MEDIUM-TERM EXPENDITURE FRAMEWORK

&

FISCAL STRATEGY PAPER (REVISED)

FEDERAL GOVERNMENT OF NIGERIA

2010-2012

BUDGET OFFICE OF THE FEDERATION
FEDERAL MINISTRY OF FINANCE

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List of Acronyms

Acronyms	Description
API	American Petroleum Institute
BOF	Budget Office of the Federation
CBN	Central Bank of Nigeria
CIT	Companies Income Tax
CPIA	Country Policy and Institutional Assessment Index
DMO	Debt Management Office
DSA	Debt Sustainability Analysis
ECA	Excess Crude Account
EIA	Energy Information Administration
FAAC	Federation Account Allocation Committee
FCT	Federal Capital Territory
FG	Federal Government
FGN	Federal Government of Nigeria
FRA	Fiscal Responsibility Act
GDP	Gross Domestic Product
IEA	International Energy Agency
IMF	International Monetary Fund
MBPD	Million Barrels Per Day
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MPR	Monetary Policy Rate
MTFF	Medium-Term Fiscal Framework
MTEF	Medium-Term Expenditure Framework
MTSS	Medium-Term Sector Strategies
NCS	Nigeria Customs Service
NDDC	Niger Delta Development Commission
NJC	National Judicial Council
NNPC	Nigerian National Petroleum Corporation
NPC	National Planning Commission
OAGF	Office of the Accountant General of the Federation
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
RDAS	Retail Dutch Auction System
UBEC	Universal Basic Education Commission
USD	United States Dollar
USA	United States of America
VAT	Value Added Tax
WDAS	Wholesale Dutch Auction System
WEO	World Economic Outlook

PART A: MACROECONOMIC FRAMEWORK

Section 1: Introduction

This Paper outlines the Government's fiscal policies for the next three years. The FRA 2007 states that the Minister of Finance is responsible for the preparation of the MTEF. The FRA also stipulates that the MTEF should include a macroeconomic framework, fiscal strategy and medium term fiscal framework. The MTEF also provides the basis for the preparation of the estimates of revenue and expenditure for the Annual Federal Budget. Accordingly, the MTEF underpins the recent reforms towards adopting a multi-year perspective in budgeting to allocate public resources among competing socio-economic needs on a rolling basis over the medium-term.

Section 2: Macroeconomic Framework

Fiscal policy for 2010-2012 has been formulated in a difficult macroeconomic setting with economic growth forecasted to slow to just 2.61 % in 2010 and inflation currently above its long term trend. The Government has, therefore, had to carefully balance the potential benefits of an expansionary fiscal policy on aggregate demand and short term economic growth against the negative effects such a policy might have on inflation, macroeconomic stability and long term economic growth.

The FGN's forecasts for headline inflation, the exchange rate and real GDP growth are outlined in table 1. Headline inflation is forecasted to decline in the medium term due to decreased aggregate demand and the successful implementation of policies to control inflation by the CBN. The Naira to US dollar exchange rate is forecasted to stabilise at 147 over the medium term; with the upward pressure on the exchange rate caused by a projected increase in the price of oil negating the downward pressure caused by the high rate of inflation in Nigeria relative to the USA. The rate of economic growth in Nigeria is projected to decline in 2010 due to a fall in aggregate demand caused by the global recession. However, due to the FGN's fiscal and monetary policies, Nigeria will not enter recession and the rate of economic growth is expected to increase in 2011 and 2012.

Table 1: Macroeconomic Indicators[1]

	2010	2011	2012
Headline Inflation	10.11%	8.50%	8.50%
Average Naira to USD Exchange Rate	147	147	147
Real GDP Growth	2.61%	4.89%	5.83%
Forecasted Market Price of Oil	$57.20		

Source: IMF WEO 2009, CBN, BOF Estimates

Table 2 outlines the FGN's overall fiscal position. The Government plans to increase the benchmark price of oil from US$45 in 2009 to US$50 in 2010. This will result in a substantial increase in budgeted oil revenue from N969 billion to N1,184 billion between 2009 and 2010 despite a forecasted decline in oil production. There is a further increase in oil revenue in 2011 to N1,396 billion due to an increase in the benchmark price of oil to US$52.5 and increased oil production. Further increases in the benchmark price and oil production drive an increase in oil revenue from N1,396 billion in 2011 to N1,566 billion in 2012.

The benchmark price for oil is forecasted to be below the projected market price for oil in 2010 of $57.20. This means that as long as there are no unexpected shortfalls in oil production or non-oil revenue, savings should accrue to the ECA in 2010. The FGN considers that in the medium term there will be further moderate increases in the market price for oil. This will allow the Government to increase the benchmark price for oil to $52.5 and $55 in 2011 and 2012 respectively without undermining macroeconomic stability and while continuing to accrue savings in the ECA.

