to reclassify them as public debt through the issuance of promissory notes in 2017. The Federal Executive Council at its meeting on July 12, 2017 approved the proposal including a ₦740 billion component for Pension and other Personnel Arrears. The Council's approval is subject to legislative approval.

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 was ₦1,228.8 billion in 2016, an increase of 20.7% compared to ₦1,018.1 billion in 2015. Debt service in 2014, 2013 and 2012 was ₦865.8 billion, ₦794.1 billion and ₦720.6 billion, respectively. Debt service payments increased 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. In 2016, recurrent expenditures were ₦2,410.5 billion, a 5.5% decrease compared to ₦2,550.1 billion in 2015. Recurrent expenditures in 2014, 2013 and 2012 were ₦2,216.8 billion, ₦2,386.8 billion and ₦2,400.3 billion, respectively.

Capital Expenditure

Capital expenditure payments are used to fund critical infrastructure and other capital needs of the MDAs. In 2016, the largest allocations of capital expenditures were to Works, Capital Supplementation, Transport, Defence/MOD/Army/Air Force/Navy and Interior. In 2016, capital expenditures were ₦784.3 billion, a 35.9% increase compared to ₦577.0 billion in 2015. Capital expenditures in 2014, 2013 and 2012 were ₦587.6 billion, ₦958.0 billion and ₦744.4 billion, respectively.

Budget Performance (2012—2016)

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:

		2012 Budget	2012 Actual	2013 Budget	2013 Actual	2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual
		₦' billions									
Total Gross Federally Collectible Revenue (N billions)		**8,984.2**	**10,059.6**	**10,585.9**	**9,009.4**	**10,000.4**	**9,291.4**	**9,005.5**	**6,107.4**	**9,126.3**	**5,290.9**
Oil Revenue		**6,636.5**	**8,026.0**	**7,734.2**	**6,795.6**	**7,164.8**	**6,733.7**	**5,431.4**	**3,753.6**	**3,389.6**	**2,695.4**
	Sales of Crude oil	3,693.0	3,305.1	4,243.9	2,814.1	3,840.8	2,973.3	2,583.2	1,859.4	1,778.3	1,453.2
	Sales of Gas	340.5	350.0	359.6	255.1	550.2	309.0	612.1	89.9	644.3	42.2
	Taxes and fees	1,865.4	3,278.7	2,363.2	2,736.0	2,023.9	2,432.3	1,580.9	1,245.9	484.7	857.5
	Royalties	731.1	1,086.7	761.1	983.0	743.5	1,006.7	647.5	536.5	474.4	334.8
	Other	6.5	5.5	6.4	7.4	6.4	12.4	7.7	21.9	7.9	7.7
Non-Oil Revenue		**2,347.7**	**2,033.6**	**2,851.7**	**2,213.8**	**2,835.6**	**2,557.7**	**3,574.1**	**2,353.8**	**5,736.7**	**2,595.5**
	VAT Pool	770.8	681.7	907.5	763.8	811.6	752.5	1,232.4	747.6	1,475.0	811.0
	Independent Revenue	0.0	206.8	455.8	274.4	452.0	295.3	489.3	323.4	1,505.9	237.7
Federation Account Net		5,477.2	4,894.8	6,656.4	5,464.3	6,234.4	5,469.4	5,556.7	3,995.4	4,303.6	2,901.7
Federal Government Retained Revenue		3,561.0	3,131.1	4,100.4	3,500.5	3,731.0	3,242.3	3,452.4	3,240.3	3,885.7	2,947.5

Total Expenditure		**4,697.3**	**4,172.5**	**4,986.4**	**4,526.8**	**4,695.2**	**4,047.6**	**5,067.9**	**4,483.8**	**6,059.7**	**4,767.6**
	Statutory Transfers	372.6	307.2	388.1	387.9	408.7	377.4	386.2	338.6	351.4	344.0
	Debt Service	559.6	720.6	591.8	794.1	712.0	865.8	953.6	1,018.10	1,475.3	1,228.80
	MDA Expenditure:										
	Recurrent Expenditure	2,425.1	2,400.3	2,415.8	2,386.8	2,454.9	2,216.8	3,171.1	2,550.1	2,645.4	2,410.5
	Capital Expenditure	1,340.0	744.4	1,590.7	958.0	1,119.6	587.6	557.0	577.0	1,587.6	784.3
Overall Deficit		**(1,136.3)**	**(1,041.4)**	**(886.0)**	**(1,026.3)**	**(964.2)**	**(805.3)**	**(1,615.5)**	**(1,243.5)**	**(2,174.0)**	**(1,820.1)**
% of GDP		1.9	1.7	1.4	1.6	1.4	1.2	2.3	1.8	3.2	2.7
Financing:											
Foreign (net)		0.0	0.0	0.0	0.0	0.0	0.0	380.0	0.0	635.9	0.0
Domestic (net)		744.4	744.4	577.1	706.7	624.2	624.2	802.1	330.0	1,183.0	1,113.4
Proceeds of sales of Government Properties(1)		0.0	0.0	0.0	0.0	0.0	0.0	10.0	0.0	25.0	0.0
Share of Excess Crude		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-40.0
Borrowing from Special Account(2)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	376.5
Share of Signature Bonus(3)		75.0	0.0	75.0	6.0	0.0	0.0	58.9	0.0	0.7	0.0
Borrowing of 2015 Balance(4)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	224.6
Deficit of 2015 Supplementary Appropriation Act (5)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	300.0
Privatization Proceeds(6)		10.0	7.5	10.0	0.0	15.0	0.0	10.0	0.0	10.0	5.9
Other FGN Recoveries		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	350.3	0.0

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 2017 Budget

The strategic thrust of the Government's 2017 budget is to get the economy out of the recession by spending more on infrastructure and other sectors to reflate the economy and attract private sector capital. To achieve this, the Government has dedicated ₦2.24 trillion on capital expenditure, a 26.6% improvement from last year's allocation. The Government projected ₦4.9 trillion in revenue and bagged a budget deficit of ₦2.4 trillion - the largest the country has had. The deficit will be financed mainly by borrowing from domestic and external sources in a 54% and 46% share respectively. The underlying assumptions of the budget include;

- Benchmark crude oil price – US$44.5 per barrel
- Oil production estimate – 2.2 mbd
- Average exchange rate – ₦305 to the US dollar

The expectation is that the oil sector will ultimately remit ₦1.985 trillion into the economy and federal government pool given macro-reforms principally in the funding of the Joint Venture (JV) cash calls and the sale of oil rounds licenses in 2017. Non-oil revenue for the year is projected at ₦1.373 trillion, which represents about 28% of the budgeted revenue. Independent revenues, various recoveries and mining will account for the balance of about ₦1.584 trillion.

The budget's substantial increase is a move in the right direction, compared to 2016 budget of ₦6.06 trillion with an increase of 20.4% in 2017. The capital expenditure (exclusive of statutory transfers), which constitutes a larger part of 2017 budget (about 28% of the projected spending) increased from ₦1.59 trillion in 2016 to ₦2.06 trillion in 2017. This underscores the FGN's focus on Infrastructure, with more resources allocated to the Ministry of Works, Power &

Housing to the tune of ₦529.34 billion. The Ministry of Transportation and Ministry of Education come in second and third with allocations of ₦262 billion and ₦142 billion, respectively. Other objectives of the budget include:

- Utilizing Special Economic Zones and Industrial Parks as vehicles to accelerate domestic economic activity for innovation and wealth creation.
- Contributing to food security and creating platforms for agro-business in agriculture supply chains through the Agriculture Green Alternative Plan.
- Establishing a new Social Housing Fund to deepen the mortgage system and expand its availability across all States of the Federation.
- Encouraging and stimulating the growth of small and medium scale industries for innovation, job creation, productivity and wealth creation.
- Achieving self-sufficiency in food and other products, and patronizing made-in-Nigerian goods and services.
- Reviving Nigeria's fertilizer blending plants to ensure that local inputs for agriculture, such as NPK fertilizer, are available and affordable.
- Recapitalizing the Bank of Industry and Bank of Agriculture with ₦15 billion.
- Stabilizing and creating coherence in the monetary, fiscal and trade policies of the nation.
- Diversifying the economy and creating more jobs
- Enhancing public service delivery and security.
- Providing social safety nets for poor and vulnerable Nigerians.

