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2009 1st Quarter

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**BUDGET  
IMPLEMENTATION  
REPORT**

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Budget Office of the Federation  
Federal Ministry of Finance

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## **FOREWORD**

It gives me great pleasure to present the 2009 1<sup>st</sup> Quarter Budget Implementation Report. The Budget is more than a numerical presentation of the projected revenue and expenditure of the Federal Government. It is our principal policy instrument for allocating public resources among competing socio-economic needs, and holding the Ministries, Departments and Agencies of Government responsible for the expenditure and revenues over which they exercise control.

It is in this spirit that Section 30 of the *Fiscal Responsibility Act 2007* mandates the preparation and publication of Quarterly Reports to monitor and evaluate the implementation of the Annual Budget. These Quarterly Reports are required to be published to the Fiscal Responsibility Commission and the Joint Finance Committee of the National Assembly, and are to be widely disseminated to the general public and other stakeholders through electronic and other media.

I commend the Budget Office of the Federation for the hard work and effort involved in preparing this 1<sup>st</sup> Quarter Budget Implementation Report. I also recognize the important role of both the Fiscal Responsibility Commission and the National Assembly's Joint Finance Committee in promoting best practices in public financial management, and look forward to continuing our cooperative work in this regard. Finally, I commend the Readers of this Report for taking time to examine its contents and scrutinize the Government's performance in delivering on the promises inherent in the Budget. In this way, we can all contribute towards ensuring value for money in the utilization of public resources for the benefit of all Nigerians.

**Dr. Mansur Muhtar**

**Honorable Minister of Finance**

## PREFACE

Under the *Fiscal Responsibility Act 2007*, the Budget Office of the Federation is responsible for assisting the Honorable Minister of Finance to monitor and evaluate the implementation of the Annual Budget. The Quarterly Budget Implementation Reports are one of many in-year reports prepared by the Budget Office of the Federation, and complement our Half-Year, and Full-Year Budget Implementation Reports. This in-year reporting function is part of our efforts, at the Federal Ministry of Finance, to promote budget openness, transparency and credibility as a component of our public financial management reforms.

A unique feature of the 2009 Budget is the greater emphasis placed on measurable targets and outputs against which the performance of Federal Ministries, Departments and Agencies (or MDAs) may be assessed. Accordingly, our periodic reporting work is in line with Mr. President's directive that greater emphasis should be placed on monitoring and reporting on the actual deliverables to be achieved by the MDAs with the financial resources made available to them.

To improve the implementation of the 2009 Budget, the Budget Office organized a two-day Workshop on Budget Implementation, Monitoring and Evaluation at the end of March 2009, which focused on facilitating the critical success factors needed to ensure the successful implementation of the 2009 Budget. Participating MDAs were able to identify challenges to effective implementation and adopt strategies to overcome these. The Budget Office has also developed a monitoring and evaluation system using special electronic templates to systematically track progress on the outputs and outcomes delivered by the MDAs. All these measures contribute to ensuring a firm foundation for significantly better budget implementation going forward.

This 1<sup>st</sup> Quarter Budget Implementation Report is a product of the collaborative work of various Departments of the Budget Office of the Federation. I congratulate the members of the team whose industry and collective efforts resulted in the preparation of this Report, and wish them every success as they continue this important reporting work.

**Dr. Bright Okogu**

**Director-General, Budget Office of the Federation**

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## EXECUTIVE SUMMARY

The 2009 Budget focuses on enhancing the efficiency of government expenditure in view of critical resource limitations and ensuring macroeconomic stability. One approach adopted in the budgeting process was the linking of each key project and programme in the budget to deliverables associated with the 7-Point Agenda and the Government's other high level policy documents.

Revenue from both oil and non-oil sources were below projections in the first quarter. The aggregate revenue available for distribution to the three tiers of government fell short of projected estimate of N895.85 billion by N241.30 billion (or 27%). At the Federal Government Budget level, oil revenue underperformed by N52.97 billion (or 21.86%) compared to the projected level of N242.27 billion. Similarly, non-oil tax revenue underperformed by N53.60 billion compared to the projected level of N144.20 billion while other revenues fell short by N75.67 billion compared to projected aggregate of N179.83 billion. For the first quarter of 2009, the total revenue available for implementation of the Federal Government Budget, (including the budgeted unspent balance of N75 billion for the first quarter of 2009 from the 2008 financial year), consequently fell short of its budgeted estimate of N566.30 billion by N182.24 billion (or 32.18%). To manage this position, the unspent balance was further drawn down to N221.43 billion bringing the shortfall to N35.82 billion (or 6.32%). This development shows clearly the challenges of implementing the 2009 Budget in the first quarter.

The 2009 Budget allocated about 93.2% of the capital budget to priority sectors. The distribution of capital expenditure was as follows: critical infrastructures 45.5%, security 8.7%, land reform and food security 13.6%, human capital development 15.7%, Niger Delta 9.7%, while 6.8% was approved for other sectors. A total of N200.37 billion was released in the first quarter, of which N187.68 billion was for spending on ongoing capital projects, while N12.69 billion was released through the issuance of Authority to Incur Expenditures in favor of the Ministry of Niger Delta Affairs and the Ministry of Defence.

As at end of the first quarter, the Federal Government's external debt stock reduced by 2.5% to US\$3,627.5 million from US\$3,720.36 million as at 31 December 2008. The domestic debt stock, however, increased by 7.21% from N2,320.31 billion as at end of 2008 to N2,487.83 billion as at March 2009. The actual debt service payments for domestic debt and external debt at the end of the first quarter stood at N119.2 billion and US\$93.05 million respectively.

Capital budget implementation averaged 20.68% in the first quarter (i.e., N33.26 billion out of N160.84 billion cash backed by the Office of the Accountant-General). This was in spite of the early release of the first quarter capital warrants for ongoing projects. Only four of the 45 MDAs reviewed utilized over 50% of the funds provided for their ongoing capital projects. The Federal Ministry of Works and the Ministry of Foreign and Inter-Governmental Affairs had utilization rates of 71.68 % and 64.19 % respectively. While about 73% of the MDAs utilized below 20.68%, twenty (or 45%) of the MDAs failed to utilize any portion of the funds.

In an attempt to improve on this level of performance, the Budget Office organized a workshop in March 2009 to build MDAs' capacity in implementing the capital budget. This workshop appeared to have helped going by feedback from MDAs. Data from the Office of the Accountant-General of the Federation on MDAs' utilization of capital funds in April shows improvement from an average of 20.68% in the first quarter to an average of 52.72% as at end of April 2009. This indicates that the MDAs are recording higher levels of budget implementation and it is expected that this performance should improve over the rest of the 2009 fiscal year.

In the first quarter of 2009, preliminary indications suggest that economic growth was relatively robust as compared to the same period in 2008. Oil production was maintained at near consistent levels at an average of 2.05 million barrels per day (mbpd) for the first quarter compared to an average of 2.1 mbpd in 2008 according to information from NNPC. Headline inflation on a year on year basis rose 14.6% while broad money (M2) grew by 12.5% over the same period. However, interest rates remained high with the weighted average interbank call rate rising to 22.15%. The DAS/WDAS rate depreciated by 25.3% year on year to N147.7/US\$, the BDC rate also depreciated by 46.5% to N174.32/US\$ over the same period while external reserve levels dropped off to US\$47.08 billion by the end of March 2009.

## 1 INTRODUCTION

1. The 2009 Budget was designed with a thrust to shift the focus of budget implementation from a preoccupation with resource commitments to the Ministries, Departments and Agencies of Government (MDAs) to focusing on the actual deliverables expected of them. In line with this objective, the 2009 Budget invests in growth and development with a focused budgeting approach that emphasizes the need to complete ongoing projects in the key sectors of the economy. A special feature of the 2009 Budget is the focus on specific deliverables in terms of public goods and services, measurable targets and outputs to be achieved by MDAs.

2. Drawing from the initiatives encapsulated in Mr. President's Seven-Point Agenda, Vision 20 2020 and other developmental programmes of government, the Budget aims to improve the security and well-being of Nigerians. The policy thrust emphasizes sustainable development, infrastructural inadequacies that have constrained the ability of businesses to operate at optimal capacity, generate employment and take their rightful place as the drivers of growth in the economy. It also recognises the need to improve the level of security and address the developmental challenges of the Niger Delta region. Stemming from this, the 2009 Budget provides about 93.2% of the capital vote to the key priority sectors which are central to this Administration's Seven-Point Agenda.

3. As with recent Budgets, the preparation of the 2009 Budget was guided by the need to maintain macroeconomic stability through the use of the Medium-Term Fiscal Framework (MTFF) to sustain fiscal discipline in budget planning and implementation. However, the 2009 Budget places greater emphasis on the actualization of expected deliverables by MDAs in line with the Administration's 7-Point Agenda.

4. In view of the challenging international and local environment under which the 2009 Budget was drawn up and the need to improve on efficiency in governance, investments in non-priority capital outlays such as the acquisition of new vehicles, and the construction or furnishing of new headquarters for MDAs were suspended. Similarly, expenditure on international travels and training were reduced by 50% while expenditure on local travels was reduced by 25%. These measures also freed up resources for implementation of other priority developmental programmes of the Government.

5. This Report, being the first-quarter assessment of the 2009 Budget performance, is limited to a review of the financial performance and the macroeconomic aspects of the implementation of the 2009 Budget. It also assesses the performance of a sampled number of MDAs in the implementation of their capital budgets as at the end of the first quarter.



## 2. FINANCIAL ANALYSIS OF THE 2009 BUDGET IMPLEMENTATION

### 2.1 Key Assumptions and Projections

6. The 2009 Budget was based on a number of key assumptions that are consistent with the Medium-Term Fiscal Framework (MTFF). The aggregate resource ceiling available to the Federal Government derives from the Framework. *Table 1* below summarizes some of the key assumptions.

Table 1: 2009 Budget: Key assumptions and Targets for 2009 Budget

S/N	KEY ASSUMPTIONS & TARGETS	2009
1	Projected Production (in mbpd)	2.292
2	Production Quota (in mbpd)	1.88
3	Actual Production (Average [in mbpd] over first quarter)	2.05
4	Budget Benchmark Price (per barrel in US\$)	45
	<b>Technical cost of JV pbl to Oil Companies:</b>	
5	Operating expenses (T1) in US\$	6.38
6	Capital expenses (T2) in US\$	4.93
	<b>Technical cost of PSC/SC pbl to Oil Companies:</b>	
7	Operating expenses (T1) in US\$	7.46
8	Capital expenses (T2) in US\$	14.88
	<b>Technical cost of Gas:</b>	
9	Operating expenses (T1) in US\$	0.34
10	Weighted average rate of PPT - JV Oil	85%
11	Weighted average rate of PPT -PSC/SC Oil	50%
12	Weighted average rate of Royalties - JV Oil	19%
13	Weighted average rate of Royalties - PSC/SC Oil	1.75%
14	Average exchange rate (NGN/US\$)	125
15	VAT Rate	5%
16	CIT Rate	30%
17	Weighted average import duty rate	14%

Source: Budget Office of the Federation, NNPC and NBS

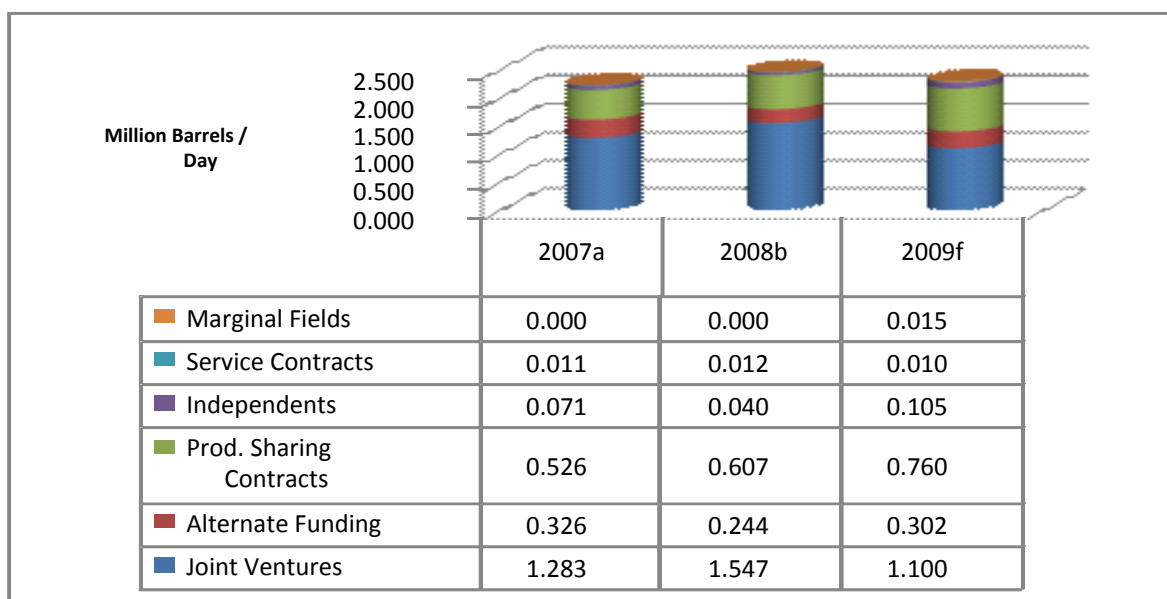
7. These assumptions were the product of extensive reviews based on changing economic realities prior to their inclusion in the framework. For instance, the oil revenue assumptions were adjusted for the risk of disruption to oil production given the ongoing challenges in the Niger Delta. The security situation there has further impacted revenues by causing shifts in oil production from Joint Ventures which yield more revenue to the Government to other less favourable business arrangements. *Table 2, Chart 1 and Table 3* below give a picture of the arrangements.

Table 2: Oil Production by Business Arrangements 2007-2009

<b>O i l P r o d u c t i o n ( m b p d )</b>	<b>2 0 0 7 a</b>	<b>2 0 0 8 b</b>	<b>2 0 0 9 f</b>
Joint Ventures	1.283	1.547	1.100
Alternate Funding	0.326	0.244	0.302
Production Sharing Contracts	0.526	0.607	0.760
Independents	0.071	0.040	0.105
Service Contracts	0.011	0.012	0.010
M arginal Fields	0.000	0.000	0.015
<b>T o t a l P r o d u c t i o n</b>	<b>2.217</b>	<b>2.450</b>	<b>2.292</b>

Source: NNPC

Chart 1: Breakdown of Oil Production by Business Arrangement 2007 – 2009



Source: NAPIMS/NNPC

8. The 2009 Budget was based on an assumption of crude oil production of 2.292 million barrels per day (mbpd) as against 2.45 mbpd adopted in the 2008 Budget. A Budget Benchmark Price of US\$45.00 per barrel was adopted in view of the falling international price of oil and revised price expectations for the 2009 fiscal year. The weighted average rate for major oil taxes accruing to the Federal Government and other data are shown in *Table 3*.