Non-oil revenue in 2010 is forecasted to decline from its 2009 budgeted amount. There are two reasons for this decline. Firstly, non-oil revenue collection targets in 2009 were set at an ambitious level and may not be met. And secondly, non-oil revenue may decline due to the slowdown in economic growth caused by the global downturn. Total Federal Government revenue is forecasted to decline from N2,265 billion in 2009 to N2,096 billion in 2010; with the decrease in non-oil revenue outweighing the increase in oil revenue. From 2010 to 2011 the FGN has forecasted an increase in total revenue from N2,096 billion to N2,308 billion. There is then a further increase in Federal Government total revenue in 2012 to N2,535 billion due mainly to increasing oil revenue.

[1] The estimates of headline inflation, real GDP growth and the market price for oil are based on the IMF's WEO report, April 2009 and the Dow Jones Newswire Survey, May 2009.This Fiscal Strategy Paper was unable to use NPC figures as these were not yet available when this report was published.

Table 2: Overview of Fiscal Projections for the Federal Budget

In N billion	2009 Budgeted	2010 Projected	2011 Projected	2012 Projected
Oil Benchmark Price	**$45.00**	**$50.00**	**$52.50**	**$55.00**
Total Revenue	**2,265**	**2,096**	**2,308**	**2,535**
Net Budgeted Oil Revenue	969	1,184	1,396	1,566
Net Non-Oil Revenue	1,296	913	912	969
Customs and Excise	226	190	209	245
Companies' Income tax (CIT)	273	234	264	301
Value-Added Tax	78	71	73	78
Federal Government Independent Revenue	306	250	267	296
FGN Unspent Account Balances	300	150	100	50
Balances of Special Accounts and Other	113	19	0	0
Total Expenditure	**3,102**	**3,122**	**3,410**	**3,720**
Capital Expenditure	1,022	860	933	1,012
Total Recurrent Expenditure	2,080	2,262	2,477	2,708
Stautory Transfers	169	148	160	169
Debt Service	284	298	328	360
Recurrent Expenditure (exc debt and transfers)	1,627	1,816	1,989	2,179
Deficit	**-837**	**-1,026**	**-1,102**	**-1,185**
Memorandum Items				
Nominal GDP	27,672	31,265	35,582	40,857
Non-Oil GDP	18,419	20,651	24,577	29,032
Overall Balance as a % of GDP	-3.02%	-3.28%	-3.10%	-2.90%
Non-Oil Primary Balance as a % of Non-Oil GDP	-9.80%	-10.70%	-10.17%	-9.48%
Total Spending as a % of GDP	11.21%	9.99%	9.58%	9.11%
Total Spending as a % of Non-Oil Revenue	239.31%	342.16%	374.02%	383.84%
Capital Expenditure as a % of Total Expenditure	32.96%	27.54%	27.36%	27.21%
Non-Oil Revenue as a % of Total Revenue	57.22%	43.53%	39.50%	38.23%

Source: BOF, FIRS, NCS, IMF

From 2009 to 2010, total Federal Government expenditure is forecasted to increase in nominal terms from N3,102 billion to N3,122 billion but decline as a percentage of GDP. The nominal terms increase in expenditure is mainly caused by increasing recurrent non-debt expenditure. Capital expenditure is projected to decline from N1,022 billion in 2009 to N860 billion in 2010. There have, however, been severe constraints on capital expenditure utilisation during the first five months of 2009; meaning that the 2010 forecast for capital expenditure maybe above actual capital expenditure in 2009.

Total FGN expenditure further increases in nominal terms but declines as a percentage of GDP in 2011 and 2012. This trend is in line with the Government's policy of decreasing the size of the public sector relative to the private sector in order to increase economic growth.

Capital expenditure will be targeted at achieving this Administration's 7-Point Agenda. Spending in these areas should reduce poverty, and also improve education and the quality of infrastructure. Improved education and infrastructure should increase economic growth in the long term.

The FGN deficit is forecasted to increase from N837 billion to N1026 billion from 2009 to 2010. This represents an increase in the deficit from 3.02% of GDP in 2009 to 3.28% of GDP in 2010.

The FGN considers that it is necessary to operate a modest deficit to maintain expenditure, aggregate demand and economic growth during the global downturn. The FGN plans to operate deficits of 3.10 % and 2.90 % of GDP in 2011 and 2012 respectively. These deficits are necessary to maintain essential expenditures and assist Nigeria's recovery from the global downturn.

The Government considers that partly due to its monetary and fiscal policies there will be positive economic growth in 2009 and 2010. The FGN, therefore, considers that a more expansionary fiscal policy, than that outlined in table 2, is not necessary to stimulate economic growth. A more expansionary fiscal policy would also risk increasing inflation, which is already above its long term trend. The increased deficit necessary to finance higher expenditures would also risk crowding out private sector investment and could lead to higher external debt.

Nigeria's long term fiscal position remains stable with substantial ECA savings and foreign reserves, and a low debt to GDP ratio. Savings accruing to the ECA in the medium term should safeguard the nation's future and will outweigh the small increase in Government debt necessary to finance the forecasted deficits in 2010, 2011 and 2012.

Section 3: Analysis of Previous Forecasts

This section reviews the forecasts contained in previous years' Fiscal Strategy Papers. These papers forecasted economic growth, inflation, the exchange rate, the market price for oil and oil production over the medium term.