2017 Budget - Tax Considerations

In response to declining revenues from crude oil exports, the Government plans to increase tax revenue in the short-term by strengthening tax administration based on the results of a diagnostic study of the Nigerian tax system conducted by McKinsey & Co. The Government aims to plug leakages, increase the tax base, improve tax collection efficiency and tax compliance. The highlights of the budget as regards tax are as follows:

Companies Income Tax (CIT) and Personal Income Tax (PIT) - The budget does not make reference to changes in CIT and PIT rates in 2017.

Petroleum Profits Tax (PPT) and Royalties - There is no proposal to change the PPT rate. However, there is a proposal for a new joint venture (JV) funding mechanism, which will dispense with the need for the FGN to provide JV cash calls and allow for cost recovery.

Value Added Tax (VAT) - The budget does not make reference to changes in VAT rate in 2017. However, there are reports that the FG may adopt a higher VAT rate for luxury items. A more comprehensive VAT reform where a higher VAT rate is matched with input VAT recovery and lower income tax rate will be consistent with the shift from direct to indirect taxes enshrined in the National Tax Policy.

Customs Duties - The budget does not make reference to changes in custom duties rates in 2017.

Tax Incentives

Export Expansion Grant (EEG) - The FGN is set to revive the EEG scheme, which was suspended in 2014, by way of tax credits, thereby incentivizing non-oil exporters. ₦20 billion has been budgeted for this purpose in the 2017 budget.

Export Processing Zone (EPZ) - The FGN intends to expand existing EPZs and develop new ones as part of its strategies for increasing non-oil revenue and ₦50 billion has been estimated for this programme. Approved enterprises carrying on approved activities in EPZs are exempt from all legislative provisions pertaining to taxes. The expansion and development of EPZs will create opportunities for new companies to enjoy tax exemption on their operations in the zones.

OVERVIEW OF NIGERIA

The Government is intent on driving fiscal stimulus through a package of spending to stimulate private consumption and investments by businesses. This will enhance revenue base, including restoring oil production and accelerating non-oil revenue generation; consolidating and optimizing expenditure; improving debt management; and improving policy coordination. In addition, there are on-going initiatives to increase revenue via privatization of public enterprises/assets as well as tax review initiatives aimed at expanding the tax to GDP ratio. These initiatives, when completed, will increase revenue and consequently reduce the financing deficit.

The table below sets out a breakdown of the Federal Government's revenue and expenditure in the 2017 budget that the National Assembly approved for the assent and signature of the President:

			₦' billions
Total Gross Federally Collectible Revenue			10,737.2
	Oil & Gas Revenue		5,334.6
		Sales of Crude oil	1,683.3
		Sales of Gas	544.5
		Petroleum Profits Tax	1,105.6
		Oil Royalties	853.2
		Field Licenses, Early License Renewal & Step-In Rights	945.8
		Other (Gas Income (30% CITA); Gas Royalties; Concession Rentals; Flare Penalties; Misc.)	202.2
	Non-Oil Revenue		5,402.60
		Corporate Tax	1,742.1
		Value-Added Tax	1,800.0
		Customs Duty, Excise & Fees	717.1
		Federal Government Independent Revenue	807.6
	Dividend Payment		61.0
	Solid Minerals		2.5
	Non-Federation Account Levies for Targeted Expenditure		53.4
	Education Tax		194.8
	National Information Technology Development Fund		24.1
Net Federation Account Distributable			**6,785.1**
Federal Government Retained Revenue			
Share of Federation Accounts Allocation Committee			3,290.8
Share of VAT			241.9
Independent Revenue			807.6
FGN's Balances in Special Levies Acct			14.8
FGN's Unspent Balance of previous fiscal Year			50.0
FGN's Share of Signature Bonus			114.3
Recoveries and Fines			565.1
Total Federal Government Retained Revenue			**5,084.5**
Federal Government Expenditure			
Statutory Transfers			**434.4**
Debt Service			**1,841.4**
		Service on Domestic Debt	1,488.0
		Service on Foreign Debt	175.9
		Sinking Fund	177.5
Recurrent (Non-Debt) Expenditure			**2,990.8**
		Personnel Cost (MDAs)	1,884.0
		Service Wide Vote (including Pensions)	90.0
		Overheads	219.8

	Pensions and Gratuities	191.6
	Other Service Wide Vote	138.7
	Special Interventions (Recurrent)	350.0
	Refunds to Special Accounts	40.0
	Presidential Amnesty Program	76.7
Capital Expenditure		**2,177.8**
	FGN's (MDAs & Statutory Bodies) Capital	1,717.80
	Capital Supplementation	310.0
	Special Intervention Program Capital	150.0
Total Federal Government Expenditure		**7,444.4**

Source: Budget Office of the Federation

A breakdown of recurrent (non-debt) expenditure in the 2017 budget that the National Assembly approved for the assent and signature of the President is given below:

		₦' billions
Total Recurrent (Non-Debt) Expenditures		**2,994.6**
Ministries, Departments and Agencies (MDAs)		2,085.5
	Presidency	22.9
	Office of the Secretary to the Government of the Federation	52.0
	Youth & Sports Development	89.3
	Police Formation and Commands	—
	Women Affairs	1.5
	Agriculture and Rural Development	31.8
	Water Resources	7.3
	Auditor-General for the Federation	2.7
	Independent Corrupt Practices and Other Related Offences Commission	5.2
	Defence/MOD/Army/Air Force/Navy	330.5
	Education	398.0
	Federal Capital Territory Administration	—
	Foreign Affairs	56.4
	Finance	9.5
	Health	252.9
	Trade and Investment	10.8
	Information and Culture	40.8
	Communication Technology	11.2
	Interior	472.6
	Office of the Head of Service of the Federation	6.7
	Justice	21.0
	Labour and Productivity	8.6
	Power, Works & Housing	32.8
	Science and Technology	27.8
	Transport	14.8
	Petroleum Resources	63.2
	Mines & Steel Development	10.4
	National Salaries, Incomes & Wages Commission	0.6
	Environment	16.1
	Budget & National Planning	8.8
	Office of the National Security Adviser	76.3
	Niger-Delta	1.8

	Fiscal Responsibility Commission	0.3
	Infrastructural Concession Regulatory Commission	0.9
Federal Executive Bodies		14.3
Pensions and Gratuities		191.6
Service Wide Votes(1)		236.5
Refund to Special Accounts(2)		40.0
Special Intervention Program		350.0
Presidential Amnesty Program		76.7

Source: Budget Office of the Federation

(1) Service Wide Votes include expenditures or line items that are contingent or whose value could not be ascertained, initiatives that could not be ascribed to a single ministry, department or agency and capital supplementation to address cost variation in capital projects during the year.

(2) Intra-Governmental borrowing for temporary cash management (not recorded as Government debt).