Table 3: Detailed Assumptions for Oil Production and Taxes

<b>SHARE OF OIL PRODUCTION</b>	<b>Percentage</b>
Joint Ventures	47.99%
Alternative Funding	13.18%
Production Sharing Contracts	33.16%
Independents	4.58%
Service Contracts	0.44%
Marginal	0.65%
Total Production	100.00%
<b><i>PPT Rates</i></b>	
Joint Ventures	85.00%
Alternative Funding	85.00%
Production Sharing Contracts	50.00%
Independents	85.00%
Service Contracts	30.00%
Weighted average – JV	85.00%
Weighted average - PSC/SC	49.70%
<b><i>Royalty Rates</i></b>	
Joint Ventures	18.50%
Alternative Funding	18.50%
Production Sharing Contracts	1.75%
Independents	18.50%
Service Contracts	1.75%
Weighted average – JV	18.50%
Weighted average - PSC/SC	1.75%

**Source:** Budget Office of the Federation and the Nigeria National Petroleum Corporation

## 2.2 Analysis of Revenue Performance

9. Based on the key assumptions in *Table 1* upon which the 2009 Budget was drawn up, the total revenue accruable for distribution to the tiers of government was projected to be N895.85 billion for the first quarter. However, oil production has averaged 2.05mbpd against the 2.292mbpd budgeted. This oil production shortfall and the low oil price on the oil revenue side, and underperformance of non-oil revenue contributed to the non-achievement of this target.

10. The total federally collectible revenue for 2009 was projected at ~~N~~5,305.27 billion with a quarterly estimate of ~~N~~1,326.32 billion. Out of this sum, oil revenue was projected at ~~N~~3,114.82 billion or a quarterly estimate of ~~N~~778.70 billion (or 58.71%) while the balance of N2,190.45 billion or the corresponding quarterly estimate of ~~N~~547.61 billion (or 41.29%) was expected from non-oil sources and other non-Federation Account items.

11. The net oil revenue (after allowing for costs and other deductions) underperformed against projections for the first quarter of 2009. Crude oil sales underperformed against budgeted estimate of N461.61 billion by N9.88 billion (or 2.1%) as at end of the quarter while Petroleum Profits Tax similarly underperformed against the budgeted estimates of N159.7 billion by N10.39 billion (or 6.5%). However, Royalties exceeded the budgeted estimate of N79.86 billion by 23.8%. Indications from NNPC suggest that improvement in receipts in January 2009 from oil companies, which were indebted to government, is largely responsible for this. (Please see *Table 4* below).

12. In responding to the anticipated impact of the global economic crisis, Government placed greater emphasis on identifying and implementing measures to improve the efficiency and effectiveness in collection of non-oil revenue by the appropriate agencies. Accordingly, the Government revised the assumptions for the non-oil taxes within the Medium-Term Fiscal Framework. The aggregate forecast for Value Added Tax (VAT) for the first quarter of 2009 was N145.0 billion while actual performance as at March 2009 was N113.39 billion representing a 78.2% performance of the budget estimate. Company Income Tax projection for the first quarter was N146.75 billion while the actual collection as at March 2009 was N101.34 billion which is lower than the estimate by N45.41 billion or 30.94%. Similarly, collections of

Customs and Excise duties as at end of the first quarter attained 49.96% of budgeted estimate of N125 billion. (Please see *Table 5* below). Consequently, the total non-oil revenue receipts in the first quarter fell short of the projected aggregate receipt of N416.75 billion in the quarter by 33.5%.

Table 4: Forecast & Outturn of Oil Revenue Receipts to the Federation Account

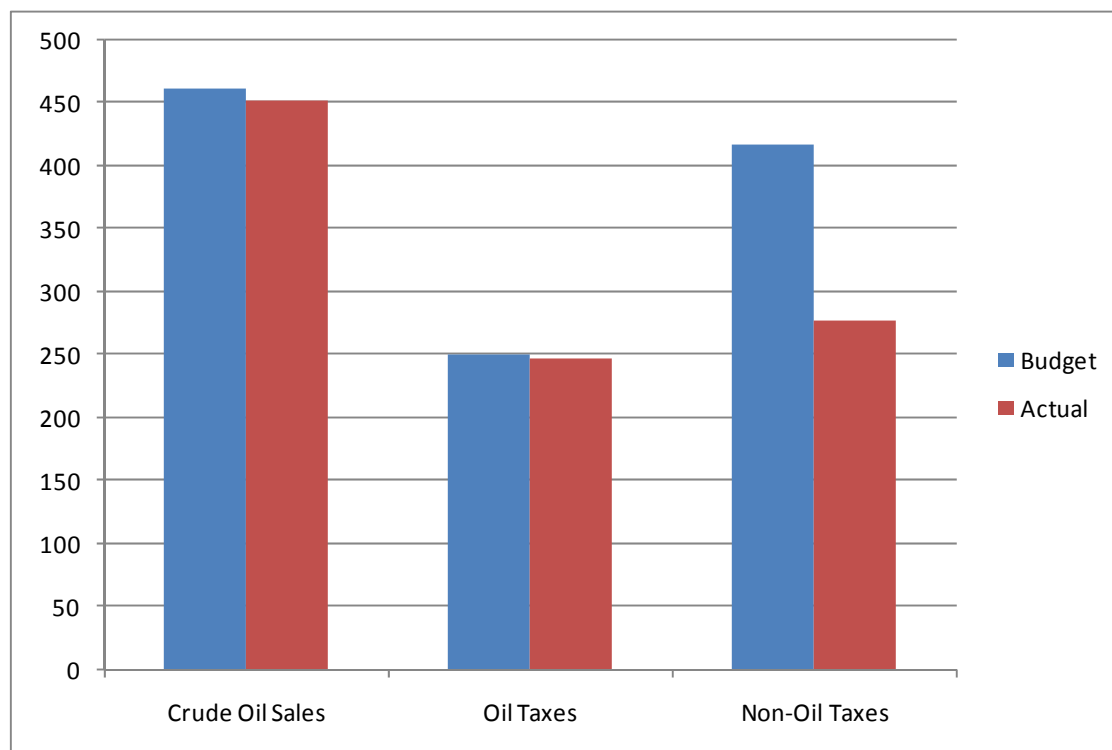
DESCRIPTION	2009 (AS AT MARCH)		
	BUDGET	ACTUAL	VARIANCE
Oil Revenue (at Benchmark price of US\$45/b for 2009)	N'Bn	N'Bn	N'Bn
Crude Oil sales	461.61	451.72	-2.14%
Petroleum Profits Tax (PPT)	159.70	149.30	-6.51%
Royalties	79.86	98.86	23.79%
Gas	63.31	3.81	-93.98%
Gas Tax	11.95	-	-100.00%
Other Oil Revenue	2.29	0.89	-61.14%
<b>Sub-Total</b>	<b>778.70</b>	<b>704.59</b>	<b>-9.52%</b>
Joint Venture Cash Calls (JVCC) & Miscellaneous (Oil) Deductions	204.54	178.03	-12.96%
Excess Crude, PPT, & Royalties	-	49.04	
<b>Sub-Total</b>	<b>574.16</b>	<b>477.52</b>	
Derivation	74.64	87.19	16.81%
<b>To Federation Account</b>	<b>499.52</b>	<b>390.32</b>	<b>-21.86%</b>

Source: Budget Office of the Federation

13. Revenue from non-oil taxes has been increasing considerably in recent years and this trend is expected to continue as reforms by the FIRS and NCS begin to yield results. The Federal Government in 2008 revised the Common External Tariff (CET) Book and also introduced fiscal policy measures aimed at expanding the production base and stimulating the economy. These measures were in the form of offering some protection to domestic industries, reducing operating costs and providing appropriate incentives for investors, among others. The assumptions used for forecasting the non-oil revenue took into account the tax bases for the different taxes (i.e. Non-Oil GDP, consumption and import CIF), the effective tax ratio of collection, and an efficiency factor to account for the operational improvement in the various tax administration agencies.

14. *Chart 2* below gives a pictorial overview of the revenue projections compared to the actual performance in the first quarter of 2009. The clear picture emerging from this is that Crude Oil Sales fell short of the projected sales figure while a combination of oil taxes performed marginally below projected levels. Similarly, non-oil taxes underperformed significantly against projections during the first quarter of 2009.

Chart 2: Projected Vs Actual FAAC Revenues as at March 2009



Source: Budget Office of the Federation

15. At the end of the first quarter of 2009, the total actual amount distributable to the three tiers of government was ₦654.55 billion, representing a revenue shortfall of about ₦241.30 billion (or 27%). In the same vein, the net accrual into the VAT Pool Account for distribution to the three tiers of government stood at ₦108.86 billion compared to budgeted estimate of ₦139.2 billion resulting in a shortfall of about ₦30.34 billion as shown in *Table 5* below.

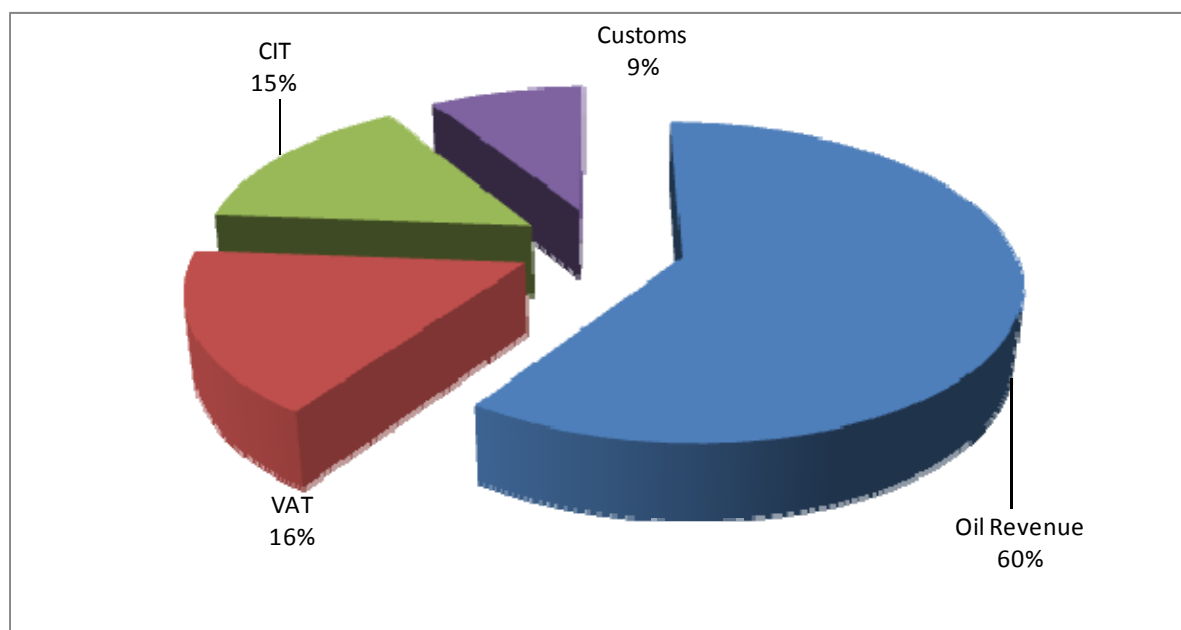
Table 5: Net distributable receipts for 2008 and first Quarter 2009.

S/N	DESCRIPTION	2008 ANNUAL (ACTUAL)	2009 ANNUAL BUDGET	2009 1 <sup>ST</sup> QUARTER BUDGET	2009 1 <sup>ST</sup> QUARTER ACTUAL	VARIANCE	
	OIL REVENUE	₦ bns	₦ bns	₦ bns	₦ bns	₦ bns	%
1	Crude Oil Sales	1,804.61	1,846.42	461.61	451.72	-9.88	-2.1%
2	Petroleum Profit Tax (PPT)	1,425.45	638.78	159.70	149.30	-10.39	-6.5%
3	Royalties	433.25	319.42	79.86	98.86	19.01	23.8%
4	Gas Tax	0	47.80	11.95	0.00	-11.95	-100.0%
5	Gas	180.84	253.23	63.31	3.81	-59.50	-94.0%
6	Others	4.44	9.16	2.29	0.89	-1.40	-61.2%
7	<b>Sub-Total</b>	<b>3,848.58</b>	<b>3,114.82</b>	<b>778.70</b>	<b>704.59</b>	<b>-74.12</b>	<b>-9.5%</b>
8	Joint Venture Cash Calls (JVCCs)	579.13	818.17	204.54	178.03	-26.51	-13.0%
9	<b>Sub-Total</b>	<b>3,269.46</b>	<b>2,296.65</b>	<b>574.16</b>	<b>526.55</b>	<b>-47.61</b>	<b>-8.3%</b>
10	Derivation	425.03	298.56	74.64	87.19	12.54	16.8%
11	Excess Crude, PPT, Royalty	0	0	0	49.04	49.04	
12	<b>TO FEDERATION ACCOUNT</b>	<b>2,844.43</b>	<b>1,998.09</b>	<b>499.52</b>	<b>390.32</b>	<b>-109.20</b>	<b>-21.9%</b>
	<b>NON-OIL TAXES</b>						
13	Value Added Tax (VAT)	404.53	580.00	145.00	113.39	-31.61	-21.8%
14	Companies Income Tax (CIT)	416.83	587.00	146.75	101.34	-45.41	-30.9%
15	Customs & Excise Duties	281.25	500.00	125.00	62.46	-62.54	-50.0%
16	<b>Sub-Total (13+14+15)</b>	<b>1,102.60</b>	<b>1667.00</b>	<b>416.75</b>	<b>277.192</b>	<b>-139.56</b>	<b>-33.5%</b>
17	Cost of Collection – VAT	16.18	23.20	5.80	4.54	-1.26	-21.8%
18	Cost of Collection – CIT	16.67	23.48	5.87	4.05	-1.82	-30.9%
19	Cost of Collection – Customs	19.69	35.00	8.75	4.37	-4.38	-50.0%
20	<b>TO FEDERATION ACCT</b>	<b>661.71</b>	<b>1,028.52</b>	<b>257.13</b>	<b>155.37</b>	<b>-101.76</b>	<b>-39.6%</b>
21	<b>Total VAT Pool Account</b>	<b>388.35</b>	<b>556.80</b>	<b>139.20</b>	<b>108.86</b>	<b>-30.34</b>	<b>-21.8%</b>
22	<b>TOTAL FEDERATION ACCOUNT</b>	<b>3,506.14</b>	<b>3,026.61</b>	<b>756.65</b>	<b>545.70</b>	<b>-210.96</b>	<b>-27.9%</b>
	<b>TOTAL DISTRIBUTION</b>						
1	Federation Account	3,506.14	3,026.61	756.65	545.70	-210.96	-28%
2	VAT Pool Account	388.35	556.80	139.20	108.86	-30.34	-22%
3	<b>Grand Total</b>	<b>3,894.49</b>	<b>3,583.41</b>	<b>895.85</b>	<b>654.55</b>	<b>-241.30</b>	<b>-27%</b>

Source: The Budget Office of the Federation and the OAGF

16. The pie chart below (*Chart 3*) further illustrates the contribution of revenue sources to the Federation Account. As in the preceding bar chart, revenue from oil sources dominated the pool of inflows into the Federation Account for the first quarter, contributing about 60% of the total inflows, while the non-oil sources contributed the balance of 40%.