Economic models forecast future values of macroeconomic variables based on historical trends and economic theory. Such models are normally able to accurately forecast long term trends, but they often fail to predict short and medium term changes in the direction of macroeconomic variables. For instance, models of economic growth often accurately predict long term average rates of economic growth, but are unable to predict exactly when a recession will occur. Economic models have a particularly poor record in forecasting recessions caused by external events. For instance, the recent slowdown in growth in developing countries, the initial cause of which was the financial crisis in Western economies was not accurately predicted by economic models. The price of oil is also particularly hard to predict because its shows a significant amount of volatility around its long term trend, and its price in the short term is dependent on market sentiment as well as long term changes in demand and supply.

The vast majority of forecasting models failed to predict the financial crisis and its impact on economic growth, inflation and the price of oil. Most international agencies, for instance, failed to predict the sudden downturn in the international price of oil that occurred in 2008, and many OECD countries overestimated economic growth in their economies for 2008 and the initial months of 2009. The estimates of inflation, the exchange rate, the market price for oil and economic growth made by previous years' Fiscal Strategy Papers should, therefore, be analysed in cognisance of the fact that all these variables were affected by the global economic downturn, which was essentially impossible to forecast.

Previous years' Fiscal Strategy Papers forecasted economic growth of over 10% in 2009. This rate of growth is unlikely to be achieved in 2009, with current estimates predicting real GDP growth of about 2.86% in 2009. Previous years' Fiscal Strategy Papers also significantly underestimated inflation for 2009 and did not foresee the decline in the value of the Naira relative to the USD which occurred in late 2008 and early 2009 (see figures 1 and 2). The 2009-2011 Fiscal Strategy Paper also forecasted that the oil price would average $118 in 2009. This forecast now appears somewhat optimistic with Bonny Light averaging just $50.90 over the first five months of 2009.

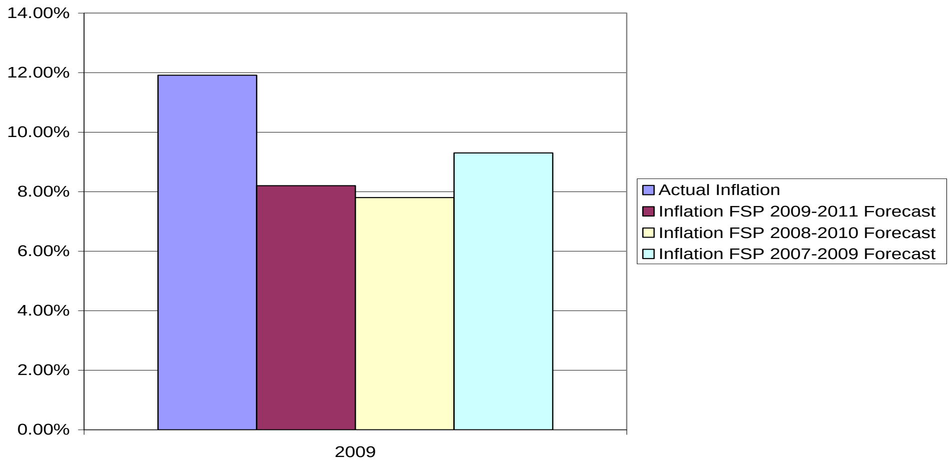
The overly optimistic forecasts of economic growth contributed to the problems the Government is currently experiencing in funding the 2009 budget. More specifically, the overly optimistic projections for economic growth contributed to ambitious non-oil revenue collection targets in 2009. Revenue collections for the first five months of 2009 were below target, contributing to a shortfall in funding. Overly optimistic projections of the market price for oil can also lead to the Government adopting too high a benchmark price; leading to insufficient savings accruing to the ECA.

Given that overly optimistic projections can undermine the implementation of the budget and that economic models have a poor record in predicting extreme economic events such as the global downturn, the Government considers that it is important to estimate conservative rates of economic growth and the market price for oil. The projections of these variables for 2010, 2011 and 2012 contained in this paper are therefore conservative estimates.

Previous years' Fiscal Strategy Papers also forecasted oil production. As can be seen in figure 3, oil production has been consistently over-estimated in past years. This led to unrealistic projections of oil revenue and contributed to actual revenue collections falling below their budgeted amount during the first five months of 2009. This negatively affected the Federal Government's ability to fund budgeted expenditures and achieve its policy objectives. The main reason for the oil production forecasts being overly optimistic was that they did not fully account for the impact on production of instability in the Niger Delta region. The forecasts for oil production in 2010, 2011 and 2012 contained later in this paper are more conservative than previous years' projections and specifically account for the likely impact of instability in the Niger Delta region.

This section has highlighted the inherent difficulties in forecasting macroeconomic variables during the current global downturn. This section has also shown that in past years, some forecasts were due to these difficulties, too optimistic; leading to ambitious revenue projections and funding shortfalls. The projections contained in this year's FSP are, therefore, more fiscally conservative.