The table below sets forth certain information regarding capital expenditure in the 2017 budget that the National Assembly approved for the assent and signature of the President:

		₦' billions
Total Recurrent (Non-Debt) Expenditures		**2177.7**
Ministries, Departments and Agencies (MDAs)		**1710.5**
	Presidency	20.1
	Office of the Secretary to the Government of the Federation	32.8
	Youth & Sports Development	5.4
	Women Affairs	4.3
	Agriculture and Rural Development	103.8
	Water Resources	104.2
	Auditor-General for the Federation	0.1
	Independent Corrupt Practices and Other Related Offences Commission	0.8
	Defence/MOD/Army/Air Force/Navy	139.3
	Education	56.7
	Federal Capital Territory Administration	30.4
	Foreign Affairs	10.3
	Finance	5.2
	Health	55.6
	Trade and Investment	81.7
	Information and Culture	9.5
	Communication Technology	8.4
	Interior	63.7
	Office of the Head of Service of the Federation	2.0
	Justice	12.7
	Labour and Productivity	8.8
	Power, Works & Housing	553.7
	Science and Technology	41.7
	Transport	241.7
	Petroleum Resources	6.8
	Mines & Steel Development	12.5
	National Salaries, Incomes & Wages Commission	0.2
	Environment	12.5
	Budget & National Planning	4.1

	Office of the National Security Adviser	47.2
	Niger-Delta	34.2
	Fiscal Responsibility Commission	0.1
	Infrastructural Concession Regulatory Commission	0.0
Federal Executive Bodies		7.2
Capital Supplementation		310.0
Capital in Special Intervention Program		150.0

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 and stocks 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 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, 2007 and the SEC Rules and Regulations made pursuant to the ISA, 2007. The DBM comprises of bonds issued by the Federal Government (and its agencies), state governments and by 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. As of December 31, 2016, the NSE had listed 22 subnational bonds with market capitalization of ₦516. 57 billion, two supranational bonds with market capitalization of ₦24.95 billion and 17 FGN Bonds with market capitalization of ₦6,101.54 trillion.

The corporate bond market is also developing, and this may be attributable to the need for inexpensive long-term debt capital by companies coupled with investors' apathy to equity investments following the impact of the global economic recession on the values of stocks. As of December 2016, the NSE had listed twenty-one corporate bonds with market capitalization of ₦222.75 billion.

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 Investments and Securities Act No. 29 of 2007 (ISA, 2007), 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, 2007

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 and venture capital funds and collective investment schemes, and is also responsible for reviewing, approving and regulating mergers, acquisitions, takeovers and all forms of business combinations.

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 Nigerian Stock Exchange (the NSE)

The 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 NSE takes measures to afford participants access to its market on equal terms.

The listing of securities for trading on the NSE is carried out pursuant to applicable laws and regulations, including the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, the ISA, 2007, the Rules and Regulations of the SEC, as well as NSE rules, such as the NSE Listing Rules, as amended. This regulatory framework supplies the conditions for governments and companies seeking to list their instruments on the NSE. As of December 31, 2016, there were 175 equities, 64 debt securities and eight exchange-traded products listed on the NSE.

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

As of December 31,	Equities	Debt	Exchange Traded Product	Total
	(₦ billions)			
2012	8,908.1	7,015.9	0.4	15,924.4
2013	13,230.3	5,846.9	0.3	19,077.4
2014	11,486.2	5,384.3	4.5	16,875.1
2015	9,859.2	7,140.1	4.0	17,003.3
2016	9,255.9	6,925.1	4.8	16,185.7
Jun 30, 2017	11,463.4	7,555.8	5.9	19,025.1

Source: NSE

Central Securities and Clearing System Plc (the CSCS)

The Central Securities and Clearing System Plc (the CSCS) was incorporated in 1992, as a subsidiary of the NSE to provide central clearing services for securities quoted on the NSE. It began operations in 1997. All securities listed on the NSE must have their Certificates deposited in the CSCS before transactions can take place on the floors of the NSE. The 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 NSE. 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 NSE.

The NSE publishes a Daily Official List which provides information on daily transactions, available to subscribers at the end of each trading day and also transmitted globally via the Reuters International Network. The NSE also publishes weekly, monthly and quarterly reports and trading statistics.

The FMDQ OTC Securities Exchange (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 OTC 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. A total of 11 commercial papers with outstanding value of ₦82.83 billion are quoted on the FMDQ, whilst 17 corporate bonds with market capitalization of ₦309.05 billion were listed on the FMDQ as of July 21, 2017. FGN Bonds, sub-national and supra-national bonds are also listed and traded on the FMDQ. In June 2016, the FMDQ OTC Securities Exchange inaugurated Naira-settled OTC FX Futures contracts.

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.

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 of March 31, 2017, Nigeria’s public debt was ₦16.201 trillion (US$52.884

billion), which consisted of ₦4.229 trillion (US$13.807 billion) of external debt and ₦11.971 trillion (US$39.077 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$11.4 billion as of December 31, 2016. External debt also decreased as a portion of total public debt from 63.4% as of December 31, 2005 to 23.9% as of December 31, 2016. During the same period, with the intention of developing and deepening the domestic debt market, Nigeria increased its domestic debt from US$11.82 billion as of December 31, 2005 to US$36.25 billion as of December 31, 2016.

In recent years, the Government has focused on developing a robust domestic debt market, with domestic debt accounting for over 80% of total debt over the past four years. Going forward, however, in order to achieve its objective of rebalancing its public debt portfolio in favour of external debt, the Government is now seeking to expand its external borrowing to achieve a ratio of 40:60 for external and domestic debt, respectively.

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 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 2016—2019, which focus 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, as well as creating space for private sectors borrowing in the domestic debt market in the medium term.

In addition, following the implementation of the Debt Management Office's First Strategic Plan, 2002—2006, and Second Strategic Plan, 2008—2012, the Debt Management Office launched the Third Strategic Plan, 2013—2017. The broad objective of the Third Strategic Plan is to ensure efficient public debt management in terms of a comprehensive, well diversified and sustainable portfolio, supportive of the Government and private sector needs. Some of the practical strategic objectives of the plan include developing capacity and strengthening sound debt management at the sub-national level, developing innovative approaches for accessing domestic and external finance, deepening and broadening the Federal Government of Nigeria securities market in order to sustain the development of other segments of the bond market and supporting the Government's financing needs, developing and implementing an effective system for contracting, recording and monitoring contingent liabilities, as well as, a process for managing the associated risks and continuously enhancing the skills and maintaining a well-motivated professional workforce, as well as, deploying state-of-the-art technology.

The Debt Management Office 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, CBN, NBS, Ministry of Budget and National Planning, 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 Debt Management Office 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 Debt Management Office 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 was ₦14.53 trillion, as of December 31, 2016, compared to ₦10.94 trillion as of December 31, 2015, ₦9.53 trillion as of December 31, 2014, ₦8.49 trillion as of December 31, 2013, and ₦7.65 trillion as of December 31, 2012. This represents 13.51%, 11.06%, 10.6%, 10.7% and 18.6% of Debt/GDP ratio for 2016, 2015, 2014, 2013 and 2012, respectively. On February 16, 2017, Nigeria issued its US$1,000,000,000 7.875% Notes due 2032 and on April 5, 2017, issued US$500,000,000 (7.875%) Notes due 2032. Nigeria's public debt profile since 2005 has been marked by a shift from predominantly external debt to predominantly domestic debt. This shift resulted from the discharge of London Club and Paris Club debts and also reflects a significant increase in the issuance of FGN Bonds in the domestic bond market. Almost all of the outstanding public debt is at a fixed interest rate.

The Government's public debt profile since 2005 has been marked by a shift from predominantly external debt to predominantly domestic debt. This shift resulted from the discharge of London Club and Paris Club debts and also reflects a significant increase in the issuance of Federal Government of Nigeria Notes in the domestic bond market. 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,					June 30, 2017
	2012	2013	2014	2015	2016	
	(₦'billions)[1]					
External Debt	1,016.72	1,373.56	1,631.52	2,111.53	3,478.91	8,829.50
Domestic Debt	6,537.53	7,118.97	7,904.02	8,836.99	11,058.20	24,004.78
Total	**7,554.25**	**8,492.53**	**9,535.54**	**10,948.52**	**14,537.11**	**32,834.28**

(1) Conversion from Naira to U.S. dollar made using Official Rate/CBN official inter-bank exchange rate (as applicable) as of period end.