Chart 3: Breakdown of Inflows to the Federation Account (as at March 2009)



Source: Budget Office of the Federation

### 2.3 FGN Revenue Sources

17. In line with the existing revenue sharing formula, the FGN’s share of revenue from the Federation Account for 2009 is estimated at ₦1,516.48 billion with other non-FAAC revenues contributing to a projected aggregate revenue of ₦2,265.19 billion. A quarterly inflow of ₦566.30 billion was therefore expected at the end of March, 2009. Please see *Table 6* and *Table 7* below.



Table 6: Projected Inflows to the 2009 Federal Budget

REVENUE FRAMEWORK DESCRIPTION	CONSOLIDATED REVENUE FUND (CFR)	
	2008 Budget (N billion)	2009 Budget (N billion)
Oil Revenue	1,749.07	969.07
FGN's Share Spec. A/C Bals.	0.00	48.57
CIT	168.49	273.31
Customs	128.10	225.53
<b>Sub Total</b>	<b>2,045.66</b>	<b>1,516.48</b>
Independent Revenue	237.39	305.94
VAT	43.41	77.95
FGN's Bals. In Spec. Levy A/Cs	0.00	64.82
FGN's Unspent Bal of Prev. Yr.	0.00	300.00
<b>Total</b>	<b>2,326.46</b>	<b>2,265.19</b>

**Source:** Budget Office of the Federation

18. In the first quarter of 2009, all the Federation Account revenue items underperformed against their respective projections in the 2009 Budget. *Table 7* below shows that oil revenue achieved a performance level of N189.30 billion compared to the projection of N242.27 billion resulting in a 21.86% underperformance. Non-oil revenue sources, similarly, underperformed against projections during the quarter as depicted in the table. The aggregate sum of N90.60 billion was realized as the FGN's share from VAT, CIT and Customs compared to the estimate of N144.20 billion in the quarter representing an under-performance by N53.60 billion or 35.17%. Federal Government Independent Revenue also recorded an under-performance in the sum of N47.33 billion (or 61.88%) as only N29.16 billion was realized against the expected sum of N76.49 billion in the quarter.

19. Though the non-oil revenue targets remain quite ambitious, the low levels of actual performance raises concerns as revenue from these sources has been increasing considerably in recent years. It is expected that as the year progresses, the performance will pick up, as the historical trend has usually been for a slow start. Besides, the Government's determination to audit the collection and remittances of MDAs' Internally Generated Revenues should help in this regard.

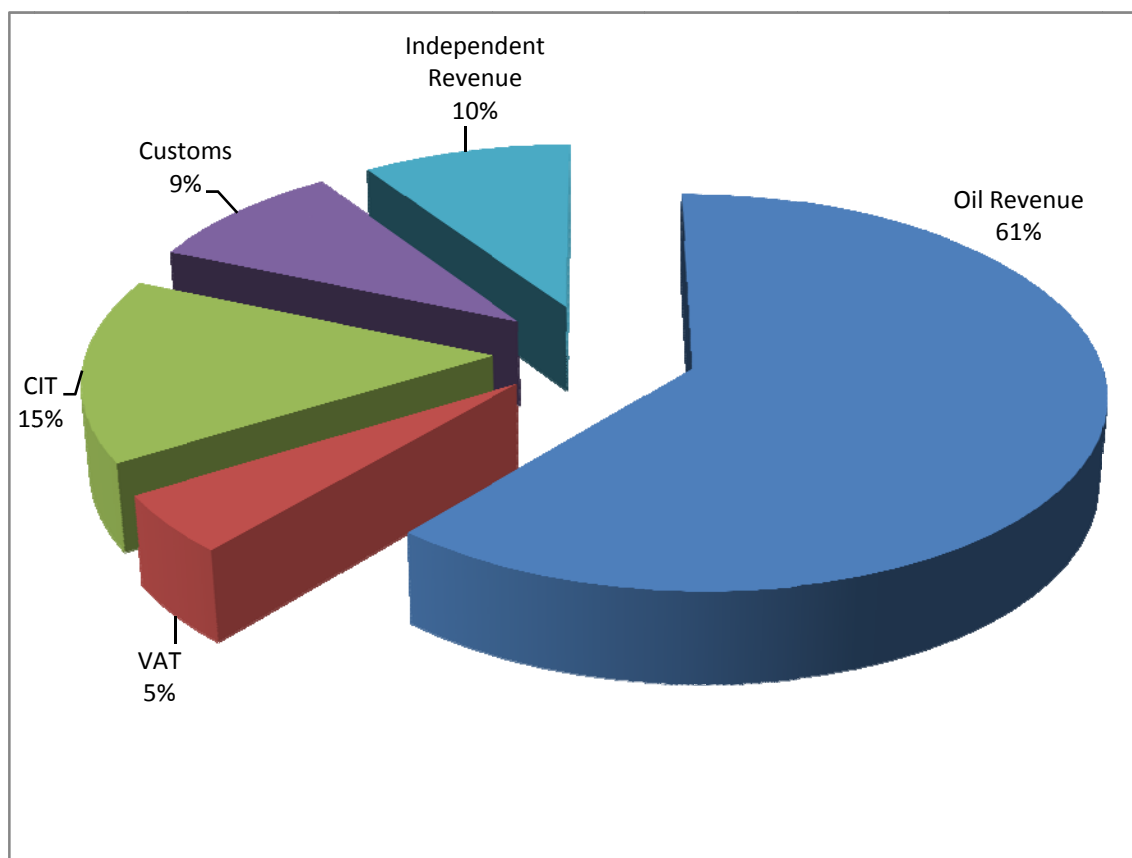
Table 7: Revenue Inflow into FGN 2009 Budget

S/N	DESCRIPTION	2008	2009	2009 1st QTR			
		ANNUAL	ANNUAL	BUDGET	ACTUAL	VARIANCE	
		ACTUAL	BUDGET	BUDGET	ACTUAL		
	FGN BUDGET SHARE	N' Bns	N' Bns	N' Bns	N' Bns	N' Bns	%
1	Oil Revenue	2,680.34	969.07	242.27	189.30	(52.97)	-21.86%
2	VAT	54.37	77.95	19.49	15.24	(4.25)	-21.80%
3	CIT	194.07	273.31	68.33	47.19	(21.14)	-30.94%
4	Customs	126.86	225.53	56.38	28.17	(28.21)	-50.04%
5	<b>Sub-Total (1+2+3+4)</b>	<b>3,055.64</b>	<b>1,545.86</b>	<b>386.47</b>	<b>279.89</b>	<b>(106.57)</b>	
6	Independent Revenue	198.23	305.94	76.49	29.16	(47.33)	-61.88%
7	<b>Total (5+6)</b>	<b>3,253.87</b>	<b>1,851.80</b>	<b>462.95</b>	<b>309.05</b>	<b>(153.90)</b>	
8	Actual Bal. in Special Accts		48.57	12.14	-	(12.14)	-100.00%
9	Balances in Special Levies Account		64.82	16.20	-	(16.20)	-100.00%
10	Unspent Balances of previous Fiscal Year		300.00	75.00	221.43	146.43	195.24%
11	<b>Total (7+8+9+10)</b>	<b>3,253.87</b>	<b>2,265.19</b>	<b>566.30</b>	<b>530.48</b>	<b>(35.82)</b>	<b>-6.32%</b>
	<b>* Shortfall (at budgeted Unspent balance)</b>					<b>(182.24)</b>	<b>-32.18%</b>

Source: Budget Office of the Federation and the OAGF

20. An estimated sum of N566.30 billion was projected to fund the FGN budget in the first quarter of 2009. However, as earlier indicated, the actual revenue realized for the quarter was N309.05 billion. Out of the carryover of N300 billion capital vote from 2008, N221.43 billion was used to bring the aggregate to N530.48 billion for the quarter. This results in a shortfall of N35.82 billion (or 6.32%) in the FGN Budget's aggregate revenue in the quarter. *Chart 4* below shows the distribution of inflows into the FGN budget as at March 2009.

Chart 4: Federal Budget Revenue in the First Quarter



Source: Budget Office of the Federation

## 2.4 Excess Crude Account

21. The revenue accruing from the difference in oil market price and the budget benchmark price given production outturns is paid into the Excess Crude Account. In 2009, the Federal Budget was predicated upon a benchmark oil price of US\$45 per barrel. Inflows to the Excess Crude Account (ECA) as at end March 2009 amounted to N49.04 billion. In the first quarter, the portion of crude oil sales inflow into the Excess Crude Account performed at N36.69 billion while royalties performed at N12.35 billion. The performance of the Excess Crude Account during the first quarter of 2009 is presented in *Table 8*.

Table 8: 2008 Actual Vs Actual Inflow into the Excess Crude A/C (as at Mar 2009)

Description	2008		2009
	Actual	Average Per Quarter	First Quarter (Jan-Mar)
	N'Bn	N'Bn	N'Bn
Crude Oil Sales	1728.45	432.1125	36.69
Petroleum Profit Tax (PPT)	706.03	176.5075	-
Royalties	247.56	61.89	12.35
<b>Total</b>	<b>2682.04</b>	<b>670.51</b>	<b>49.04</b>

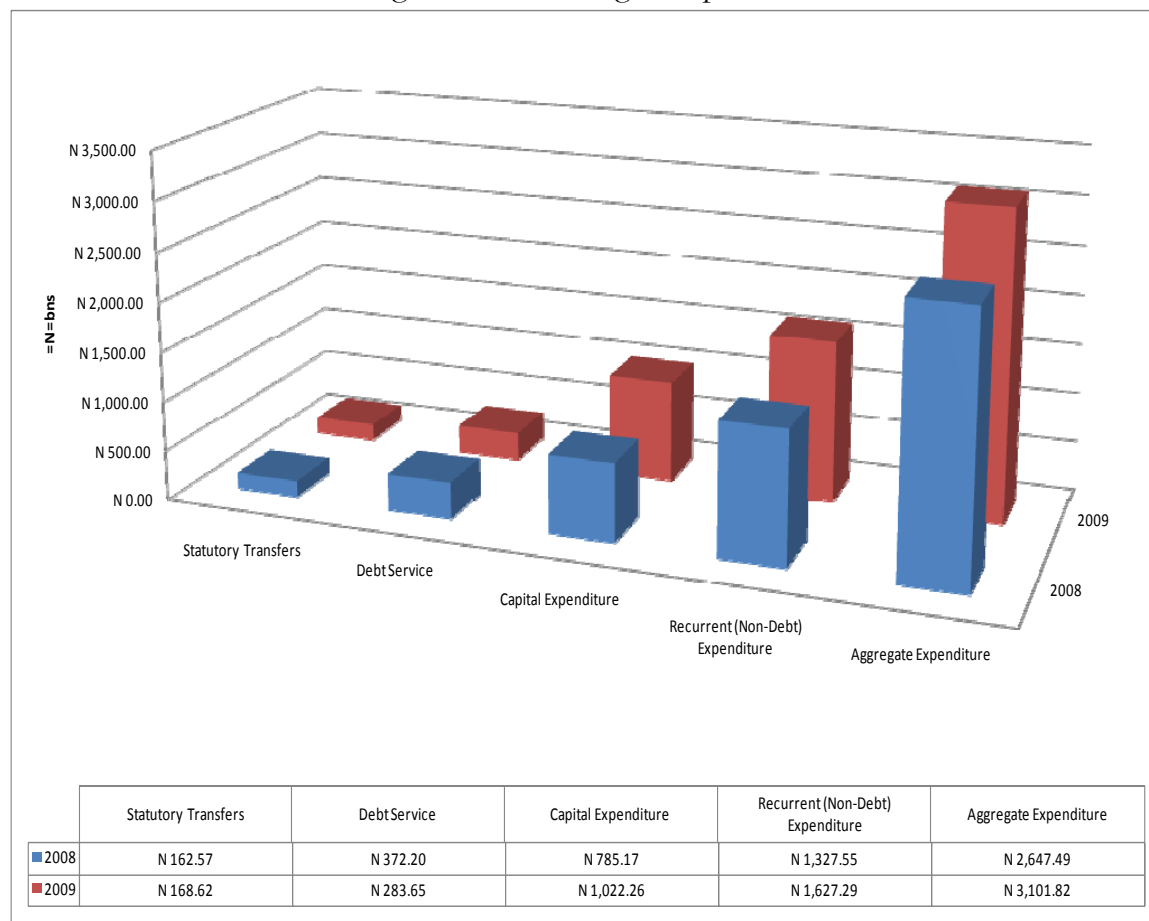
Source: The Office of the Accountant-General of the Federation

### 3 EXPENDITURE

#### 3.1 The Expenditure Profile

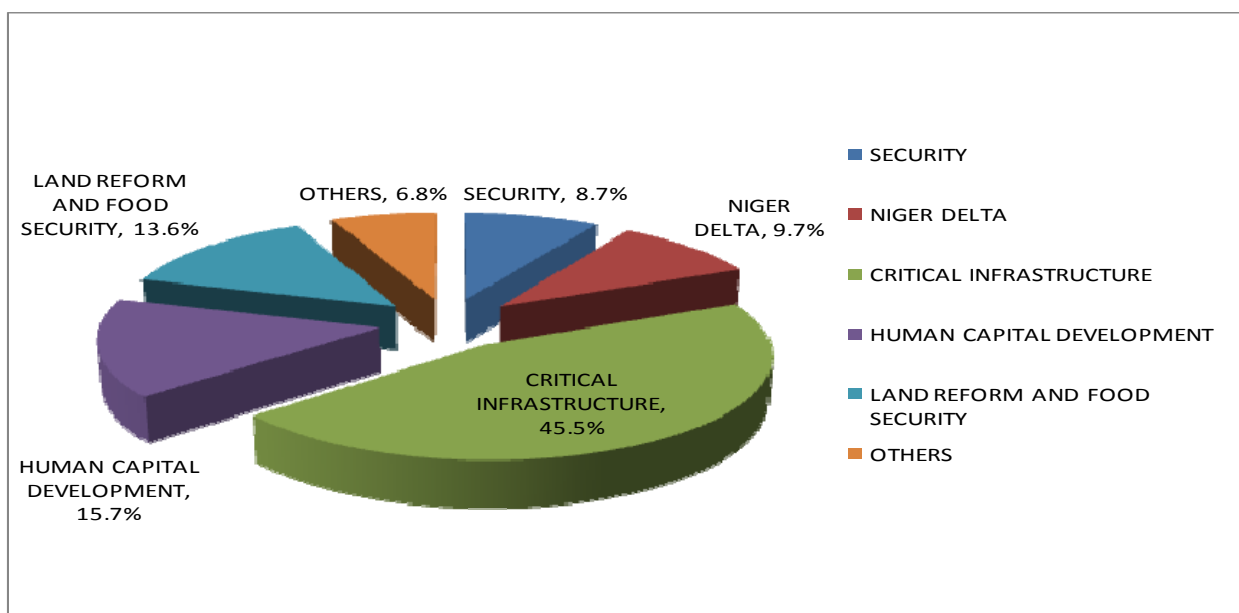
22. A total sum of N3.1018 trillion was appropriated by the National Assembly in 2009 fiscal year. Out of this amount, N1.0223 trillion (or about 33%) was for Capital and Development Funds from about 29.66% in 2008. Recurrent (non-debt) Expenditures got an allocation of N1.627 trillion (or 52% share of the budget), Debt Service was allocated N283.65 billion (representing 9% of the budget), while Statutory Transfers has 5% share of the budget amounting to N168.62 billion. As in the previous years, MDA expenditures had a larger share of the budget with an enhanced figure of N2.6475 trillion as against the 2008 figure of N1.782 trillion. This shift in expenditure is represented in *Chart 5* below.