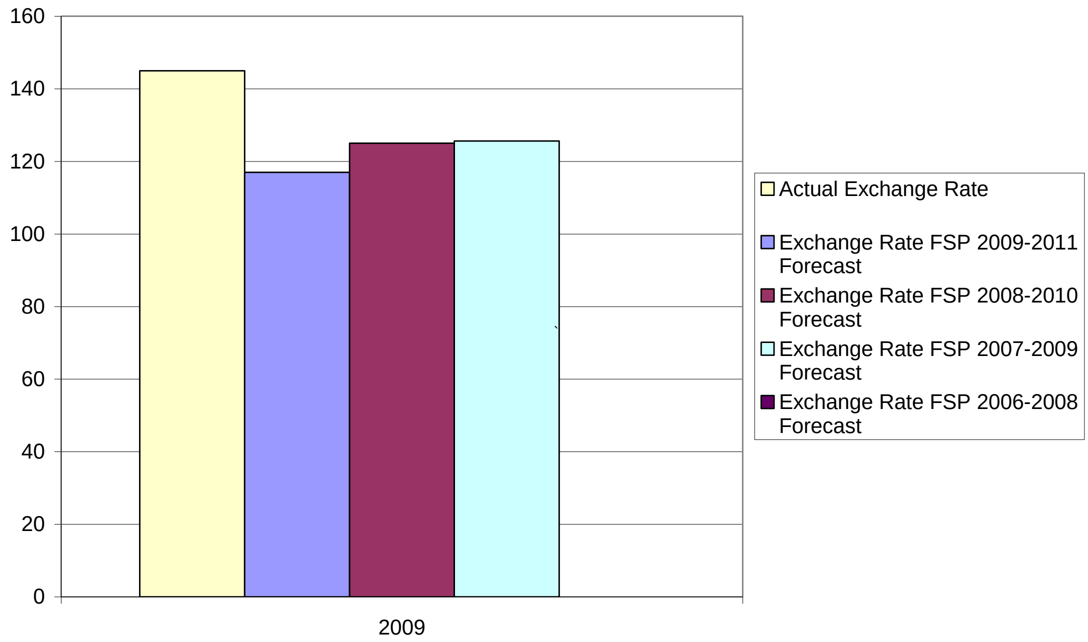
Figure 1: Fiscal Strategy Papers' Projections of Headline Inflation



Source: IMF WEO, April 2009 &FSPs for 2006 to 2009[2]

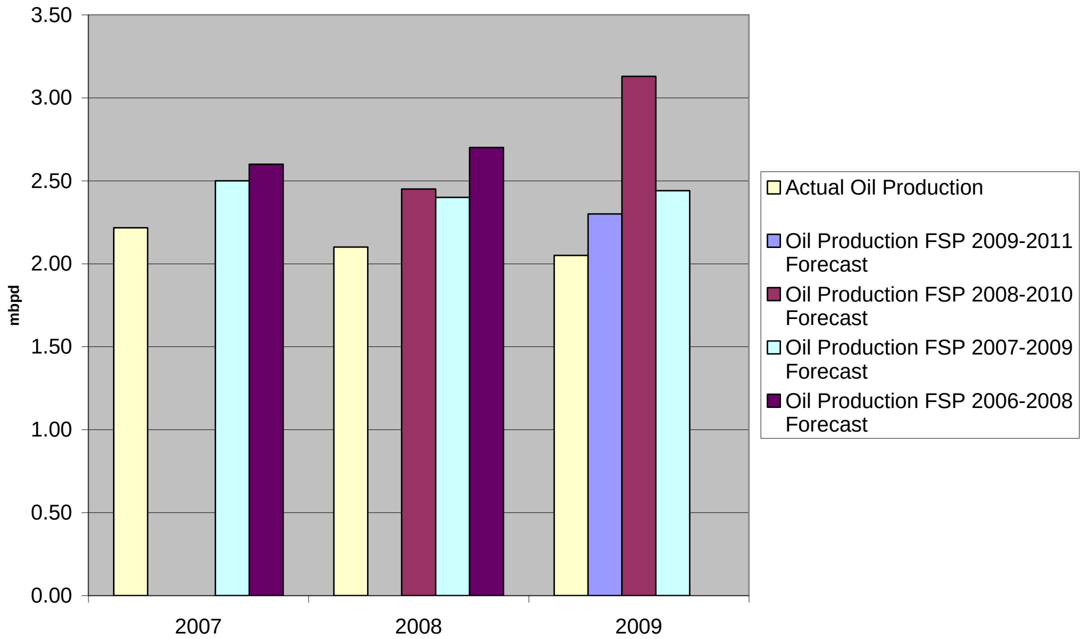
[2] The actual inflation figure for 2009 is the most recent forecast available from the IMF.

Figure 2: Fiscal Strategy Papers' Projections of the Exchange Rate



Source: CBN & FSPs for 2006 to 2009[3]

Figure 3: Oil Production[4]



Source: NNPC &FSPs for 2006 to 2009

[3] The actual exchange rate for 2009 is the average exchange rate for the first five months of 2009.
[4] Actual production in 2009 is based on the Government's most recent estimate of oil production.