Source: Debt Management Office

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

Type	As of December 31,					June 30, 2017
	2012	2013	2014	2015	2016	
	(₦'millions)[1]					
External Debt	45,640.61	46,292.72	58,248.96	65,218.82	107,692.45	39,143.01
Domestic Debt	720,549.94	794,104.93	865,809.84	1,018,131.46	1,228,762.65	17,822.58
Total	**766,190.55**	**840,397.65**	**924,058.80**	**1,083,350.28**	**1,336,455.10**	**56,965.59**

[1] Conversion from Naira to U.S. dollar made using Official Rate/CBN official inter-bank exchange rate (as applicable) as of period end.
Source: Debt Management Office

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 40:60 external to domestic debt ratio. As of December 31, 2016, the composition of the public debt portfolio stood at 80:20, compared to 81:19 as of December 31, 2015 and 83:17 as of December 31, 2014 for domestic and external debt, respectively. Given the low share of external debt, the lower cost of external borrowing and the continued interest in diversifying the 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.

The Federal Government has borrowed from the Export-Import Bank of China and from the French Development Agency to fund certain infrastructure projects. As of December 31, 2016, the amount outstanding to the Export-Import Bank of China was U.S.$1,638.1 million and to the French Development Agency, U.S.$198.3 million, totaling approximately 16.1% of Nigeria's total external debt. According to the African Development Bank, as of January 2017, the African Development Bank had 11 ongoing projects in Nigeria, 11 approved projects and eight pipeline projects in Nigeria. The Government issued USD1.5 billion Eurobonds and USD300 million Diaspora Bond in quarter one and quarter two of 2017, respectively and may also seek financing from the international capital markets in 2017. The table below sets forth certain information regarding Nigeria's outstanding external debt by source, as of the dates indicated:

	As of December 31,				
	2012	2013	2014	2015	2016
	(US$'billions)[1]				
Official					
Bilateral[2]	703.0	1,025.7	1,412.1	1,658.0	1,918.1
Multilateral[3]	5,267.4	6,275.0	6,799.4	7,560.4	7,988.2
Sub-Total	**5,970.4**	**7,300.7**	**8,211.5**	**9,218.4**	**9,906.3**
Commercial					
Eurobond	500.0	1,500.0	1,500.0	1,500.0	1,500.0
Other Commercial[4]	56.6	21.0	n/a	n/a	n/a
Sub Total	**556.6**	**1,521.0**	**1,500.0**	**1,500.0**	**1,500.0**
Grand Total	**6,527.0**	**8,821.7**	**9,711.5**	**10,718.4**	**11,406.3**

(1) Conversion from Naira to U.S. dollar made using Official Rate/CBN official 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.

Source: Debt Management Office

As of December 31, 2016, debts originating from multilateral institutions constituted the bulk of total outstanding external debt. The table below sets forth information regarding Nigeria's external debt outstanding as of December 31, 2016 pursuant to the funding arrangements in place as of such date:

Funding Sources	Amount Outstanding (US$ millions)(1)	Amount Outstanding (as a % of Total Debt)
Multilateral		
International Development Association	6,669.6	58.5
International Fund for Agricultural Development	107.4	0.9
European Development Fund	65.7	0.6
African Development Fund	715.3	6.3
IBRD	3.9	0.0
Islamic Development Bank	17.3	0.2
Arab Bank for Economic Development in Africa	5.7	0.1
African Development Bank	403.3	3.5
Sub-Total	**7,988.2**	**70.0**
Bilateral		
Export-Import Bank of China	1,638.1	14.4
JICA(2)	70.7	0.6
KfW(3)	11.1	0.1
French Development Agency	198.3	1.7
Sub-total	**1,918.1**	**16.8**
Commercial		
Eurobond	1,500.0	13.2
Sub-total	**1,500.0**	**13.2**
Grand Total	**11,406.3**	**100.0**

(1) Conversion from Naira to U.S. dollar made using CBN official inter-bank exchange rate as of December 31, 2016.

(2) JICA is the abbreviation for Japan International Cooperation Agency, which is the Japan international development agency.

(3) KfW is the abbreviation for the German international development agency.

Source: Debt Management Office

In line with Nigeria's external debt management strategy as stated above, the table below sets out information regarding the use of external debt proceeds by economic sector as of December 31, 2016:

Economic Sector	Amount Outstanding (US$ millions)	% of Total
Agriculture	997.4	8.7
Air Transport	346.5	3.0
Budget Support	263.6	2.3
Computer Technology	469.5	4.1
Education and Training	614.2	5.4
Energy Electricity	656.6	5.8

Economic Sector	Amount Outstanding (US$ millions)	% of Total
Environment	305.1	2.7
Finance, Insurance, etc.	54.4	0.5
Ground Transport	1,112.6	9.8
Health and Social Welfare	1,363.5	12.0
Housing and Urban Development	229.4	2.0
Investment	77.0	0.7
Irrigation & Related Act	34.3	0.3
Multi-Sector/Others(1)	2,930.5	25.7
Policy Support (Monetary)	108.8	1.0
Rail Transport	821.6	7.2
Rural Development	271.5	2.4
Scientific and Tech Equipment	45.1	0.4
Water Supply	704.7	6.2
Total	**11,406.3**	**100.0**

(1) The Multi-Sector/Others category represents debt that is used or implemented on projects and programs that involve more than one area of the economy.

Source: Debt Management Office

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

Source	2012	2013	2014	2015	2016
			(US$' millions)		
Official:					
Bilateral	45.3	41.1	48.9	59.4	63.4
Multilateral	126.9	142.9	152.7	138.7	165.3
Sub-Total	**172.2**	**184**	**201.6**	**198.1**	**228.7**
Private:					
London Club (oil warrants)(1)	41.7	41.7	41.7	41.7	20.9
Other Commercial(2)	45.3	37.9	12.1	0	0
Eurobond	33.8	33.8	91.3	91.3	91.3
Agency Fees	0	0	0	0	12.3
Sub-Total	**120.8**	**113.3**	**145.1**	**133**	**124.4**
Total	**293**	**297.3**	**346.7**	**331.1**	**353.1**

(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 are scheduled to mature in 2020.

(2) Comprises loans from private sector lenders.

Source: Debt Management Office

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. To increase financial inclusion, particularly among retail investors, the Federal Government, in March 2016, introduced the Savings Bond which is expected to promote the savings culture among Nigerians and broaden the investment opportunities available to the populace. As of June 30, 2017, the Savings Bond accounted for ₦4.6 billion of the Federal Government's domestic debt stock.

Composition

Domestic debt consists primarily of:

- Short-term: treasury bills, typically with a tenor of one year or less: 91, 182 and 364 day Nigerian Treasury Bills;
- Federal Government of Nigeria 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); and
- Federal Government of Nigeria Savings Bond, which are currently issued in tenors of 2 and 3 years on monthly basis beginning from March, 2017.