Chart 5: 2008 Amended Budget vs. 2009 Budget Expenditure Profile



23. In line with the Government’s national economic development plans, the 2009 Budget invests in growth and development with an emphasis on the need to complete ongoing projects. This was with a view to ensuring real impact on the citizens despite reduced resources from oil revenue. In this respect, funds allocations to priority sectors took a substantial percentage of capital approvals thus: critical infrastructure 45.5%, security 8.7%, land reform and food security 13.6%, human capital development 15.7%, Niger Delta 9.7%, while 6.8% was approved for other sectors. *Chart 6* further presents this breakdown.

Chart 6: Priority Sectors Capital Budget allocations in the 2009 Budget



**Source:** Budget Office of the Federation

24. Key budgetary allocations to MDAs were the product of a rigorous exercise aimed at deriving value for every kobo expended by government on capital projects. The process therefore identified a number of measurable deliverables by which MDAs’ performance will be measured. *Appendix 2* of this report shows the various MDAs’ capital budget allocations in 2009 and makes a comparison of this with 2008 capital budget allocations. *Table 9* below lists some of the key deliverables of some MDAs under the 2009 Budget.

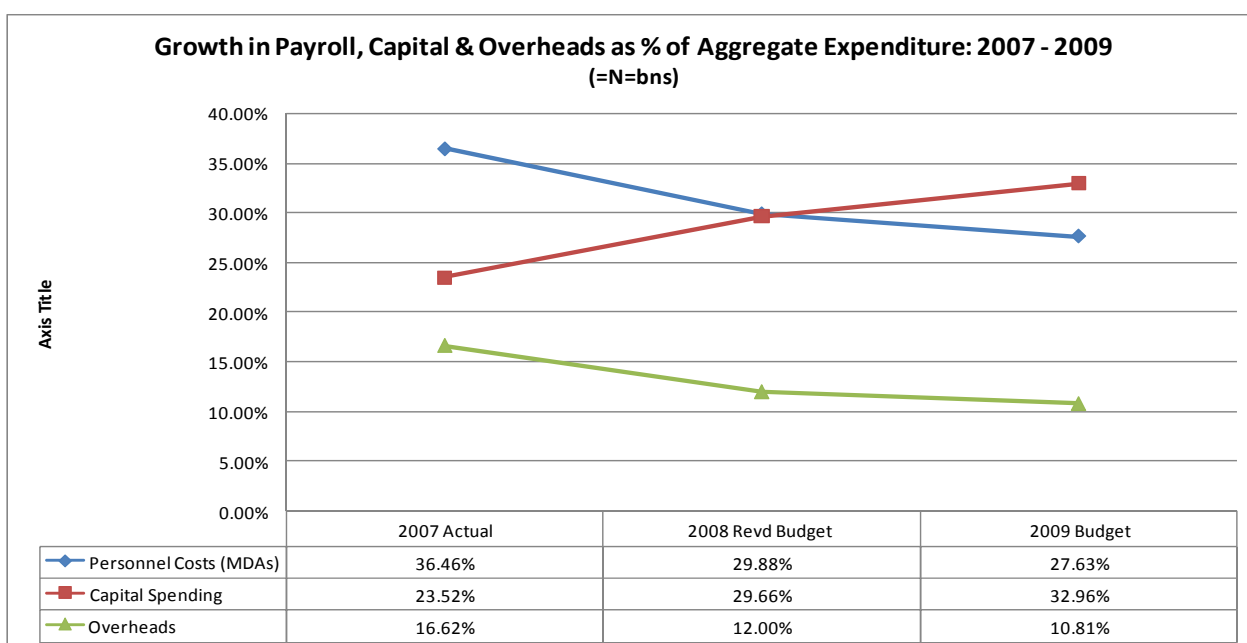
Table 9: Deliverables/Targets of Key Sectors in the 2009 Budget

S/No	MDAS	TARGET/DELIVERABLES TO NIGERIANS IN 2009 FISCAL YEAR
i.	Power	<ul style="list-style-type: none"> <li>▪ Attain 6,000 mw of electricity power generation and distribution by December 2009;</li> <li>▪ Acquire capacity to deliver 1.2bn scf of gas to the domestic market.</li> </ul>
ii.	Works, Housing & Urban Development	<ul style="list-style-type: none"> <li>▪ To complete the construction and rehabilitation of 3,293 km of roads;</li> <li>▪ Maintain over 10,000 km of federal roads annually over the next 3 years;</li> <li>▪ Zonal intervention road projects to cover about 2,400km of roads</li> </ul>
iii.	Health	<ul style="list-style-type: none"> <li>▪ To complete the upgrading and modernization of three Teaching Hospitals (Awka, Calabar and Ile-Ife);</li> <li>▪ To complete the upgrading and modernization of 7 Specialist Hospitals (Kaduna, Lagos, Kano, Calabar, Enugu, Maiduguri and Abeokuta)</li> </ul>
iv.	Internal Security	<ul style="list-style-type: none"> <li>▪ The police targeted to reduce crime by 40% through in 7 cities of the federation in 2009 (i.e., Abuja, Lagos, Kano, Ibadan, Port Harcourt, Maiduguri and Onitsha).</li> </ul>
v.	Agric and Water Resources(Food Security)	<ul style="list-style-type: none"> <li>▪ To increase land under cultivation by 5%;</li> <li>▪ Optimize 220,000 hectares of irrigation infrastructure;</li> <li>▪ Irrigate 12,000 hectares of arable land to increase crop yields by between 50% – 250%; and</li> <li>▪ Increase contribution of agriculture to GDP by 5%.</li> </ul>
Vi	Federal Capital Territory (FCT)	<ul style="list-style-type: none"> <li>▪ To complete the headquarters of:                             <ul style="list-style-type: none"> <li>○ Foreign Affairs Ministry;</li> <li>○ Fed. Secretariat Building Phase II (Bullet House);</li> <li>○ Shehu Shagari Complex.</li> </ul> </li> </ul>
Vii	Niger Delta	<ul style="list-style-type: none"> <li>▪ Completion of the East-West Road</li> <li>▪ Completion of Youth training/development centres in states in the Niger Delta</li> </ul>

### 3.2 Recurrent Budget Implementation Status as at First Quarter of 2009

25. The Recurrent vote has been rising in absolute terms over the last three years in tandem with the increasing levels of Aggregate Expenditure. However, the Government has taken steps to curb recurrent expenditures in line with revenue constraints. As seen in *Chart 7* below, both Personnel and Overhead costs are falling as a percentage of aggregate expenditure.

Chart 7: Payroll, Overhead & Capital Expenditure Trends (2007 – 2009)



**Source:** Budget Office of the Federation

26. Due to the need to maintain public spending on essential recurrent expenditure pending the passage of the 2009 Appropriation Bill, the first quarter overhead releases were made based on the 2008 Amendment Budget. The personnel vote was accorded a similar treatment. However, with the passage of and assent to the 2009 Appropriation Act, the appropriate adjustments are to be made to both the overhead and personnel releases in the second quarter to ensure due compliance with the 2009 Appropriation Act.



### 3.3 Capital Budget Implementation Status as at First Quarter of 2009

27. The implementation of the 2009 Budget has been informed by the need to critically assess, appreciate and respond to the challenges faced by MDAs in their implementation of the 2008 Budget. Accordingly, several measures were taken to ensure that there would be a significant improvement in implementation during the 2009 budget cycle.

28. Firstly, to achieve continuity in the implementation of on-going capital projects, the Budget Office of the Federation issued Capital Warrants in respect of all continuing projects on 9 January 2009. This early release of the First Quarter Capital Warrants was based on the 2008 Amended Budget in anticipation of the passage of the 2009 Budget by the National Assembly. As the relevant projects are ongoing, MDAs were not expected to encounter procurement challenges as no new awards of contracts would be necessary. Any differences arising between the 2008 Amended Budget figures and the 2009 Budget figures, regarding new projects and initiatives, were expected to be made up in the second quarter warrant releases. This is in line with the Financial Regulation No: 418 which states inter-alia that:

*“a Provisional Development Fund General Warrant, which will be issued if the draft capital estimates have not been approved by the National Assembly at the beginning of the financial year, authorizes payment from the Development Fund of such moneys as are necessary for carrying on projects for which any expenditure has been authorized in any previous financial year for a period of 3 months or until the authority of National Assembly has been obtained for the draft Capital Estimates for the current financial year whichever is shorter.”*

29. Secondly, since the 4<sup>th</sup> quarter of 2008, the Federal Government has released its Development Fund Capital Warrants on an aggregate basis instead of the former project-by-project method. As such, the self-accounting status of MDAs is further enhanced as each MDA now has greater flexibility in setting their spending priorities for greater efficiency and output. Rather than accumulating funds for individual projects till the last quarter before the relevant sums are sufficient to meet large expenditure requirements, MDAs are now at liberty to select and accelerate the procurement of priority capital projects, provided however, that aggregate spending on individual capital projects or programs do not exceed the amount allocated in the

Appropriation Act. Finally, the due process regulations under the Public Procurement Act 2007 have been significantly simplified by decentralizing control over processes and procedures to the MDAs. As such, MDAs are fully responsible for their procurement processes subject to the approval limits.

30. In aggregate, the sum of N200.37 billion was released to MDAs for capital expenditures in the first quarter of the year. This includes N187.684 billion released by warrants, and N12.0 billion and N687.5 million released through the Authority to Incur Expenditures (AIEs) to the Niger Delta Ministry and the Defence Ministry, respectively. As at 31 March 2009, N160.84 billion of the released amount had been cash-backed by the Office of the Accountant-General of the Federation (OAGF) while only N33.26 billion was accessed and utilized by the MDAs. This outcome results in a 20.68% performance of MDAs in the utilization of funds released to them for the first quarter. However, MDAs fully utilized the recurrent expenditure releases as was the case in previous years. In line with data received from the Office of the Accountant-General of the Federation, *Appendix 1* of this report shows details of MDAs' utilization of the Capital Budget release as at end of the first quarter of 2009.

31. A survey of seven key MDAs resulted in the data in *Table 10* below. This extraction from *Appendix 1* shows a significantly low level of utilization by the sampled MDAs with only the Ministry of Works performing above the average overall utilization rate of 20.68% for the quarter. In spite of the measures noted above that Government has introduced to improve budget implementation, actual performance in the first quarter of 2009 was below expectations. Their respective implementation level for the quarter is discussed in the following paragraphs.

32. In this report, the assessment of MDAs' level of implementation of their projects and programmes in the quarter is based strictly on responses received from them. Physical verification and inspection of the various projects is reserved till the end of the fiscal year when the 2009 Budget would have been fully implemented.

Table 10: A Sample MDAs' Capital Budget Utilization Report as at March 2009

MDA	FIRST QUARTER		PERFORMANCE
	AMT. RELEASED (N'Bn)	AMT. UTILIZED (N'Bn)	%
POWER	28.324	0	0.00%
POLICE FORMATIONS	2.801	0	0.00%
FCTA	3.179	0	0.00%
HEALTH	7.274	0.016	0.22%
AGRIC & WATER RES.	26.887	1.75	6.51%
TRANSPORT	1.54	0.182	11.82%
EDUCATION	12.608	2.228	17.67%
<b>WORKS</b>	<b>29.129</b>	<b>20.879</b>	<b>71.68%</b>
<i>Total Average of All MDAs</i>			<i>20.68%</i>

Source: The OAGF

### Ministry of Police Affairs / Police Formations & Command (Security)

33. This sector was given about 8.7% of the total capital vote in the 2009 Budget. Police Formations and Command were voted 2.1% of the total capital vote. They had N2.801 billion representing the first quarter capital budget released and fully cash-backed for the implementation of their on-going projects. *Table 10* above however shows that in spite of the foregoing consideration, the MDA failed to utilize the funds released to them.

34. The sector has a key deliverable to reduce crime by 40% in seven cities nationwide. Being a new project, provisions towards this objective are scheduled for release in the second quarter.

35. The Command officials informed the Budget Office team that the N2.801 billion released to them has been committed in-principle, to the payment of outstanding certificates for works done on some completed and on-going projects. This, the team was informed, is awaiting approval of the authorities towards drawing on their capital funds from the Central Bank of Nigeria.

36. Some of the projects said to be 100% completed in the first quarter of 2009 include: 1 No. 4-Man Rank & File Quarters (N14.28 million); 1 No 3-Bedroom Block for Senior Police Officers Quarters (N15.47 million) at Kente Ayim-Akwana, Benue

State; 1 No. Block-Wall fence of nine hundred million blocks for Mobile Police Force (N14.98 million) in Taraba State; renovation of Staff Quarters and Barracks of 2,570 number 2-bedroom flats, and 135 number 3-bedroom flats in Bayelsa state (N573.60 million); and the renovation of 2,570 2-bedroom and 135 3-bedroom Staff Quarters/Barracks in Plateau State (N1.79 million).