PART B: 2010-2012 FISCAL STRATEGY PAPER

Chapter 1: Introduction

1.1. Goals of the 2010-2012 Fiscal Strategy Paper

In line with the ongoing reforms in public financial management, this Fiscal Strategy Paper documents the fiscal framework and expresses, on a three-year rolling basis, how the Federal Government proposes to conduct its fiscal affairs. The Fiscal Strategy Paper has been an essential aspect of recent reforms towards institutionalising a medium-term approach to the development of the Federal Government's fiscal policy. The annual preparation and documentation of the Fiscal Strategy Paper has been ongoing since 2005 and is now underscored by the legal framework established by the Fiscal Responsibility Act of 2007.

To ensure better planning and predictability in the conduct of fiscal affairs, the Federal Government prepares a three year plan which is revised annually to take account of significant changes in the underlying assumptions as well as changing macroeconomic conditions. Accordingly, this 2010-2012 Fiscal Strategy Paper sets out the Federal Government's medium-term financial and fiscal objectives; the fiscal implications of its strategic economic, social and development priorities; and its revenue and expenditure framework for the next three years.

In particular, the annual Fiscal Strategy Paper aims to:

- Entrench sustainable Government expenditure through the adoption of accurate revenue estimates and the continued, sustainable growth in oil revenue and non-oil taxes;
- Outline fiscal policies which will assist the Government achieve an environment of macroeconomic stability; characterised by low inflation and interest rates – in which private sector investment may generate employment and translate the gains of the reform programmes into poverty reduction and wealth creation;
- Utilise a realistic budget benchmark price for oil and adhere to prudent limits for expenditure to ensure low fiscal deficits with little or no public sector borrowing and sustainable levels of public debt; and

- Create a framework within which public funds can be allocated optimally to meet Government's policy aims and thereby ensure the improvement of key social indicators in Nigeria.

The fiscal strategy documented in this Paper is consistent with the Central Bank's medium-term monetary policy framework, which is designed to anticipate and respond to the impact of fiscal policy choices on the economy and to foster sustainable economic growth driven by low inflation, low interest rates, stable exchange rates and a strong external reserve position. Over the last few years, the alignment of fiscal and monetary policy, together with sound economic reform measures, has promoted macroeconomic stability, underpinned economic growth and contributed to poverty reduction. This fiscal strategy is also in line with the Government's long-term sustainable debt strategy which ensures Nigeria's debt stock, and corresponding debt service costs, are maintained at appropriate and manageable levels, and are consistent with the Government's policies regarding the aggregate level of expenditure.

1.2. The Fiscal Strategy Paper in Outline

This Chapter has introduced the rationale for and goals of the 2010-2012 Fiscal Strategy Paper. The next two Chapters review relevant aspects of the implementation of the 2008 Amendment and Supplementary Budgets, and the 2009 Budget. Chapter 4 provides an overview of recent economic growth, inflation and exchange rate conditions and future forecasts. Chapter 5 of this Paper sets out the medium-term projections of, and underlying assumptions for, oil and non-oil revenue. Chapter 6 presents and analyses medium-term trends in revenue and expenditure while Chapter 7 outlines strategies for deficit financing, debt sustainability and managing contingent liabilities. Chapter 8 provides an analysis of fiscal risks and the Government's strategy for managing these while Chapter 9 concludes the Paper.

Chapter 2: The 2008 Budget

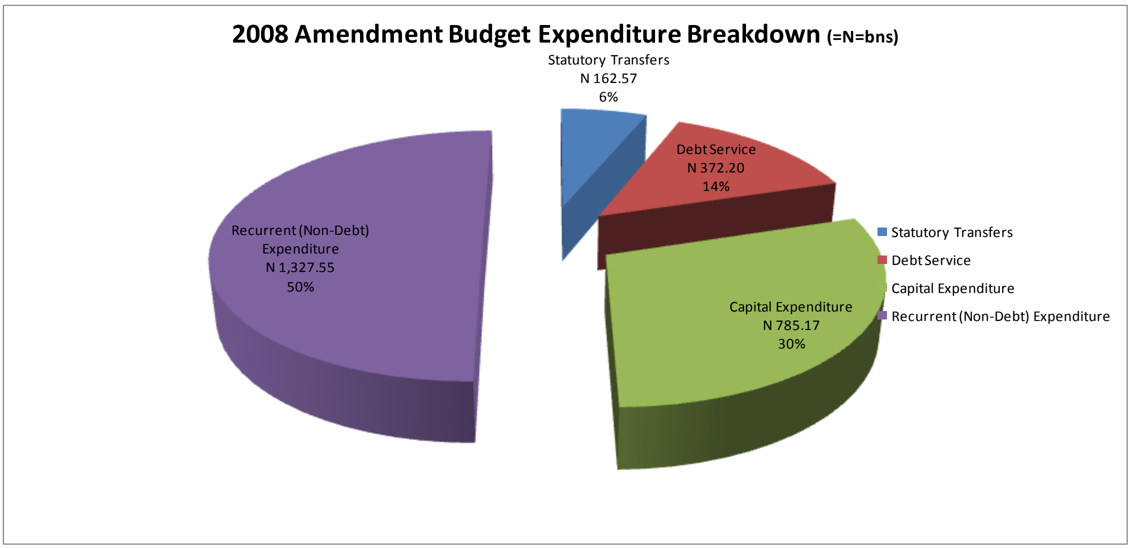
2.1. The 2008 Appropriation and Amendment Acts, and 2008 Supplementary Budget