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,				
Instruments	**2012**	**2013**	**2014**	**2015**	**2016**
			(₦ billions)		
Federal Government of Nigeria Note	4,080.1	4,222.0	4,792.3	5,808.1	7,564.9
Nigeria Treasury Bills	2,122.9	2,581.6	2,815.5	2,772.9	3,277.3
Treasury Notes	334.6	315.4	296.2	256.0	215.9
Total	**6,537.5**	**7,119.0**	**7,904.0**	**8,837.0**	**11,058.1**

Source: Debt Management Office

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

	For the year ended December 31,				
Year	**2012**	**2013**	**2014**	**2015**	**2016**
			(₦ billions)		
Short Term	3,044.8	3,100.7	3,350.5	3,379.3	3,902.4
Medium- and Long-Term	3,492.8	4,018.3	4,553.5	5,457.8	7,155.8
Total	**6,537.5**	**7,119.0**	**7,904.0**	**8,837.0**	**11,058.2**

Source: Debt Management Office

The table below sets forth information regarding the composition of FGN Bonds by investor category in the primary market for the periods indicated:

	For the year ended December 31,					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
	(₦ billions)					
Description						
Total Allotment	**863.3**	**994.9**	**1,044.60**	**1,070.20**	**998.7**	**1,308.30**
Deposit Money Banks	42.30%	32.10%	33.00%	24.30%	27.50%	24.48%
Discount Houses	2.90%	2.20%	1.50%	3.80%	0.60%	—
Pension Funds	28.70%	23.90%	25.40%	33.50%	21.90%	21.82%
Foreign Investors	0.70%	10.50%	15.40%	4.40%	3.00%	1.36%
Government Agencies	—	—	—	—	22.20%	18.39%

Non-Bank Financial Institutions	15.10%	16.40%	9.60%	20.90%	22.30%	31.21%
Individuals	0.20%	0.10%	0.10%	0.10%	0.30%	0.25%
Insurance	—	—	—	—	1.90%	1.60%
Other Institutional Investors	10.20%	14.90%	15.00%	13.10%	0.30%	0.49%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Debt Management Office

The below sets forth information regarding outstanding FGN Bonds as at September 6, 2017. Compared to the corresponding period in 2016, total FGN bond issuance between January to August 2017 increased by 33.19% with frontloading of issuances in the first quarter of the year.

Description	Coupon	Issue Date	Issue Amount (₦)	Redemption Date
9.85% FGN JUL 2017	9.85%	27/07/2007	20,000,000,000.00	27/07/2017
10.70% FGN MAY 2018	10.70%	30/05/2008	300,000,000,000.00	30/05/2018
15.00% FGN NOV 2028	15.00%	28/11/2008	75,000,001,000.00	28/11/2028
12.49% FGN MAY 2029	12.49%	22/05/2009	150,000,000,000.00	22/05/2029
7.00% FGN OCT 2019	7.00%	23/10/2009	233,896,698,000.00	23/10/2019
8.50% FGN NOV 2029	8.50%	20/11/2009	200,000,000,000.00	20/11/2029
10.00% FGN JUL 2030	10.00%	23/07/2010	591,568,208,000.00	23/07/2030
16.39% FGN JAN 2022	16.39%	27/01/2012	605,310,000,000.00	27/01/2022
16.00% FGN JUN 2019	16.00%	29/06/2012	351,300,000,000.00	29/06/2019
14.20% FGN MAR 2024	14.20%	14/03/2014	719,994,128,000.00	14/03/2024
12.1493% FGN JUL 2034	12.15%	18/07/2014	1,075,920,115,000.00	18/07/2034
15.54% FGN FEB 2020	15.54%	13/02/2015	606,430,000,000.00	13/02/2020
12.50% FGN JAN 2026	12.50%	22/01/2016	611,915,153,000.00	22/01/2026
12.40% FGN MAR 2036	12.40%	18/03/2016	668,100,320,000.00	18/03/2036
14.50% FGN JUL 2021	14.50%	15/07/2016	387,984,942,000.00	15/07/2021
16.2884% FGN MAR 2027	16.29%	17/03/2017	149,292,302,000.00	17/03/2027
16.2499% FGN APR 2037	16.25%	18/04/2017	186,039,000,000.00	18/04/2037
Total Outstanding			**6,932,750,867,000.00**	

Source: Debt Management Office

The FGN Bond market has continued to grow substantially in recent years, from ₦3,541.2 billion in 2011 to ₦8.13 trillion as at June 2017. 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 70:30 ratio as of June 30, 2017.

Maturity Profile

The table below sets forth information regarding the maturity profile of Nigeria's domestic debt as of the dates indicated.

Year ended December 31,	Short-Term	Medium-& Long-Term (₦'billions)	Total
2012	3,044.8	3,492.8	6,537.5
% in 2012	46.6	53.4	100.0
2013	3,100.7	4,018.3	7,119.0
% in 2013	43.6	56.4	100.0
2014	3,350.5	4,553.5	7,904.0
% in 2014	42.4	57.6	100.0
2015	3,379.3	5,457.8	8,837.0
% in 2015	38.2	61.8	100.0
2016	3,902.4	7,155.8	11,058.2
% in 2016	35.3	64.7	100.0

Source: Debt Management Office

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)
2012	720.6
2013	794.1
2014	865.8
2015	1,018.1
2016	1,228.8
June 30, 2017	709.5

Source: Debt Management Office

The increase in debt service payments year-on-year reflects the increase in 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%.

Guarantees and Contingent Liabilities

As of December 31, 2016, the total value of the Federal Government's contingent liabilities was ₦1,445.4 billion. Contingent Liabilities of the Government consist of explicit guarantees issued by the Government in favor of MDAs and verified pension arrears. The table below sets out information regarding the composition of FGN's contingent liabilities by instrument, as of the dates indicated:

	As of December 31,				
	2012	2013	2014	2015	2016
	(₦ billions)				
Outstanding Contingent Liabilities					
Pension Liabilities(1)	1,322.4	1,271.1	1,231.0	1,156.5	1,132.2
Local Contractor's Debts(2)	233.9	233.9	233.9	233.9	159.3
Federal Mortgage Bank of Nigeria(3)	32	32	32	6.9	5.2
Guarantee of Agriculture Loans	174.7	—	—	—	—
FGN AMCON Guaranteed Notes(4)	1,742.0	1,742.0	—	—	—
Nigerian Export-Import (NEXIM) Bank(5)	—	—	39.4	39.4	61.0
FCDA-Katampe Infrastructure Project(6)	—	—	—	—	7.4
Nigeria Mortgage Refinance Company Plc	—	—	—	8.0	8.0

	As of December 31,				
	2012	2013	2014	2015	2016
	(₦ billions)				
World Bank Partial-Risk Guarantee in support of Azura-Edo IPP(7)	—	—	—	—	72.3
Lekki Port LFTZ Enterprise-Lekki Deep Sea Port	—	—	157.6	157.6	—
Total	**3,505.00**	**3,279.00**	**1,693.90**	**1,602.30**	**1,445.40**

(1) Data provided by National Pension Commission of Nigeria.

(2) The figure represents the face value of the bonds issued to Local Contractors.

(3) FGN Guarantee of Federal Mortgage Bank of Nigeria Note to enable the Bank to raise funding from the capital market to refinance the sale of Federal Government non-essential houses under the monetization program of the Government.

(4) The FGN Guarantee to AMCON in respect of the ₦1.7 trillion 3-year Zero-coupon AMCON Bonds and Tradable. Note expired on December 31, 2013, following the redemption of AMCON Bonds.

(5) FGN Guarantee to NEXIM for the USD200 million Master Line of Credit from the African Development Bank. Exchange rate: ₦168/USD1 or 2014 and 2015 and ₦305/USD1 for 2016.

(6) The Guarantee was issued on behalf of the Federal Capital Development Authority ("FCDA"), in favour of FBN Capital Limited and FBN Trustee Ltd, in respect of a bank facility granted to Deanshanger Projects Ltd for the provision of integrated civil infrastructure to Katampe District, Abuja. The outstanding amount confirmed by FCDA is ₦7.4 billion, excluding accrued interest.