37. Other ongoing projects which were at different levels of completion and to which the first quarter funds are scheduled for application, as informed by the Command officials, include: renovation of a number of works at about 85% level of completion - Police Staff Quarters and Barracks in Oyo State (N1.93 million), 2 Nos. Inspectors Quarters in Benue State (N15.99 million); and 2,570 2-bedroom and 135 3-bedroom Staff Quarters/Barracks in Adamawa state (N2.04 million). Other projects include the renovation of Inspectors' Quarters in Taraba State which is reported to be at about 70% completion (N15.78 million) and the renovation of various Police Staff Quarters and Barracks in Ogun State (N2.0 million) which is at about 60% of completion.

*Presidential Initiative on Crime Control:*

38. *Table 11* below is an extract of the crime position in major cities nationwide as at September 2008. These are scheduled for reduction by 40% within the year, according to the deliverables agreed with the Police.

Table 11: Reported crime rate in the Seven Target cities

Source: The Nigeria Police

39. In respect of the sector's key deliverable on crime reduction in seven pilot cities of Abuja, Lagos, Ibadan, Port-Harcourt, Onitsha, Kano and Maiduguri, the Command Officials informed our team that advertisements and prequalification assessments have been made, and they have completed the bidding processes. To enable the Command proceed with the award of necessary procurement contracts, they informed our team that they were awaiting the release of the N5.738 billion voted for this project in the 2009 Budget.

40. In addition, the Officials informed the team that adequate strategies have been put in place to simultaneously mobilize to the seven identified cities in order to forestall possible relocation by criminals from one big city to another in the course of implementing the programme. Furthermore, the Command has reportedly put in place plans to procure the required equipment and accessories towards executing this project.

41. The delay in de-merging the Ministry of Police Affairs from the Interior Ministry, which involved separation of funds and personnel, was also mentioned as a contributing factor for the delay in finalizing funds utilization in the first quarter.

### **Federal Ministry of Works, Housing and Urban Development**

42. The Ministry of Works, Housing, and Urban Development occupies a crucial position in this Administration's drive to investing in, and restoring Critical Infrastructure. The Ministry had 20.41% of the entire capital budget in consideration of this position to aid its key mandate to ensure a good internal road network. Key among the MDAs' deliverables include the completion of the construction and rehabilitation of 3,293km of roads nationwide; maintenance of 10,000km of federal roads annually over the next three years; and zonal intervention road projects to cover about 2,400km of roads nationwide. In the first quarter of the year, N29.128 billion was released by the Budget Office to the Ministry out of which N20.87 billion (71.68%) was accessed and expended on various road projects.

#### *Projects Completed within the Quarter:*

43. The Ministry indicated that the accessed amount was applied towards making payment for outstanding certificates on twenty five (25) on-going projects of the

Ministry that would aid the achievement of the above key deliverables. Among the projects, which are at various levels of completion, the following were reported to have attained 100% completion within the first quarter of 2009:

- i. *Rehabilitation of Owerri – Obowo Road, Imo State.* This project was executed by Mife Construction Company Limited at a total cost of N1.263 billion. The total certified work done paid to date, including N19.86 million paid in the quarter amounts to N1.23 billion.
  - ii. *Dualization of Otta – Abeokuta Road, (Vol. III), Ogun State.* This road was dualized by Julius Berger Nigeria Plc, at a cost of N14.09 billion. The sum of N871.37 million was paid on the project in the first quarter bringing total certified payments to date to N14.07 billion.
  - iii. *Dualisation of Ibadan-Ilorin Road, Section III.* Messrs. R.C.C. Nigeria Limited was contracted to execute this project at a total cost of N15.85 billion. According to information from the Ministry, the sum of N692.474 million was paid to the contractor on this project in the first quarter bringing the total amount paid to date to N14.76 billion. This project was completed in the first quarter with 2% of work done during the quarter.
44. Other projects to which the Ministry said it applied the funds accessed in the first quarter include the following:
- i. *Construction of Nasarawa – Toto-Abaji Road, C/No. 5805 in Nasarawa State.* This project is being executed by Bulletine Construction Limited at a sum of N4.423 billion. The total amount paid to date on this project including the sum of N74.34 million paid in the quarter aggregates to N4.084 billion. The project was reported to have achieved an aggregate implementation of 84.22% since inception, with 11.66% of work achieved in the first quarter.
  - ii. *Construction of Langtang-Lalin-Tunkun-Shendam Road, C/No. 5334.* This project is being executed by Mothercat Limited at a contract cost of N4.71 billion. The project received N182.97 million as payment in the quarter bringing total payment to date to N3.15 billion. The project achieved 5.91% of work in the first quarter bringing the total implementation level as at end of the quarter to 60.61%.

- iii. *Rehabilitation Funtua-Gusua-Sokoto Road, Section 3, Talata Mafara-Sokoto, C/No. 5694.* Mothercat Limited was contracted to execute this project at a cost of N3.7 billion. The project received payment of N358.55 million in the first quarter bringing total payments to date to N3.2 billion. The project had achieved 87.73% of completion as at December 2007. No work was done on the project in the first quarter.
- iv. *Rehabilitation of Ekuobia-Oko-Ibinta-Nnobi in Anambra state.* This project is being executed by Master Holdings Nigeria Limited at a contract sum of N1.87 billion. The project received payment of N204.31 million in the first quarter. The Federal Government had committed the sum of N1.31 billion to the project to achieve 90.9% project completion, with 20.9% of the implementation achieved in the first quarter.
- v. *Addendum to Dualization of Otta-Abeokuta Road in Lagos/Ogun State, C/No. 3278A.* This project is being executed by Julius Berger Nigeria Plc at a contract sum of N9.6 billion. It received N1.5 billion payment in the first quarter bringing the total to date to N7.9 billion. Further to a series of meetings with the Contractor, who had abandoned the project site since 2006 due to accumulated unpaid certificates amounting to about N2 billion, this payment was meant to encourage them to mobilize back to site. The project is reported to have achieved 79% completion.
- vi. *Rehabilitation / Construction of Ijebu Igbo – Araromi-Ife-Sekona Road, Section 2, C/No. 5379B.* This project was awarded to Kopec Construction Limited at a cost of N5.71 billion. The project received payment of N310.7 million in the first quarter bringing the total amount paid to date to N5.11 billion. The project achieved 10.35% of work done in the first quarter bringing the level of completion to 79.7%.
- vii. *Rehabilitation of Funtua-Yashi-Dayi-Kano State Border Road, C/No. 5264.* This project is being executed by Mothercat Limited at a cost N5.62 billion. It had a payment of N932.45 million in the first quarter. The Federal Government has thus committed the total sum of N3.44 billion to the project to achieve 57.59% of completion. 1.28% of the achieved implementation was in the first quarter.
- viii. *Rehabilitation and Asphalt Overlay of Benini-Sagamu Expressway (Benin-Ofosu Section), Edo State.* This project was awarded to R.C.C. Limited at a contract sum of N7.59 billion. It received payment of N427.8 million in the first quarter

- bringing total payment to date to N5.7 billion. 11.41% of work was done in the first quarter bringing the level of completion to 89.14%.
- ix. *Dualization of Onitssha-Owerri Road, Section 2, C/No. 5820.* This project is being executed by Julius Berger Limited at a contract sum of N19.42 billion. It received payment of N1.11 billion in the first quarter bringing total payments to date to N12 billion. Work done in the first quarter was 13.89% bringing total to completion to 62.97%.
- x. *Completion of the Rehabilitation & Upgrading of Lagos-Sagamu Road, in Lagos/Ogun State.* This project is being executed by R.C.C. Nigeria Limited at a contract sum of N3.445 billion. It received payment of N480.37 million in the first quarter bringing total payment to date to N1.95 billion. The project has achieved an aggregate implementation of 71.02% including 22.94% of works in the first quarter.
- xi. *Construction & Rehabilitation of Mubi-Gella Road, C/No. 5890 in Adamawa State.* This project is being executed by Nigerian Road Construction Limited (NRC Ltd.) at a contract sum of N2.253 billion. It received payment of N286.01 million in the first quarter bringing total payments to date to about N875 million out of total certificated work valued at N1.44 billion. The rehabilitation of Mubi-Gella Road was initially scheduled for completion by 16 February 2006 but was extended to 15 May 2009. At 56.12% implementation as at end of the first quarter, meeting this date appears very unlikely.
- xii. *Rehabilitation of Kaura Namu-Shinkaffi-Sabon Birnin Road, C/No. 5807 in Zamfara State.* This project is being executed by Mothercat Limited at a contract sum of N4.02 billion. It received N276.76 million in the first quarter bringing total payments to date to N2.62 billion. It is reported to have achieved 1.17% of work in the first quarter leading to about 83.1% of completion.
- xiii. *Construction of Kano Western Bye-Pass.* This project is being executed by Dantata & Sawoe Construction Company Limited at a contract sum of N13.227 billion. It received payment of N1.22 billion in the first quarter bringing total payment to date to N3.22 billion. The project is reported to have achieved 1.09% of work in the first quarter bringing total achievement to completion to 14.34%.
- xiv. *Rehabilitation of Obiazara-Uburu-Ishiagu Road, Ebonyi State.* This project is being executed by Setraco Nigeria Limited at a contract sum of N7.98 billion. It received N924.79 million in the first quarter bringing total payment to date to



- N3.49 billion. Although no work was done in the first quarter, the project is reported to have achieved 34.72% of completion.
- xv. *Abuja-Abaji Road (Section I, International Airport Link Road Junction – Sheda Village Junction), C/No. 5862.* This project is being executed by Dantata & Sawoe Construction Company at a contract sum of N11.23 billion. It received N900 million as payment in the first quarter bringing total payments to date to N3.07 billion. The project is reported to have achieved 1.3% of work in the first quarter bringing total work completion to 23.9%.
- xvi. *Abuja-Abaji Road (Section II, Sheda Village Junction-Abaji), C/No. 5863.* This project is being executed by R.C.C. Nigeria Limited at a contract sum of N9.63 billion. It received N900 million as payment in the first quarter bringing total payments to date to N3.07 billion. With no work done in the first quarter, it is reported to have achieved 30.22% of completion.
- xvii. *Abuja-Lokoja Road (Section III, Abaji-Kotonkarfi), C/No. 5884.* This project is being executed by Bulletine Construction Limited at a contract sum of N9.7 billion. It received N1.99 billion as payment in the first quarter bringing total payments to date to N3.94 billion. The project is reported to have achieved 0.1% of work in the first quarter bringing total implementation to date to 24.36%. The Ministry is reported to have had to make these funds available to the contractor to enable it to accelerate work and thereby take advantage of the dry season. The project was scheduled for completion on 11 April 2009.
- xviii. *Kano-Maiduguri Road (Section I, Kano-Wudil-Shuarin).* The Kano-Maiduguri road is a Presidential initiative project covering a total length 552.770 kilometers and traverses Kano, Jigawa, Bauchi, Yobe and Borno states. The entire project at a total cost of N135.190 billion is sub-divided into five sections and awarded to five different contractors in 2006. This section of the project is being constructed by Dantata & Sawoe Construction Company at a contract sum of N37.72 billion as awarded in September 2006. It received payments of N2 billion in the first quarter bringing total payments to date to N6.97 billion (or 18.48% of the contract sum). The project was reported to have achieved 7.04% of implementation to date.
- xix. *Kano-Maiduguri Road (Section II, Shuarin-Azare).* This section of the project is being constructed by Setraco Nigeria Limited at a contract sum N35.84 billion with certified work to date at N9.78 billion. It received payments of N3 billion

in the first quarter bringing total payments to date to N7.27 billion (or 20.28% of the contract sum). 1.52% of work was reportedly done in the first quarter bringing total achievement to date to 20.62%.

- xx. *Kano-Maiduguri Road (Section III, Azare-Potiskum)*. This section of the project is being executed by Mothercat Limited at a contract cost of N29.1 billion while certificated work to date is N6.93 billion. It received payment of N1.5 billion in the first quarter of the year bringing the total payments on the project to date to N4.73 billion (or 16.25% of the contract sum). With work done of 1.16% in the first quarter, the project is reported to have achieved 14.56% of level of implementation.
- xxi. *Kano-Maiduguri Road (Section IV, Potiskum-Damaturu)*. This section of the road was awarded to Messrs. CGC Nigeria Limited at a contract sum of N30.25 billion. It received N1 billion as payment in the first quarter bringing total payments to date to N4.4 billion against certified work to date of N5.98 billion. The project is reported to have achieved 15.29% of work so far. The payment within the quarter was reportedly aimed at offsetting part of the Government's obligation to them to engender further work on the project.
- xxii. *Kano-Maiduguri Road (Section V, Damaturu-Maiduguri)*. This last section of the road project was awarded to Messrs CCECC Nigeria limited at a contract sum of N39.9 billion. It received N1 billion as payment in the first quarter bringing total payments to date to N4.15 billion against total certificated work done to date of N7.62 billion. The project is reported to have achieved 10.90% of work so far. The Ministry explained that this payment, as with the previous sections, was aimed at offsetting part of the outstanding certificates, and speeding up the execution of the project.

### **Federal Ministry of Agriculture and Water Resources**

45. In view of this sector's importance to the attainment of Mr. President's 7-Point Agenda on Food Security, the Ministry had a capital budget allocation of N138.93 billion or 13% of the capital budget in the 2009 Budget. Of this amount, the sum of N26.88 billion was released to the Ministry in the first quarter of the year for implementation of its on-going capital projects. However, the Ministry utilized only N1.75 billion (or 6.51%) of this amount within the period under review. The key deliverables of this Ministry include: increasing the total land under cultivation nationwide by 5%; optimizing 220,000 hectares of irrigation infrastructure; irrigating

12,000 hectares of arable land to increase crop yields by between 50%-250%; and increasing its contribution to the national GDP by 5%.

46. As at end of the quarter, the Ministry had commenced publication of its procurement notices in the national dailies towards making procurements for implementation of its projects and programmes in the 2009 Budget. While acknowledging the above report (*Table 10*) on their utilization of the first quarter capital release, the Ministry explained that they have earmarked or committed the sum of N3 billion for payment on the Lot A of the Gurara Water Transfer Project, and N2 billion on Lot B of the Gurara water Project. In the same vein, the Ministry had also earmarked the sum of N11.012 billion for procurement of fertilizers which contracts have already been awarded and 15% mobilization of N6.38 billion made. The following paragraphs further explain their implementation of these ongoing projects.