The 2008 Budget was signed into law on April 14th 2008. Provisional warrants were released earlier, as provided for by the Constitution, to ensure continuity of projects and smooth running of Government activities. Despite the challenges in implementing the Appropriation Act due to the significant increase of expenditure approved, the Amendment Bill provided a compromise between satisfying the country's need for infrastructure and other spending on the one hand, and keeping the size of the budget to a manageable level on the other.

The 2008 Amendment Act received Presidential assent in October 2008 and authorized aggregate spending of N2.647 trillion, representing a 27% growth in the level of expenditure compared to actual expenditure of N2.088 trillion for 2007. Capital expenditure was increased from N491 billion actual spending in 2007 to N785 billion in 2008, representing a 60% increase. This increase in expenditure was necessary to ensure the adequate funding of the priority areas outlined in this Administration's 7-Point Agenda. On the recurrent side, Statutory Transfers were increased by 59% from N102 billion spent in 2007 to N163 billion while Debt Servicing increased from N232 billion in 2007 to N372billion in 2008, representing a 60% increase. Finally, the recurrent expenditure of MDAs was increased from N1,262 billion in 2007 to N1,328 billion in 2008, representing a 5% increase.

The spending composition resulting from the above figures is presented in the chart below.

Figure 2.1: 2008 FGN Budget Breakdown



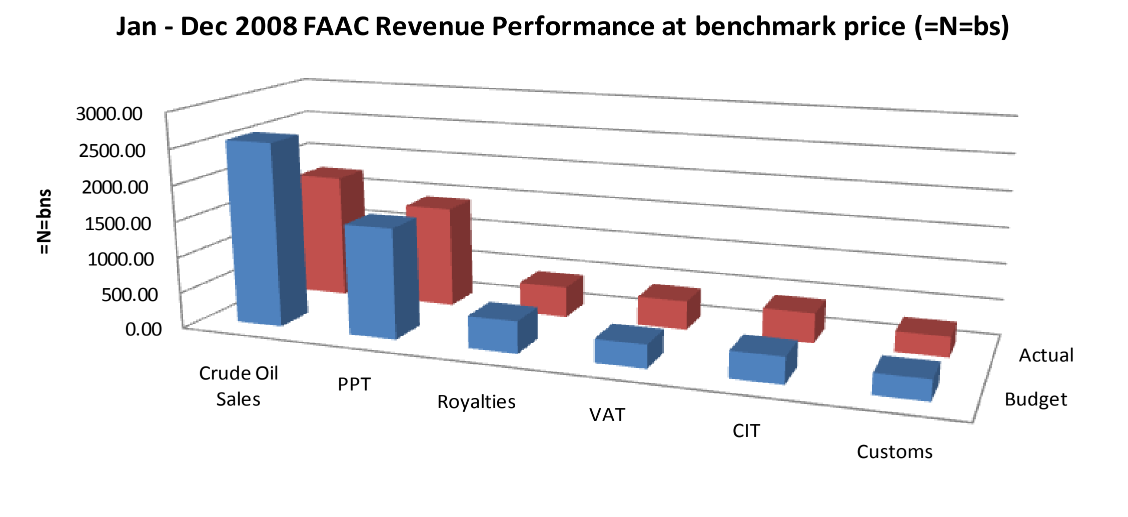
Source: BOF

Finally, about N100 billion of savings were realised from the substitution of the N2.748 trillion 2008 in the Appropriation Act with the N2.647 trillion 2008 from the Amendment Budget. These savings contributed to the financing of the 2008 Supplementary Budget of N683.3 billion assented to on 13 November 2008, which provided for the funding of critical infrastructural investments particularly in the power sector, where the Federal Government is collaborating with the other tiers of Government in a special intervention initiative.

2.2. 2008 Budget Performance: Revenue

Total revenue in 2008 underperformed budgeted levels due principally to a series of oil production shut-ins and disturbances in the Niger Delta. These disruptions largely affected production from the Joint Venture wells, which provide the greatest proportion of Government oil revenues. Average oil production from January to December 2008 was about 2.1 mbpd as against 2.45 mbpd projected. In addition, oil revenues further declined due to falling international oil market prices caused by the global economic slowdown. These shortfalls were ameliorated using distributions from the ECA and other financing sources. On the non-oil revenue side, while CIT and VAT receipts exceeded the budget benchmark by N52.8 billion (or 14.5%) and N81.53 billion (or 25.2%) respectively, Customs revenues slightly underperformed by N2.7 billion or 1%.