(7) World Bank Partial Risk Guarantees in the sum of USD237 million (₦72,285,000,000.00 converted at ₦305/USD1), comprising a debt mobilization guarantee of US$117 million and a liquidity guarantee of US120 million, in support of the 450-megawatt Azura-Edo Independent Power Project ("IPP"). The FGN entered into an indemnity agreement with the IBRD in 2015 to reimburse to the World Bank amounts paid by the World Bank in relation to or arising from the IBRD guarantee and to undertake other obligations to the World Bank set forth in the indemnity agreement.

Source: Debt Management Office

In December 2016, the Government announced that it had identified an estimated ₦2.2 trillion in Government arrears toward third parties, including construction contractors, suppliers of goods and services and state governments, that had accumulated as budgeted expenditure liabilities under previous administrations (for services both performed and yet to be performed). Such claims are expected to be verified and negotiated as appropriate. In order to settle the arrears, the administration has indicated that it intends to reclassify them as public debt through the issuance of promissory notes, the first of which will be due in 2018. Such promissory notes are expected to be liquidated pursuant to sinking fund provisions to be made in the federal budget from 2018. Going forward, the promissory notes will be recorded as public domestic debt by the Federal Government, thereby increasing Nigeria's total debt stock accordingly. The administration's new budgetary process seeks to ensure that this scenario is not repeated in the future.

OVERVIEW OF THE ROAD TRANSPORT INFRASTRUCTURE IN NIGERIA

Due to the poor state of the country's rail network, inland water ways 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 in excess of 182 million.

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 neighbouring 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 the State's capital's 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: FMPWH

Despite the huge dependence on the road infrastructure, road transportation accounts for only 1.2% of the country's Gross Domestic Product. As highlighted in the Federal Government's Economic Recovery & Growth Plan (ERGP), 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)[1]. In addition, the quality of Nigerian roads is widely perceived to be substandard as captured by the World Economic Forum Global Competitiveness Report (2017), which puts the quality of Nigerian roads at 2.6 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[2].

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, where the government earmarked the bulk of transport 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 over ₦273 billion to road construction and rehabilitation in the 2017 budget. The Buhari Administration is conscious of the positive impact of good roads on economic development.

[1] NERGP 2017
[2] ibid

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[3]. However, from 2010 to date, Nigeria's road network has barely expanded and is currently estimated at 200,000km. Consequently, Nigeria' 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 inadequacies of alternative transport modes.

Every administration since the colonial era has made attempt to improve the road network given the strong correlation between roads and economic development. One of the recent 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 legal framework for private participation in 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: FMPWH, World Bank

The Federal Government expends substantial sums maintaining 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.

[3] Africa Development Bank

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 Eastern 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 North-Western States
Kano-Kazaure-Daura-Mai'adua Road	Nigeria to 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: FMPWH, Ministry of 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 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 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 FMPWH (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 as listed in the table below:

Table 3: Road PPP Projects Under Development and Procurement as at 31 May 2017

Project	Phase	Status
Bridge over River Katsina Ala at Buruku, Benue State	Development	The Ministry is in the process of procuring a Transaction Adviser (TA) to prepare an Outline Business Case (OBC)
Ilorin-Jebba-Mokwa-Tegina-Kaduna Road	Development	The Ministry is in the process of procuring a Transaction Adviser (TA) to prepare an Outline Business Case (OBC)
Construction of the 2nd Niger Bridge	Development	The concessionaire and FMPWH are in negotiations over the technical and financial arrangements for the project including concluding an investment grade traffic study.

Source: Infrastructure Concession Regulatory Commission

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.

ROAD CONSTRUCTION & MAINTENANCE

Federal Ministry of Power, Works & Housing (FMPWH)

Federal Ministry of Power, Works & Housing (FMPWH) is comprised of the Ministries of Power, 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 FMPWH 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 FMPWH will oversee all the roads to be constructed with the Sukuk proceeds.

The agencies under the FMPWH include;

- The Office of the Surveyor General of the Federation;
- The Federal Roads Management Agency (FERMA);
- The Council for the Regulation of Engineering in Nigeria (COREN);
- The Federal School of Survey; and
- The Surveyors Council of Nigeria

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

Federal Roads Management Agency (FERMA)

The Federal Roads Management 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.

Introduction

Islamic finance has become a recognized and a specific segment of finance with bright prospects, conservatively estimated to grow at 15-20% per annum[4]. Islamic 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 the resources and investment of such resources.

By the rules of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic financial instruments and contracts, particularly Islamic Bonds (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.

Islamic finance is still in its infancy in Nigeria and in recent times the regulatory bodies (the CBN, SEC, NSE, 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 are stronger. Coincidentally, in many of these countries Islamic finance has made major strides. To tap into the economic surpluses in this region, several countries including Malaysia, Singapore, Indonesia, Germany, the United States of America, the United Kingdom (UK) as well as the Gulf region have raised Sukuk to meet their infrastructural needs on a corporate and national level. Furthermore, the Africa Finance Corporation, issued its maiden Sukuk in 2017 to finance Islamic finance compliant projects located across the numerous African IDB member countries.

Some Sukuk Issues around the World

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 five 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 30 Sukuk. 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 sale 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. It is said that countries such as Morocco, Tunisia and Kenya may be looking to issue Sukuk in the near term.

Globally, Sukuk outstanding increased to a record of US$349.1 billion as of December 2016, an 8.7% increase from US$321.2 billion as at end-2015 with Malaysia's Sukuk market representing 52.6% of total Sukuk outstanding, followed

[4] Standard & Poors, The Globalisation of Islamic Finance: Connecting the GCC with Asia and Beyond, September 25th, 2012

by Saudi Arabia and the United Arab Emirates (UAE) accounting for 16.3% and 8.9% respectively[5]. As at February 2017, Sukuk issuances stood at US$11 billion. Of significance, Dubai Islamic Bank issued a 5-year tenure Senior Sukuk issuance amounting to US$1 billion. The issuance is part of its US$5 billion Sukuk Programme. Other significant issuances include State of Qatar (US$2.1 billion), Investment Corporation of Dubai (US$1 billion) and Government of Malaysia (US$1.8 billion). Some major Sukuk issuances include the Dubai Civil Aviation Sukuk which raised US$1 billion in 2004 to fund the construction of the airport's international terminal and upgrade of the engineering infrastructure. Furthermore, the first airline Sukuk was issued in 2005 by the Dubai National Airlines. About US$550 million was raised in form of an Emirates Airline Sukuk to finance the new Emirates engineering centre and their headquarters' building in Dubai. The Bahrain Financial Harbour work issued US$134 million in the form of an Istisna-Ijarah Sukuk, which was used to fund the development and construction of the Bahrain financial centre, a project comprising the dual towers, the financial mall and the harbour house. In 2005, ABC International Bank and the Abu Dhabi Commercial Bank issued a ship finance Sukuk for Saudi Aramco, the world's largest oil exporting company. Sukuk have been issued all over the world to fund all types of infrastructural projects such as: the construction and acquisition of commercial & residential real estate projects, airports, airlines, ships, hospitals, Independent Oil Tools (IOT), petrochemical plants, power plants, tourist attractions among others. They have also been used to develop non-interest treasury instruments to mention a few.

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 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 an 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 ₦5 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 in 2011 while Sterling Bank PLC received its non-interest banking 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.

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 Noor Takaful obtained its license from NAICOM to operate as a full- fledged composite takaful company.

In the capital market space, ethical funds providing Shari'ah complaint services have operated in Nigeria for almost 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 and Lotus Capital established the NSE-Lotus Islamic Index to identify and track Shari'ah compliant equities on the Nigerian Stock Exchange. 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 segments 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. Similarly, Sukuk listing guidelines have been issued by the NSE and FMDQ.

Sukuk issuances and other short-term liquidity management instruments for NIFIs have become essential needs as CBN, non-interest banks, takaful operators, ethical funds, and other ethically inclined investors and upcoming non interest financial institutions would demand for such securities.