*Gurara Water / Irrigation Projects:*

47. This project with a storage capacity of 880 million cubic meters was conceived by the Federal Government to provide adequate water supply to the FCT in view of its rapidly growing population. Our interactions with the Ministry's officials revealed that the sum of N1.75 billion accessed in the first quarter was spent on provision of infrastructure at the on-going *Gurara Water Projects Lots A and B*. The Lot A component of the water projects is comprised of the construction of a multipurpose Dam to generate 30mw power production, and 2,000-hectare land irrigation. Lot B comprises 75km of 3m water pipelines from Gurara Dam to the Lower Usuman Dam. The two water projects were reported to have achieved 97% and 99% cumulative level of completion respectively. The project is expected to be completed within the year.

*Procurement of Fertilizer.*

48. The Ministry has reportedly commenced the procurement of fertilizer with the award of contracts to meet up with the 2009 cropping season needs. In this regard, the sum of N11.01 billion budgeted for the subsidy in the 2009 has been earmarked. This is with a view to speeding up the procurement and distribution of the products to practising farmers towards meeting their key deliverables in 2009. The ministry reported that 90% of the fertilizer procurement has been achieved.

## Federal Ministry of Health

49. In recent years, much attention has been paid to the health sector by the Federal Government particularly in a bid to achieve health related objectives of the Millennium Development Goals. In the 2009 Budget, N50.803 billion or 5% of the entire capital budget was appropriated to the health sector for the establishment, rehabilitation, and upgrading of medical facilities and programmes in the country. The sum of N7.27 billion was released to the sector in the first quarter, out which it utilized only N15.76 million (or 0.22%). The ministry's key deliverables include: completion of the upgrading and modernization of 3 Teaching Hospitals (in Awka, Calabar and Ile-Ife), and 7 Specialist Hospitals (in Kaduna, Lagos, Calabar, Enugu, Maiduguri, and Abeokuta).

50. Our interactions with officials of the Ministry revealed that the utilized amount was applied to two ongoing projects detailed below.

### *Epidemiology: Health Emergency Expense*

51. The sum of N20 million was budgeted for the epidemiology projects in 2009. The project implementation in the epidemiology unit includes the upgrading and strengthening of Federal Institutions responsible for prevention and treatment of thirty-three (33) preventable diseases. In line with their implementation programme, the Federal Ministry of Health released the sum of N6.25 million to the unit to carry out its activities in the first quarter towards arresting epidemic problems nationwide. The programme had achieved 31% implementation as at the end of the first quarter.

### *Improvement and Development of Sub-Sector Capacity Building for various National and Internal Health Policies*

52. The sum of N200 million was appropriated for this capital project in the 2009 fiscal year. Out of the N15.76 million utilized by the MDA, N9.26 million was expended on the improvement and development of the sub-sector's capacity building on various national and international health policies. As at the time of this report, 10% of this programme had been achieved. The ministry indicated that it was finalizing preparations to launch the programme.

53. Going by information provided, the Ministry has drawn up a procurement plan that would see to the completion of contract awards for procurements on the 2009 Budget by 20 May 2009. The Ministry needs to accelerate efforts in ascertaining the extent of work done so far towards meeting the above key deliverables.

### **Federal Ministry of Education**

54. The education sector is one of the Government's priority sectors, and is crucial to the achievement of Human Capital Development point in the Administration's 7-Point Agenda. The sum of N40.00 billion was appropriated for the Ministry of Education for implementation of its capital projects in 2009. The sum of N12.62 billion was released to the sector in the first quarter for the implementation of its ongoing capital projects/programmes. Of this amount they utilized only N2.23 billion (or 17.67%) in the first quarter.

55. As at the time of writing this report, the Ministry was in the process of compiling more detailed information and data on projects to which the accessed funds were applied. The application of the funds in broad terms as obtained from the Ministry is as follows:

#### *Federal Colleges of Education*

56. The under-listed Federal Colleges of Education were reported to have fully utilized the capital funds released to them for the implementation of their on-going capital projects in the first quarter. These include: Federal College of Education, Gusau (N14.5m); Federal College of Education, Kontagora (N36.462m); Federal College of Education, Omuku (N55.742m); Federal College of Education, Pankshin (N22.799m); Federal College of Education, Potiskum (N20.565m); Federal College of Education, Umunje (N53.388); and the Federal College of Education, Eha-Amutu (N42.645m).

#### *National Library of Nigeria*

57. Capital appropriation for 2009 fiscal year was N2.74 billion. The sum of N482.29 million was released and reportedly utilized for payment of outstanding certificates on the on-going Library project. This project had achieved 17.5% implementation as at the end of the quarter.

*National Board for Technical Education (Secretariat and Polytechnics)*

58. The sum of N1.16 billion was disbursed to the National Board for Technical Education. Of this amount, N257.75 million representing 22.26% was reported to have been spent on the capital projects of the Agency at the end of the first quarter.

*Universal Basic Education (UBE) Commission*

59. The Commission received the sum of N1.63 billion. Of this amount, N613.65 million (or 37.65%) was reportedly utilized for the payment of FTS allowances to Junior Secondary Schools and Primary Schools.

*National Teachers Institute (NTI)*

60. Capital appropriation to the agency in 2009 was N3.25 billion, while the sum of N954.77 million was released to the Institute for the first quarter. However, it failed to access any fund in the first quarter resulting in 0% fund utilization.

**Federal Capital Territory Administration (FCTA)**

61. In view of the importance of this Ministry to the Federal Government's achievement of its goal to provide Critical Infrastructure, this Ministry had a capital budget vote of N66.65 billion or 6.52% of the entire capital vote in the 2009 Budget. Out of this amount, the sum of N3.17 billion was released, cash-backed and credited to the account of the Ministry for the implementation of its ongoing projects in the first quarter. As at end of the first quarter, however, the Ministry was yet to access the funds. Its key deliverables in 2009 include: Completion of Office Building Complexes like the headquarter buildings of the Foreign Affairs Ministry, the Federal Secretariat Building Phase II, and the Shehu Shagari Complex; Environmental and Sewage Management; Water Supply; and Other Infrastructure projects.

62. In the course of our interactions with the FCTA, the officials reported that though the amount released to their account had not been physically accessed, commitments had been made in this regard. The Ministry's ongoing projects to which the released funds are reportedly earmarked include the following:

*Complementary Engineering Infrastructures to FCC Stage 11*

63. The amount appropriated for this project in 2009 was N4.0 billion. Of this amount, the sum of N1.5 billion was committed or earmarked for payment in the first quarter. The recorded level of completion of the project as at December 2008 was 74.3%, while an additional 5.7% work was done in the first quarter to achieve 80% overall project implementation level.

*Addendum To Guzape 1*

*(Construction of a Roundabout, 2 Flyover Bridges and Associated Works at Isex/Road C1- AYA Junction)*

64. This project has a capital vote of N1.2 billion in the 2009 Budget. From the first quarter allocation, the sum of N75.79 million was paid to the contractor for the approved certificates. This project had achieved a cumulative project completion level of 40%, including the 8% of work achieved in the first quarter.

*Abuja Technology Village*

65. The sum of N4.5 billion was appropriated for this project in 2009 out of which N1.5 billion was committed for its implementation in the first quarter. As at the end of 2008 the project was 15% completed. Additional works carried out within the quarter was estimated at 2%, leading to the overall project implementation level of 17% from inception.

*Completion of Prototype Ministry Building Plot 4, Phase 2:*

66. The project referred to as Bullet House Extension was appropriated the sum of N2 billion in the 2009 Budget. With the superstructure reportedly completed as at end of 2008, the FCTA reported that the project was undergoing finishing works as at 31 March 2009. It is scheduled for completion by the fourth quarter of 2009.

*Nigerian Institute of International Affairs – Headquarters Building*

67. This project was appropriated the sum of N500 million in the fiscal year. As at end of the first quarter, the project was reported to be undergoing finishing works. The project is scheduled for completion by July 2009.

## Federal Ministry of Power

68. Inadequate electric power supply remains a major constraint to growth in the economy. The Government in an effort to address this problem, set targets of increasing total power generation to 6,000 megawatts by December 2009. Determined to achieve this target, the capital budget of the Ministry has remained high with an appropriation of N94.62 billion or 9.3% of the entire capital budget for the execution of its capital projects and programmes in the 2009 Budget. Of this amount, N28.32 billion was released in the first quarter of the year to implement its on-going capital projects. In spite of the foregoing however, the Ministry had not accessed the released funds as at the end of the first quarter. The Ministry's key deliverables include: acquisition of capacity to deliver 1.2bn scf of gas to the domestic market, and attainment of 6,000mw of electricity power generation and distribution by December 2009.

69. Ongoing projects on which the amount released in the first quarter was scheduled to fund include: Power intervention through LPFO/GAS (N60.0 million); Ughelli Power Plant (N1.2 billion); Egbin Electrical Power PLC (N1.7 billion); Kainji Hydro Electrical PLC (N850.0 million); Jebba Hydro Electrical PLC (N850.0 million); Sapele Hydro Electrical PLC (N1.0 billion); Transmission Company of Nigeria (N23.1 billion); Abuja Electricity Distribution PLC (N1.75 billion); Benin Electrical Distribution PLC (N3.53 billion); Eko Electricity Distribution (N2.95 billion); and Ibadan Electricity Distribution PLC (N4.26 billion).

70. As at the end of the first quarter, the report was that contracts for the following projects had already been awarded with contractors mobilized to site: Supply of Field Test Equipment, Completion of Counterpart Funding for Japanese Grant-in-Aid for the Electrification of Eburutu Communities in Cross River State, 10MW Wind Farm in Katsina (Mashi) (N2b) and 5MW and Farm in Kogi (N1b), Cross River Solar Electrification, Bauchi Solar Electrification, and Renewable Energy Consultancy. Others are: Katsina Solar Electrification, Power Intervention through LPFO/GAS including Egbin, Federal Government commitment to the West African Center for Renewable Energy (International Liaison) initiative, and the completion of the 10MW Katsina Wind Farm Project.

71. In addition, advertisements were reported to have already been made for procurements and bid documents submitted for assessment on the following projects/programmes: Supply of additional Field Test Equipment – (Advertised, Tender Bid Documents ready); Pilot Solar Project in Ekwulu, Isiagwu, Ugbodu, Ukala



Okpunfor, Egbudu Akah, Ashama, Abah Uno and Idumuje Ugboko – (Survey Underway), Supply of Mobile Test Van with Associated Test Equipment Installed – (Advertised, Tender Bid Documents ready); 4 Nos. Solar Project at Ikpogo/Efoyo, Oladegbo, Ogene Amejo, Eke-Obotu (Survey Underway), Obudu/Ofu/Ochaja /Ugbodo/Ibuza-Oboshi; Ojiokpa River in Obonkpa Community – (Survey Underway), Solar Project in Umana Ndiagu, Udi Town, Mgbagbu Owa, and 9th Mile Corner, Umumba Nmdiagu – (Survey Underway). Others are the completion of Counterpart-funding for Japanese Grant-in-Aid for the Electrification of Ibedu Ibiako Communities in Akwa Ibom State – (Advertised, Tender Bid Documents ready), and Solar Pilot Ndiya Ikono LGA – (Survey Underway).

*Analysis and Comment:*

72. Overall, the capital budget implementation was lower than expected in the first quarter of 2009. Many reasons have been adduced for this. However, some MDAs, such as Works, Housing and Urban Development did achieve 71.68% implementation rate compared to the average utilization rate of about 20.68% for all MDAs. About 73% of the MDAs' performance on the first quarter Capital Warrant release fell below the overall average utilization rate of 20.68%. Furthermore 20 (or 45%) of the MDAs including Power, Police (Command & Formations), and the FCTA, did not utilize any portion of the funds released to them in the first quarter. However, some of these MDAs have allocated part of these funds for disbursement in the second quarter on commitment basis.

73. This variable performance of MDAs and the reasons behind it informed the organization of a Workshop on Budget Implementation, Monitoring and Evaluation organised by the Budget Office with the support of the World Bank and the UK's DFID. The two-day Workshop which held on the 30<sup>th</sup> and 31<sup>st</sup> of March 2009, focused on identifying and facilitating the critical success factors needed to ensure the successful implementation of the 2009 Budget.

74. Many challenges to effective budget implementation were identified during the course of the Workshop. Some of these issues were of a bureaucratic nature including: full understanding of extant laws and regulations by MDAs; delays in obtaining due process procurement and other approvals for high-value projects; delays in processing payments; and documentation challenges. While many MDAs cited the late release of funds for their difficulties, the Background Report for the Workshop researched by the lead Consultant, indicated that funds were largely promptly released in 2008 and early 2009. Indeed, the capital warrant for the first quarter was released on 9 January 2009.

75. The Workshop found, however, that there were more critical challenges to effective budget implementation. The recent delays in the passage of the Budget after the commencement of the fiscal year was one source of difficulty as risk-adverse MDAs tended to wait for the passage of the budget before preparing for its implementation. Further, some appropriations were faulty in that either too much or too little funds were allocated to projects well above or below, as the case may be, the executive capacity of the MDAs. These problems exacerbated cash-management challenges as funds were often idle in some MDAs whereas others did not have enough funds to accelerate the implementation of 'shovel-ready projects. In addition, some MDAs had procurement challenges or were unable to effectively plan for implementation well ahead of the passage of the Budget.

76. At the Workshop, MDAs were given the opportunity to discuss the challenges they faced in budget implementation, monitoring and execution. Resource persons drawn from the Presidency, the Civil Service, the academia, and international development organisations shed light on various issues including the cash management system, the e-payment system and the public procurement/due process reforms. Real challenges to effective project management and execution were identified and solutions proffered.

77. However, it was clear that the better performing MDAs were able to adopt practices, policies and procedures that enabled them to achieve better implementation ratios. Specifically, the better performing MDAs had better technical capacity in terms of trained and experienced engineers and procurement officers; active and early preparation for implementation well in advance of the passage of the Budget; and a higher proportion of on-going, 'shovel-ready' projects which did not require new designs or procurement approvals.

78. Post Workshop feedback suggests that the MDAs' understanding of the operating environment within which their budget implementation must be executed has been significantly enhanced by the Workshop and their experiences in the first quarter. With the Presidential assent to the 2009 Budget on 10 March, their performance going forward, should improve. These developments – timely capital releases, better procurement processes, greater technical capacity within MDAs, etc have contributed to laying a firm foundation for significantly better budget implementation in the rest of 2009 fiscal year. In this regard, the Office of the Accountant-General of the Federation's report on the utilization and performance of MDAs as at April 2009 indicates a significant improvement to 52.72% from 20.68% as at March 2009. This issue will be elaborately discussed in the review of the second quarter implementation of the Budget.