Figure 2.2: Jan – Dec 2008 FAAC Revenue Performance (at benchmark price)

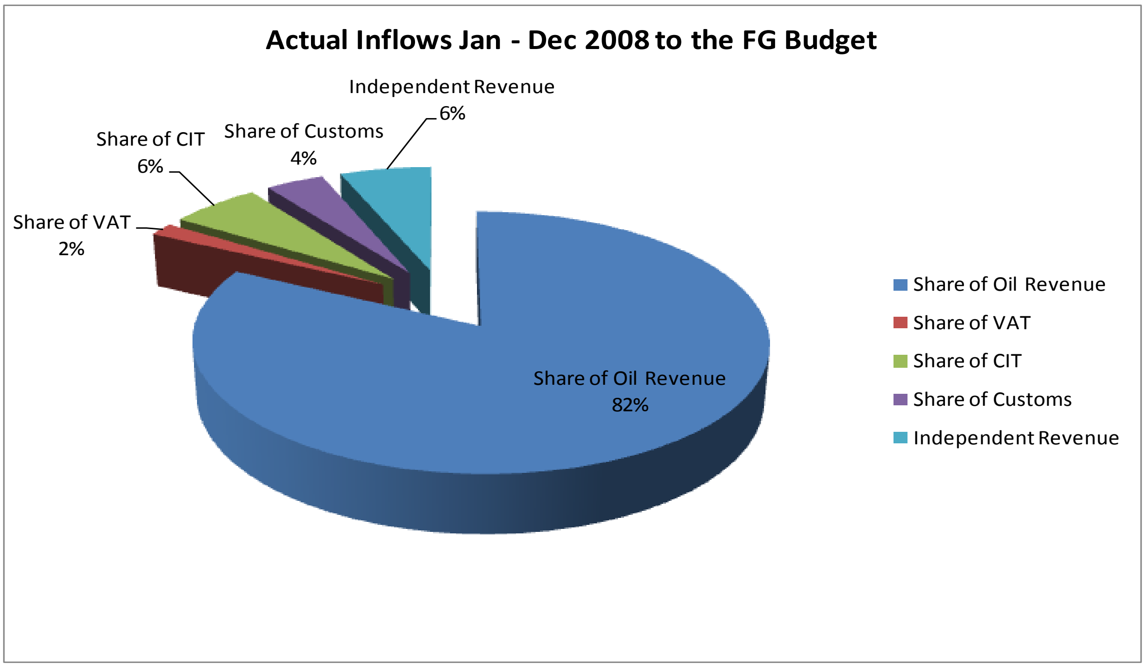


	Crude Oil Sales	PPT	Royalties	VAT	CIT	Customs
Budget	2571.99	1536.45	443.33	323.00	364.00	284.00
Actual	1750.87	1425.45	433.25	404.53	416.83	281.25

Source: BOF and OAGF

The impact of this revenue underperformance on the Federal Budget's share of revenue amounted to N465 billion. The resulting composition of the actual inflows into the FG budget from January to December 2008 shows a greater share of non-oil revenue relative to oil revenue, or the previous years' breakdown.