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[5] Thompson Reuters, MIFC estimates

Generic Features of Sukuk

Sukuk represent ownership shares in assets that generate profits or rentals to Sukukholders. Hence, it is essential that Sukuk are actually represented by a specific, tangible asset throughout its entire tenure and Sukuk holders must have a proprietary interest in the assets which are being financed.

Ijarah (Lease) Sukuk

This is the most common Sukuk issuance type for project finance or acquisition of new assets. Ijarah Sukuk is a leasing structure with a right available to the lessee to purchase the asset at the end of the lease period (similar to finance lease). The rental rates of return on Ijarah Sukuk can be fixed or floating. The cash flows from the lease which comprise of rental and principal repayments are passed through to investors in the form of coupon and principal payments. Forward receipt of rent is possible and is not prohibited in Shari'ah, but only on the basis that it is an advance payment on account from the amount of the rent. In this instance, rent is legitimately earned only after the physical existence of the usufruct.

The Ijarah Sukuk provides an efficient medium to long-term mode of financing and it is tradable in the secondary market.

Key Benefits of Sukuk Issuances

- Sukuk are competitively priced in line with conventional bond issues;
- Most Sukuk structures are tradable and fill the need for alternative investments which suits the need of investors for liquidity profile;
- Fulfils the needs of the Non Interest Financial Institutions, Pension Fund Administrators and ethically inclined investors;
- Promotes product diversification and financial inclusion.

Comparison of Sukuk and Conventional Bonds

SUKUK	BOND
Sukuk represent ownership stakes in existing and/or to be built well defined assets or business activity;	Bonds represent pure debt obligations due from the issuer;
The underlying contract for a Sukuk issuance is a permissible contract such as a lease or any of the other 14 categories defined by AAOIFI[6];	In a bond, the core relationship is a loan of money, which implies a contract whose subject is purely earning interest on principal;
The sale of a Sukuk represents a sale of a share of an asset;	The sale of a bond is basically the sale of a debt;
The underlying assets financed by a Sukuk issuance must be Shari'ah permissible in both their nature and use; and	Bonds, can be issued to finance almost any purpose which is legal in its jurisdiction regardless of moral screen; and
Sukukholders have recourse to the assets acquired with the Sukuk proceeds in the event of the Originator's bankruptcy.	In case of an Originator's failure, unsecured bondholders join the pool of general creditors seeking payments from the assets of a bankrupt company or issuer.

[6] AAOIFI stands for the Accounting and Auditing Organization for Islamic Financial Institutions and is an Islamic international autonomous non-for-profit corporate body that prepares accounting, auditing, governance, ethics and Shari'ah standards for Islamic financial institutions and the industry

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:

- Letter of Allocation dated on or around the date of the Prospectus from the Federal Ministry of Power, Works and Housing, 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 Power, Works and Housing and the Debt Management Office (DMO), and Messrs STL Trustees Limited and FBN Trustees Limited (the 'Delegate Trustees') under which;

    - the Issuer declares a trust over the Trust Assets;
    - the Delegate Trustee declare themselves trustees for the Sukukholders to among other functions, ensure the construction of the Roads on behalf of the Sukukholders;
    - the FMPWH undertakes to lease the constructed roads and;
    - the DMO undertakes to pay for the lease as part of the FGN's debt servicing obligations.

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

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

- A Purchase Undertaking 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.

- A Sale Undertaking (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.

- A Service Agency Agreement dated on or around the date of the Prospectus, by which the Issuer/Trustee appoints the FGN (through the FMPWH) as the agent 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. Therefore, 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 Certificates held by each Sukukholder, in accordance with this Declaration of Trust and the Conditions of the 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 redemption of all obligations under 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 Certificates, inter alia:

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

b. follow up with the Central Bank of 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; and

l. 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 (fifty million Naira) 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/Trustee's behalf receipts, acceptances, endorsements, releases, contracts and documents.

Documents Available for Inspection

Copies of the following documents may be inspected at the offices of Messrs FBN Merchant Bank Limited, 10 Keffi Street, off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria, and Lotus Financial Services Limited at 1b Udi Street, Osborne

Foreshore Estate, Osborne Road, Ikoyi, Lagos and 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 30 August 2017;
- The Material Contracts referred to on page 84;
- The Exemption Order issued by the Honourable Minister of Finance, exempting the Sukuk from compliance with the Investment & Securities Act, 2007 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

TERMS & CONDITIONS

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 2024 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 beneficial 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 Power, Works and Housing. In its capacity as the obligor and the Debt Management Office, 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 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 Certificates are issued in registered form in Naira.

The Certificates shall be issued only as fully paid.

A Certificate will be issued to each Sukukholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register.

The 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 Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the 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 Certificate) and no person will be liable for so treating the Holder of any Certificate. The registered Holder of a Certificate will be recognized by the Trustees as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the SPV/ Issuer against the original or any intermediate Holder of such Certificate.

2. **TRANSFERS OF CERTIFICATES**

a. **Transfer of 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 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 10.2)

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

The 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 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 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 Certificate held by each Holder. The term ‘‘Trust Assets’’ means:

(a) the interest, rights, title, benefits and entitlements, present and future, of 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 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):

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

ii. 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 beneficial ownership interest in the Trust Assets and no 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 Certificate as security for a debt, a loan or an obligation 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. **FUNCTIONS OF THE DELEGATE TRUSTEES**

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

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

b. follow up with the Central Bank of 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 SPV/ Issuer with any relevant authority;

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

i. appoint the Project Management Consultant to undertake 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; and

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

7. **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.

8. **DELEGATE TRUSTEES COVENANTS**

8.1. With respect to the Trust Assets, the Delegate Trustees covenant that, as long as the 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 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.

8.2. With respect to the Trust Assets, the Delegate Trustees covenant that as long as the 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.

9. **FGN'S COVENANTS**

9.1. 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.

9.2. 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.

9.3. 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 of the Roads free of any payment, interference or encumbrance until the payment of the Dissolution Distribution Amount;

b. enter into the Forward Ijara 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 Ijara Agreement and the Purchase Price under the Purchase Undertaking.

9.4. 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.

10. PAYMENT AND DISTRIBUTIONS

10.1. 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.

10.2. 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 Ijara Agreement.

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

10.3. 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.

10.4. **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 Ijara Agreement.

11. ENFORCEMENT AND EXERCISE OF RIGHTS

11.1. 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 Certificates or the Trust Assets.

11.2. Upon the payment of all Rental Rates and the Dissolution Distribution Amount, the obligations of the SPV/ Issuer in respect of the Certificates shall be satisfied and no Holder of the 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 Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer/Trustee.

12. THE REGISTER

12.1. 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.

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

12.3. 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.

12.4. 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.

12.5. 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.

13. **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.

14. **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.

15. **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.

16. **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.

17. **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.

18. **DISPUTE RESOLUTION**

18.1. 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.

18.2. 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).

18.3. 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.

18.4. 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.

18.5. 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.

18.6. 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.

19. **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.

Prospective investors will be invited to participate in the offering of the Sukuk by way of an offer for subscription and the 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	September 14, 2017
4.	Offer Close	September 20, 2017
5.	Settlement Date	September 22, 2017 (T+2)
6.	Terms of payment	Full Application Amount (as defined below) payable on the Settlement Date to the Collection Banks

1. **Eligibility for the subscription**
   The offer will be open to individual and institutional investors – local or foreign.