**3.4 Debt Stock & Servicing**

79. The Federal Government's securitized domestic debt outstanding as at end of the first quarter of 2009 increased from N2,320.31 billion as at end of 2008 to N2,487.83 billion as at end of the quarter. This represents a net increase of 7.21% over the 2008 position due to new issuance of FGN Bonds and Treasury Bills. Data from the Debt Management Office indicated that the Federal Government's stock of external debt as at end of the first quarter of 2009 was US\$3,627.50 million, representing a 2.5% reduction from the 2008 balance of US\$3,720.36 million as at December 2008. Of this amount, Multilateral Institutions accounted for US\$3,093.24 million (or 85.27%) while the balance of US\$534.26 million or 14.73% was owed to other categories of creditors. The slight decrease in the external debt stock was due to principal repayments despite additional disbursements. Domestic debt service and external debt service payments in the quarter summed to N119.2 billion, and US\$93.05 million respectively.

#### 4. MACROECONOMIC DEVELOPMENTS AND ANALYSIS

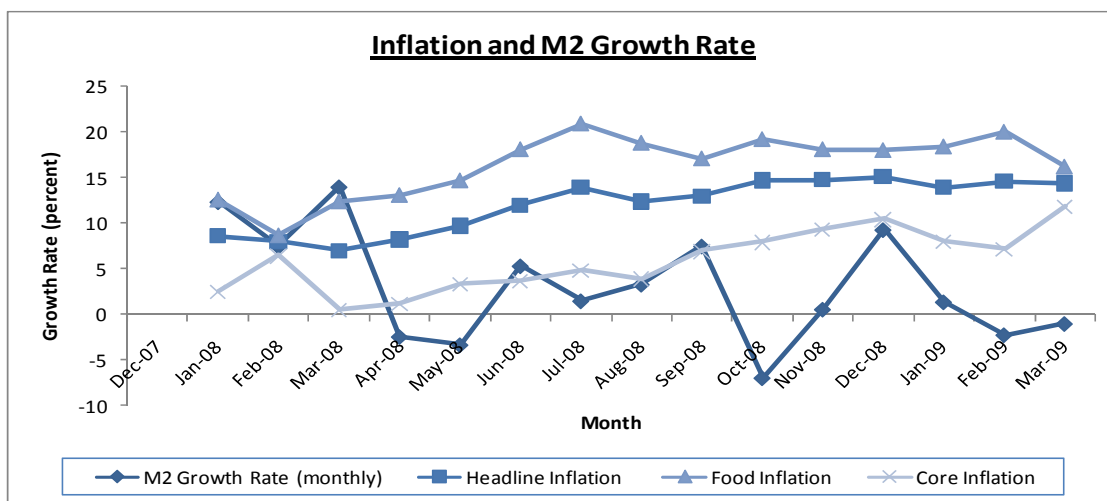
80. There are indications that the economic growth in the first quarter of 2009 was relatively robust and similar to the first quarter of 2008. According to information from NNPC, oil production for the first quarter of 2009 averaged 2.05 million barrels per day which compares favorably with the average production of 2.1 million barrels per day achieved in 2008. This implies that oil GDP remained virtually unchanged in the first three months of 2009. We expect non-oil GDP to continue to grow over the year as compared to 2008 figures. Hence, GDP growth over 2009 should remain positive. Based on data from the National Bureau of Statistics, headline inflation figures for March 2009 show a year-on-year change of 14.4 percent, core inflation grew year on year by 11.8 percent while food inflation also recorded a 16.2 percent change for the same period. The rise in inflation can largely be attributed to rising food prices as the effects of the global food crisis persists and international food prices, although coming off their recent highs, remain above their average historical levels. In addition, the rise in the prices of household goods, stationery, newsprint, education materials and services also contributed to the rise in headline inflation.

81. Broad money (M2), on a year-on-year basis grew by approximately 12.5 per cent in March 2009 mainly on account of growth in credit to the private sector at the end of February 2009 according to the Central Bank of Nigeria (CBN). However, it has fallen off by approximately 3.19 percent between January and March 2009. The drop over this quarter could be indicative of several factors which include a fall in the net foreign asset position of banks as a result of falling crude oil prices as well as a general lull in economic activity as MDAs' utilization of funds remain below capacity. *Chart 8* below shows the inflation and broad money supply growth between December 2007 and the end of the first quarter of 2009.

82. Net Domestic Credit to the domestic economy grew by 39.2 percent, year on year in March 2009. This development was ascribed by the CBN to an increase in credit to government and the private sector with both registering year-on-year increases of 36.1 percent and 37.9 percent respectively. The credit available to the private sector should improve further as liquidity picks up due to the increased utilization of released funds by MDAs. The CBN maintained the Monetary Policy Rate

(MPR) at 9.75 percent during the first quarter, as compared to 9.50 percent for the same period a year earlier. In addition, the weighted average interbank call rate rose from 7.91 percent to a high of 22.15 percent between January and March 2009, with a year on year growth of 136 percent.

Chart 8: Inflation and M2 Growth Rate



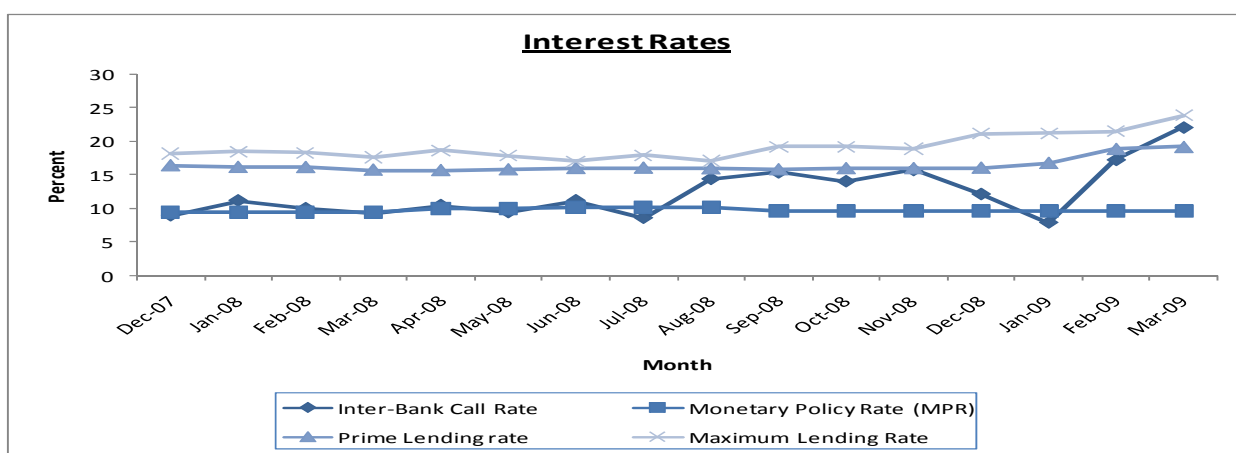
Source: Central Bank of Nigeria, 2009

83. The CBN expressed concern at the contradiction posed by excess liquidity in the presence of rising interest rates and in an attempt to manage this situation, open market operations and monetary policy changes in liquidity management were utilized. In this regard, the CBN reduced the MPR from 9.75 per cent to 8.0 per cent; the liquidity ratio from 30 percent to 25 percent and the Cash Reserve Requirement (CRR) from 2.0 per cent to 1.0 per cent with effect from April 14, 2009. The CBN also pegged the maximum lending rate at 22 percent per annum and the maximum deposit rate at 15 percent with effect from April 1 designed to stimulate the domestic economy. The interest rates trend between December 2007 and March 2009 is represented in *Chart 9*:

84. The Naira exchange rate vis-à-vis the US dollar started to depreciate in the last quarter of 2008, owing to diminished inflows of foreign exchange due to declining oil revenues. The DAS/WDAS rate depreciated by 25.3 percent year on year to N147.7/US\$ while the BDC rate rose by 46.5 percent to N174.32/US\$ over the same

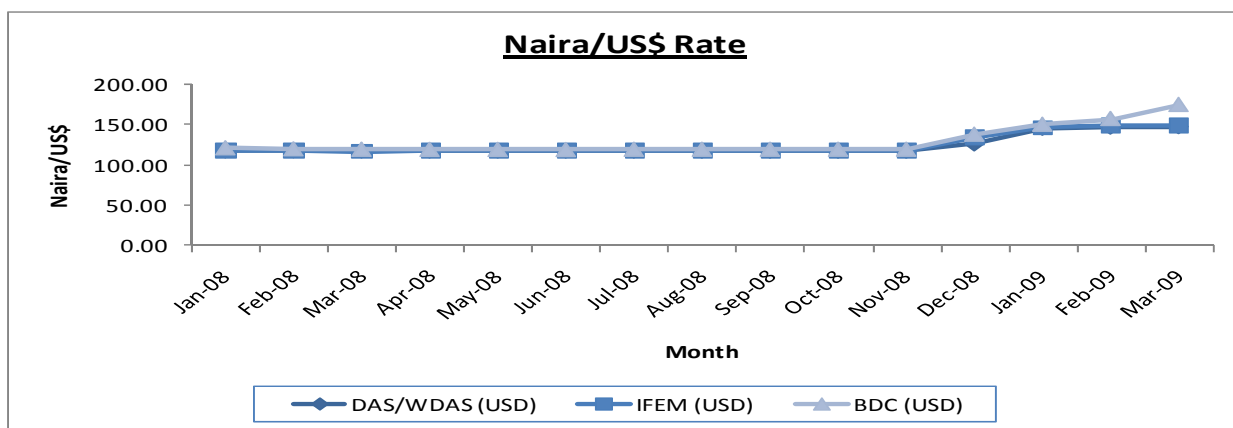
period. The demand for foreign exchange at the Wholesale Dutch Auction System (WDAS) market rose sharply at a time when the foreign exchange earnings declined as a consequence of falling oil prices, drying up of foreign credit lines and the attendant effect on the value of the Naira. In response to the increased speculative demand and the widening gap between the BDC and DAS rate, the Interbank Foreign Exchange Market (IFEM) was suspended by the CBN in January 2009. The Retail Dutch Auction System (RDAS) was re-introduced to replace the WDAS while measures were put in place in an attempt to drive down speculative activity and bring stability to the Naira. The Naira exchange rate trends against the US Dollar over the last 16 months ending in March 2009 is shown in *Chart 10*.

Chart 9: Interest Rates Trend



*Source: Central Bank of Nigeria, 2009*

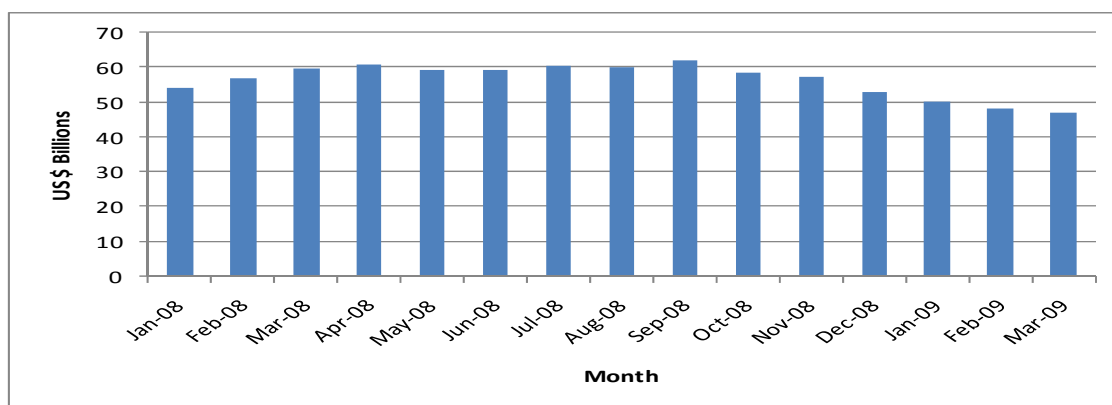
Chart 10: Naira/US\$ Exchange Rates Trend



Source: Central Bank of Nigeria, 2009

85. Oil revenues have historically served as the main source of foreign exchange inflows into the Nigerian economy. Given the decline in oil revenues in the face of falling international oil prices and fall in production, the external reserves declined from US\$52.82 billion in December 2008 to US\$47.08 billion as at the end of the first quarter of 2009. *Chart 11* below depicts this position.

Chart 11: Nigerian External Reserves Trend



Source: Central Bank of Nigeria, 2009

The macroeconomic environment as summarized above provides the backdrop against which the 2009 Budget is being implemented. The next section concludes this report with a recapitulation of the key findings.

## 5 CONCLUSION

86. The 2009 Budget aimed to maintain macro-economic stability and align expenditure with the 7-point Agenda. The Government also focused on improving the efficiency of expenditure in the 2009 Budget by linking each key project and programme to specific deliverables, and by ensuring that MDAs monitor and review the performance of their capital budgets.

87. This review of budget implementation in the first quarter of 2009 demonstrates two key points. Firstly, the under-performance of oil and non-oil revenue has created a financing gap which threatens the implementation of the 2009 Budget. The data shows a shortfall of about N241.30 billion (or 27%) in aggregate revenue available for distribution among the tiers of government. The aggregate revenue available for implementation of the Federal Government Budget similarly fell short of the projected level of N566.30 billion by N35.82 billion. To cope with the challenges of implementing the budget in view of this revenue shortfall, the Government augmented revenues by drawing from the Excess Crude Account in the quarter.

88. Secondly, capital expenditure performed below expectation. Despite the early release of capital warrants, in line with the Financial Regulation, the data indicates a low utilization rate of 20.68%. There was, however, significant variance in performance among MDAs. The Ministries of Works, Housing & Urban Development and Foreign & Inter-governmental Affairs achieved 71.68% and 64.19% utilization of capital funds respectively. Yet the majority (73%) of MDAs spent less than 20.68 % of the capital funds they received, while 45% of the MDAs failed to access any capital expenditure fund release.

89. In an effort at enhancing MDAs' capacities to make capital expenditures, the Budget Office of the Federation organized a Workshop on Budget Implementation, Monitoring and Evaluation in March 2009. At the Workshop, key challenges to effective project management and execution were identified and resolved. It appears that the pace of implementation has picked up significantly, as demonstrated by the April data from the Office of the Accountant-General, which puts the average capital utilization at 52.72%. This improvement is expected to continue going forward.



APPENDIX 1

OFFICE OF THE ACCOUNTANT-GENERAL OF THE FEDERATION  
FEDERAL MINISTRY OF FINANCE  
FUNDS DEPARTMENT, GARKI-ABUJA

2009 CAPITAL PERFORMANCE FOR MDAs AS AT 31st MARCH, 2009

MINISTRY	1ST QUARTER WARRANT =N=	PAYMENTTHRO. AIEs =N=	TOTAL RELEASES = N=	AMOUNT CASHBACKED =N=	CBN BALANCE @ 31 March 2009	UTILISATION =N=	PERFORMANCE %
PRESIDENCY	5,339,672,165.32	-	5,339,672,165.32	5,339,672,166.00	1,967,902,366.71	3,371,769,799.29	63.15
SGF	2,905,274,639.25	-	2,905,274,639.25	2,905,274,639.00	2,833,574,639.00	-	-
YOUTH DEVELOPMENT	1,427,562,255.25	-	1,427,562,255.25	1,427,562,256.00	1,427,562,256.00	-	-
POLICE AFFAIRS	-	-	-	-	0	-	0
POLICE FORMATION	2,801,429,176.00	-	2,801,429,176.00	2,801,429,176.00	2,801,429,176.00	-	-
WOMEN AFFAIRS	419,200,000.00	-	419,200,000.00	419,200,000.00	419,200,000.00	-	-
AGRIC & WATER RES.	26,887,316,573.00	-	26,887,316,573.00	26,887,316,573.00	25,136,880,272.99	1,750,436,300.01	6.51
AUDITOR-GEN.	83,500,000.00	-	83,500,000.00	83,500,000.00	83,500,000.00	-	-
ICPC	372,084,541.00	-	372,084,541.00	372,084,541.00	372,084,541.00	-	-
DEFENCE	5,709,968,351.49	687,500,000.00	6,397,468,351.49	6,397,468,352.00	5,786,371,611.67	611,096,740.33	9.55
EDUCATION	12,622,071,974.53	-	12,622,071,974.53	12,607,821,985.32	10,379,626,879.72	2,228,195,105.60	17.67
FCT	3,178,631,875.00	-	3,178,631,875.00	3,178,631,875.00	3,178,631,875.00	-	-
FRN. & INTER-GOVT. AFFAIRS	1,954,921,250.00	-	1,954,921,250.00	1,954,921,250.00	700,121,714.58	1,254,799,535.42	64.19
FINANCE	1,153,386,838.20	-	1,153,386,838.20	1,153,386,839.00	1,141,128,970.71	12,257,868.29	1.06
HEALTH	7,274,947,298.00	-	7,274,947,298.00	7,274,947,298.00	7,259,186,848.00	15,760,450.00	0.22
COMM. & INDUSTRY	451,736,318.00	-	451,736,318.00	451,736,318.00	315,422,668.80	136,313,649.20	30.18
INFORM. & COMM.	1,000,000,000.00	-	1,000,000,000.00	1,000,000,000.00	733,698,546.34	266,301,453.66	26.63
INTERIOR	2,591,120,863.00	-	2,591,120,863.00	2,591,120,863.00	2,454,093,805.63	137,027,057.37	5.29
HEAD OF SERVICE	495,992,400.00	-	495,992,400.00	495,992,400.00	439,332,532.23	56,659,867.77	11.42
JU STICE	288,341,370.00	-	288,341,370.00	288,341,370.00	288,341,370.00	-	-
LABOUR & PRODUCTIVITY	267,097,034.63	-	267,097,034.63	267,097,034.00	244,932,786.89	22,164,247.11	8.3
SCIENCE AND TECH.	2,252,575,462.02	-	2,252,575,462.02	2,252,575,465.50	1,491,831,858.60	760,743,606.90	33.77
WORKS	29,128,868,397.00	-	29,128,868,397.00	29,128,868,397.00	8,250,043,537.05	20,878,824,859.95	71.68
AVIATION	3,161,056,477.80	-	3,161,056,477.80	3,161,056,479.80	3,135,943,008.00	25,113,471.00	0.79

# Budget Implementation Report for the First Quarter **2009**

## 2009 CAPITAL PERFORMANCE FOR MDAs AS AT 31st MARCH, 2009

MINISTRY	1ST QUARTER WARRANT =N=	PAYMENTTHRO. AIEs =N=	TOTAL RELEASES = N=	AMOUNT CASHBACKED =N=	CBN BALANCE @ 31 March 2009	UTILISATION =N=	PERFORMANCE %
TRANSPORT	1,539,847,929.00		1,539,847,929.00	1,539,847,929.00	1,358,051,529.14	181,796,399.86	11.81
POWER	28,324,867,798.30		28,324,867,798.30	28,324,867,799.00	28,324,867,799.00	-	-
PETROLEUM	2,719,429,501.00		2,719,429,501.00	2,719,429,501.00	2,693,870,158.30	25,559,342.70	0.94
MINES & STEEL	794,168,956.00		794,168,956.00	794,168,956.00	774,383,805.45	19,785,150.55	2.49
NAT. WAGES & SALARIES	25,253,842.00		25,253,842.00	25,253,842.00	25,253,842.00	-	-
ENVIRONMENT,	1,222,583,850.00		1,222,583,850.00	1,222,583,850.00	1,184,701,600.00	37,882,250.00	3.10
NAT. ORIENTATION	472,320,271.00		472,320,271.00	472,320,271.00	367,245,045.82	105,075,225.18	22.25
NAT. PLANNING	633,127,336.75		633,127,336.75	633,127,338.00	385,636,817.50	247,490,520.50	39.09
NAT. SPORTS COMM	668,345,824.00		668,345,824.00	668,345,824.00	668,345,824.00	-	-
OFF. OF NAT. SEC. ADVISER	250,000,000.00		250,000,000.00	250,000,000.00	250,000,000.00	-	-
NIGER DELTA	-	12,000,000,000.00	12,000,000,000.00	-		-	-
NA T. POPULATION	295,284,770.00		295,284,770.00	295,284,770.00	295,284,770.00	-	-
CODE OF CONDUCT BUREAU	63,863,044.00		63,863,044.00	63,863,044.00	63,863,044.00	-	-
CODE OF CONDUCT TRIBUNAL	117,324,826.00		117,324,826.00	117,324,826.00	17,324,826.00	100,000,000.00	85.23
REV. MOB. ALL.	125,000,000.00		125,000,000.00	125,000,000.00	87,306,703.66	37,693,296.34	30.15
FCSC	25,000,000.00		25,000,000.00	25,000,000.00	25,000,000.00	-	-
POLICE SERV. COMM.	22,665,000.00		22,665,000.00	22,665,000.00	22,665,000.00	-	-
INEC	348,234,000.00		348,234,000.00	348,234,000.00	348,234,000.00	-	-
FED. CHARACT. COMM.	142,700,176.00		142,700,176.00	142,700,176.00	112,957,738.71	29,742,437.29	20.84
National Assembly	3,899,363,440.00		3,899,363,440.00	3,899,363,440.00	3,899,363,440.00	-	-
SUPPLEMENTATION	27,907,500,000.00		27,907,500,000.00	38,805,758.00		388,057,580.00	100.00
<b>GRAND TOTAL</b>	<b>187,684,635,823.54</b>	<b>12,687,500,000.00</b>	<b>200,372,135,823.54</b>	<b>160,838,443,422.82</b>	<b>127,576,351,336.75</b>	<b>33,262,092,086.07</b>	<b>20.68</b>

APPENDIX 2

<b>DISTRIBUTION / APPROPRIATION OF CAPITAL ALLOCATION TO MDAs &amp; OTHER BODIES - 2008 Vs 2009</b>					
S/NO	MDAs & OTHER BODIES	2008 AMENDED BUDGET CAPITAL ALLOCS. (N)	2009 CAPITAL ALLOCATIONS (N)	CHANGE IN CAPITAL ALLOCATIONS (N)	VARIANCE %
1	Presidency	21,358,688,661	10,300,425,586	-11,058,263,075	-52%
2	Office of the Secretary to the Govt. of the Federation	11,621,098,557	7,543,795,400	-4,077,303,157	-35.09%
3	Youth Development	5,710,249,021	6,066,166,671	355,917,650	6.23%
4	Police Affairs	0	179,431,566	179,431,566	
5	Police Formations & Command	11,205,716,703	21,324,630,000	10,118,913,297	90.30%
6	Women Affairs	1,676,800,000	2,248,200,000	571,400,000	34.08%
7	Agriculture & Water Resources	107,549,266,293	138,928,699,319	31,379,433,026	29.18%
8	Auditor-General for the Federation	334,000,000	1,742,007,421	1,408,007,421	421.56%
9	ICPC	1,488,338,165	401,370,500	-1,086,967,665	-73.03%
10	Defence/MOD/ARMY,NAVY,AIRFORCE	22,839,873,406	46,802,887,339	23,963,013,933	104.92%
11	Education	50,488,287,898	40,005,096,425	-10,483,191,473	-20.76%
12	FCTA	12,714,527,500	66,650,000,000	53,935,472,500	424.20%
13	Foreign & Intergovernmental	7,819,685,000	18,460,989,188	10,641,304,188	136.08%
14	Finance	4,613,547,353	4,513,811,900	-99,735,453	-2.16%
15	Health	54,533,789,193	50,803,276,901	-3,730,512,292	-6.84%
16	Commerce & Industry	1,806,945,271	4,093,000,000	2,286,054,729	126.51%
17	Information & Communications	3,850,000,000	1,804,700,000	-2,045,300,000	-53.12%
18	Interior	10,364,483,451	11,539,194,307	1,174,710,856	11.33%
19	OHCSF	1,983,969,600	4,858,921,800	2,874,952,200	144.91%
20	Justice	1,153,365,481	825,814,166	-327,551,315	-28.40%
21	Labour & Productivity	1,068,388,139	742,556,362	-325,831,777	-30.50%
22	Power	113,299,471,193	94,624,210,011	-18,675,261,182	-16.48%
23	Science & Technology	9,048,301,848	10,814,927,173	1,766,625,325	19.52%
24	Transport	6,159,391,715	38,580,091,483	32,420,699,768	526.36%
25	Petroleum Resources	10,877,718,002	26,847,692,895	15,969,974,893	146.81%
26	Works, Housing & Urban Devt.	116,515,473,588	208,616,140,016	92,100,666,428	79.05%
27	Mines & Steel Devt.	3,176,675,825	5,765,784,079	2,589,108,254	81.50%
28	Aviation	12,644,225,911	29,396,574,043	16,752,348,132	132.49%
29	Nat. Salaries, Incomes & Wages	101,015,369	231,000,000	129,984,631	128.68%
30	Environment	4,890,335,400	7,271,903,089	2,381,567,689	48.70%
31	Culture & NOA	1,889,281,085	4,877,887,999	2,988,606,914	158.19%
32	Nat. Planning Commission	2,532,509,347	2,198,806,930	-333,702,417	-13.18%
33	Nat. Sports Commission	2,673,383,294	3,326,920,998	653,537,704	24.45%
34	Nat. Security Adviser	1,000,000,000	9,600,000,000	8,600,000,000	860.00%
35	Niger-Delta	0	48,000,000,000	48,000,000,000	
	<b>Sub-Total: Executive</b>	<b>618,988,802,267</b>	<b>929,986,913,567</b>	<b>310,998,111,298</b>	<b>50.24%</b>

# Budget Implementation Report for the First Quarter 2009

S/NO	MDAs & OTHER BODIES	2008 AMENDED BUDGET CAPITAL (N)	2009 CAPITAL ALLOCATIONS (N)	CHANGE IN CAPITAL ALLOCATIONS (N)	VARIANCE %
36	Nat. Population Commission	1,181,139,081	773,149,809	-407,989,272	-34.54%
37	Code of Conduct Bureau	255,452,176	60,000,000	-195,452,176	-76.51%
38	Code of Conduct Tribunal	469,299,306	204,351,244	-264,948,062	-56.46%
39	Public Complaints Commission	0	0	0	
40	Rev. Mob. Alloc. & Fiscal Comm.	500,000,000	800,000,000	300,000,000	60.00%
41	Federal Civil Service	100,000,000	300,000,000	200,000,000	200.00%
42	Police Service Commission	90,660,000	0	-90,660,000	-100.00%
43	INEC	1,392,936,000	5,081,380,000	3,688,444,000	264.80%
44	Federal Character Commission	570,800,704	100,000,000	-470,800,704	-82.48%
45	Fiscal Responsibility	0	100,000,000	100,000,000	
	<b>Sub-Total: Federal Exec. Bodies</b>	<b>4,560,287,267</b>	<b>7,418,881,053</b>	<b>2,858,593,786</b>	<b>62.68%</b>
	<b>THE LEGISLATURE</b>				
46	National Assembly Office	1,300,000,000	1,000,000,000	-300,000,000	-23.08%
47	Senate	5,000,000,000	1,000,000,000	-4,000,000,000	-80.00%
48	House of Representatives	9,000,000,000	2,000,000,000	-7,000,000,000	-77.78%
49	Nat. Assembly Service	297,453,761	300,000,000	2,546,239	0.86%
50	Legislative Aides	0	200,000,000	200,000,000	
51	Senate Committee on Public Accounts	0	0	0	
52	House Committee on Public Accounts	0	0	0	
53	General Service Office	0	750,000,000	750,000,000	
	<b>Sub-Total: National Assembly</b>	<b>15,597,453,761</b>	<b>5,250,000,000</b>	<b>-10,347,453,761</b>	<b>-66.34%</b>
	<b>CAPITAL SUPPLEMENTATION</b>				
54	Adjustment to Capital Costs	2,000,000,000	1,100,000,000	-900,000,000	-45.00%
55	Counterpart Funding	6,000,000,000	3,400,000,000	-2,600,000,000	-43.33%
56	Quick Wins (2008)	0	19,700,000,000	19,700,000,000	
57	Quick Wins (2009)	0	17,500,000,000	17,500,000,000	
58	Conditional Grants & Social	67,300,000,000	32,600,000,000	-34,700,000,000	-51.56%
59	MDGs – Monitoring & Evaluation (OSSAP) & MDGs –	5,000,000,000	2,000,000,000	-3,000,000,000	-60.00%
60	Provision of Infrastructure, Bandwidth & Connectivity by	3,000,000,000	2,700,000,000	-300,000,000	-10.00%
61	Development of Bakkasi Local	0	600,000,000	600,000,000	
62	Purchase of Computers For MDAs (Service-Wide)	0	0	0	
63	Provision for emergency roads repairs	0	0	0	
64	Strategic Crime Prevention & Control in Seven (7) pilot Cities	0	0	0	
65	Presidential Intervention on NDDC (P.I.P Roads in Niger	28,330,000,000	0	-28,330,000,000	-100.00%
	<b>Sub-Total: Capital</b>	<b>111,630,000,000</b>	<b>79,600,000,000</b>	<b>-32,030,000,000</b>	<b>-28.69%</b>
	<b>Aggregate Capital Expenditure</b>	<b>750,776,543,295</b>	<b>1,022,255,794,620</b>	<b>271,479,251,323</b>	<b>36.16%</b>

Source: Budget Office of the Federation