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 domiciled with the Central Bank of Nigeria:

Bank Name	Account Name	Account Number
First Bank of Nigeria Limited	FGN Roads Sukuk Issue Proceeds	2032267642
Stanbic IBTC Bank PLC	FGN Roads Sukuk Issue Proceeds	0022373451
Zenith Bank PLC	FGN Roads Sukuk Issue Proceeds	1015183412
Guaranty Trust Bank PLC	FGN Roads Sukuk Issue Proceeds	0111869636
Jaiz Bank PLC	FGN Roads Sukuk Issue Proceeds	0003028731
Sterling Bank PLC	FGN Roads Sukuk Issue Proceeds	0065181158
Unity Bank PLC	FGN Roads Sukuk Issue Proceeds	0029035531

3. **Allocation/Allotment**

   3.1 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 dematerialised form and are mandatorily 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 dematerialised form shall be effected not later than 15 (fifteen) Business Days from the Allotment Date.

Participants must ensure that the name specified in the Commitment Form is exactly 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 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.

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 Principal 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 Advisers, 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.

APPLICATION FORM

To:
FGN Roads Sukuk Company 1 Plc.,
Debt Management Office,
Abuja

No: | | | | | | | |
Official use only

SUBSCRIPTION FORM FOR ₦100 BILLION SUKUK ISSUANCE ON BEHALF OF THE FEDERAL GOVERNMENT OF NIGERIA

Applications must be made in accordance with the instructions set out on the back of this application form. Care must be taken to follow these instructions as applications that do not comply with the instructions may be rejected. Please consult your Financial or Legal Advisers for guidance before completing this Form.

In response to the advertisement in both print and electronic media, I/We hereby offer my/our subscription for FGN Sukuk

A	**Guide to Applications**	**Date:** D D M M Y Y Y Y	**E-allotment Details** Applicant's CSCS/Custodian A/C No.
	Minimum Value: ₦10,000.00 **Multiples thereafter:** ₦1,000.00	**Value of Sukuk Applied for in ₦**	
B	**Amount in Words:**		

1. Individual Applicants (to be completed in block letters)

Full Name (Surname first)..
....
(State titles if any e.g. Mr., Mrs., Miss)
Occupation: ....
Phone No:
Address:..
....
Passport/Driving License/National ID No: ....
Date of Birth: .... Mother's Maiden Name: ....
E-mail Address: ....
Next of Kin: ....
Name of Bank: ....
Bank Account No.: BVN:
(For rental payment purpose)
Usual Signature: .... Date: ....
Residency classification of Applicant (tick the Appropriate box)
Resident ☐ Non-Resident ☐
(Residency classification of Applicant must be indicated)

2. Joint Applicants (to be completed in block letters)

Full Name (Surname first)..
....
(State titles if any e.g. Mr., Mrs., Miss)
Occupation: ....
Phone No:
Address: ....
....
Passport/Driving License/National ID No: ....
Date of Birth: .... Mother's Maiden Name: ....
E-mail Address: ....
Next of Kin: ....
Name of Bank: ....
Bank Account No.: BVN:
(For rental payment purpose)
Usual Signature: ....Date: ....
Residency classification of Applicant (tick the Appropriate box)
Resident ☐ Non-Resident ☐
(Residency classification of Applicant must be indicated)

3. Corporate Applicants (to be completed in block letters)

Company's Name: ....
Type of Business: ....R/C No: ....
Address:..
....
E-mail Address: ....
Contact Person: .... Phone No:
Signature: ....
Name of Bank: ....
Bank Account No: BVN:
(For rental payment purpose)

C	**Thumb print of illiterate applicant**

Witness:

I...have given detailed explanation to this applicant in the language understood by him and consequently the applicant has a clear understanding of the transaction he/she has entered into.

Signature: ....

D	**Authorized Dealer**

NAME OF FINANCIAL ADVISER/ PLACEMENT AGENT:
....
FINANCIAL ADVISER/ PLACEMENT AGENT CODE: ....

E	**Investor Category of Applicant (tick the appropriate box)**

Individual ☐ Bank ☐ Corporate ☐ Co-operative Society ☐
Foreign Investor ☐ Government Agencies ☐ Staff Scheme ☐
Non-Bank Financial Institution ☐ Others ☐ ....
Please specify

Please affix company seal and write RC Number

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Stamp of Financial Adviser/ Placement Agent	**Amount Applied for (₦)**
	Amount Allotted (₦)

APPLICATION FORM

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

1. Applications must be made only on the official form as prescribed by the FGN Roads Sukuk Company 1 Plc.

2. Applications must be for a minimum of ₦10,000.00 and thereafter, in multiples of ₦1,000.00. The value of the Sukuk applied for should be entered in the appropriate box.

3. The Application Form, when completed, should be lodged with the Financial Advisers or Placement Agents. Applications must be accompanied by full payment for the amount applied for, which must be paid to the Receiving Banks at the time of submission.

4. Applicants should note that **No Charges or Fees would be paid by investors**.

5. For the purpose of this application, residency classification refers to the country where the Applicant(s) permanently resides as at the time of filling the Application Form, Applicant(s) must indicate his/their residency classification in the appropriate box provided.

6. For joint applications, information on the Applicants should be provided in the appropriate boxes. However, all correspondence will be addressed to the first named Applicant.

7. An application form from a group of individuals should be made in the names of those individuals with no mention of the names of the group.

8. An application by a firm, which is not registered under the Companies and Allied Matters Act, should be made either in the name of the proprietor or in the names of the individual partners. In neither case should the name of the firm be mentioned.

9. An application from a corporation must bear the corporate body's seal and be signed in accordance with the company's signature mandate by duly authorized officials. A corporate stamp may be used where the corporate seal is not available.

10. An application from a pension or provident fund must be in line with the guidelines of the National Pension Commission with regard to the custody of the pension assets.

11. An application by an illiterate person should bear his right thumb print on the Subscription Form and be witnessed by an official of the Financial Adviser/ Placement Agent at which the application is lodged, who must first have explained the meaning and effect of the application to the illiterate person in his own language. The witness should indicate his name and signature in the appropriate box.

12. The applicant should not print his signature. If he is unable to sign in the normal manner he should be treated for the purpose of this offer as an illiterate and his right thumb should be clearly impressed on the Subscription Form.

PARTIES TO THE OFFER

1.	Issuer/Trustee	**FGN Roads Sukuk Company 1 PLC** NDIC Building (First Floor) Plot 447/448, Constitution Avenue Central Business District, Garki Abuja
2.	Sponsor/ Originator	**Debt Management Office** NDIC Building (First Floor) Plot 447/448, Constitution Avenue Central Business District, Garki Abuja
3.	Financial Advisers	**FBN Merchant Bank Limited** 10 Keffi Street South-West Ikoyi Lagos **Lotus Financial Services Limited** 1b Udi Street Osborne Foreshore Estate Ikoyi, Lagos
4.	Technical Adviser to FBN Merchant Bank Limited	**Buraq Capital Limited** 3rd Floor, Muktar El-Yakub Place Plot 1129, Beside Metro Plaza Central Business District Abuja
5.	Delegate Trustees	**FBN Trustees Limited** 10 Keffi Street South-West Ikoyi Lagos **STL Trustees Limited** 30 Marina Street Lagos Island, Lagos
6.	Legal Counsels to the Offer	**Banwo & Ighodalo** 98 Awolowo Road Ikoyi, Lagos **Sefton Fross** Block 11 Plot 24, Dr. S. Ezukuse Close Off Admiralty Road, Lekki Scheme I Lekki, Lagos

7.	Legal Counsel to the Trustees	**Udo Udoma & Belo-Osagie** St. Nicholas House (10th & 13th Floors) Catholic Mission Street Lagos Island, Lagos **The Metropolitan Law Firm** 11, Zangon Daura Estate Kado District Abuja
8.	Paying Agent/ Registrar	**Central Bank of Nigeria** Plot 33, Abubakar Tafawa Balewa Way Central Business District Cadastral Zone, Abuja