Figure 2.3: Actual Inflows Jan – Dec 2008 to the FG Budget



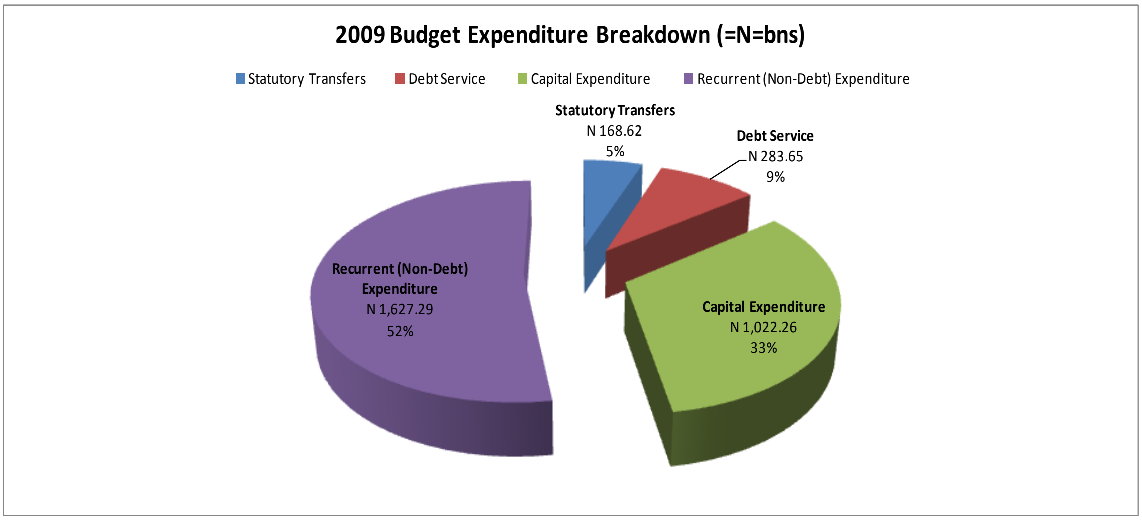
Source: BOF and OAGF

Chapter 3: The 2009 Budget

3.1. The 2009 Appropriation Act

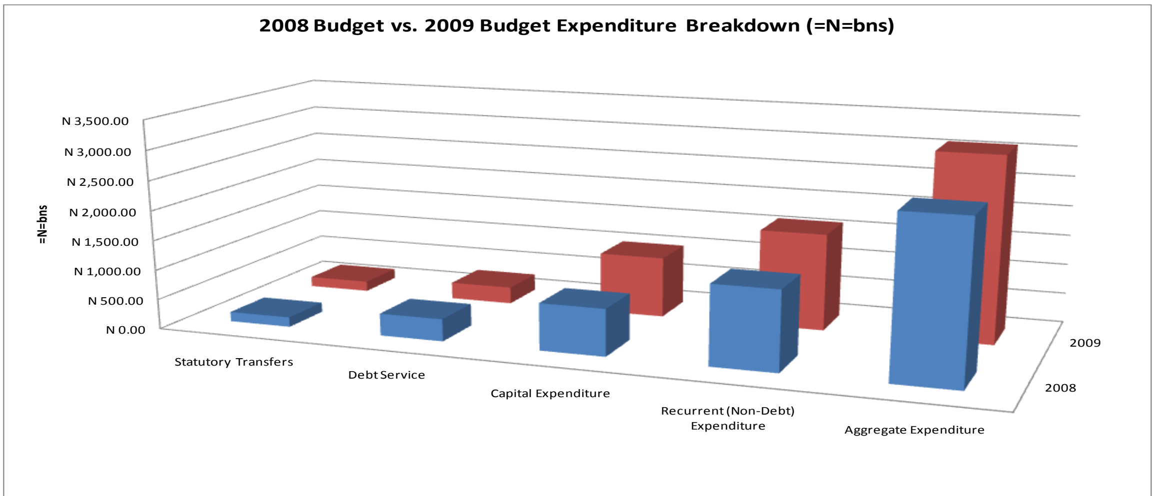
Mr. President assented to the 2009 Appropriation Act on 10 March 2009. The Act approved N5.3053 trillion in Federally collected revenue, N2.2652 trillion as the Federal Budget revenue; aggregate expenditure of N3.1018 trillion, comprising N2.6496 trillion for MDAs' Expenditure, of which N1.0223 trillion was Capital Expenditure, and N1.6273 trillion was for Recurrent Expenditure, N168.62 billion was allocated for Statutory Transfers and N283.65 billion for Debt Service. The spending composition resulting from the above figures is presented in the chart below.

Figure 3.1: 2009 Budget Expenditure Breakdown



Source: BOF

Figure 3.2: 2009 Budget Expenditure Breakdown



	Statutory Transfers	Debt Service	Capital Expenditure	Recurrent (Non-Debt) Expenditure	Aggregate Expenditure
2008	N 162.57	N 372.20	N 785.17	N 1,327.55	N 2,647.49
2009	N 168.62	N 283.65	N 1,022.26	N 1,627.29	N 3,101.82

Source: BOF

The 30.2% increase in the 2009 Capital Vote to N1,022.3 trillion was targeted at addressing key spending priorities of Government, particularly the need to address the critical infrastructure gap. Consequently, capital spending constituted 33% of aggregate expenditure. Regarding the Recurrent (Non-Debt) Vote in the 2009 Budget, Statutory Transfers increased marginally by 3.7% from N162.57 billion in 2008 to N168.62 billion while Debt Service decreased from N372.2 billion in 2008 to N283.65 billion, representing a 23.79% decline. MDA recurrent expenditure, however, increased from N1.328 trillion in 2008 to N1.6273 trillion, representing a 22.54% increase.

3.2. 2009 Budget Performance: Q1 Revenue Outturns

In the first quarter of 2009, revenue from both oil and non-oil sources were below projections. Aggregate revenue distributable to the Federal, States and Local Governments was N654.55 billion: short by N241.30 billion (or 27%) of the N895.85 billion projected for the first quarter. For the Federal Government, budgeted non-oil revenue of N90.6 billion underperformed by N53.60 billion compared to the projected level of N144.20 billion. Oil revenues fell short by N52.97 billion (or 21.86%) from the forecast N242.27 billion, while other revenues (independent revenue, special levies etc) fell short by N75.67 billion compared to projected aggregate of N179.83 billion. The aggregate revenue shortfall for the Federal Government Budget's Q1 projected revenue was therefore N182.24 billion (or about 32%) from the forecast N566.30 billion. However, this shortfall was mitigated by utilising N221.43 billion of unspent balances brought forward from the 2008 fiscal year bringing the total shortfall to N35.82 billion (or 6.32%).

Table 3.1: 2009 Budget Expenditure Breakdown

S/N	DESCRIPTION	2008 ANNUAL	2009 ANNUAL	2009 1st QTR			
		ACTUAL	BUDGET	BUDGET	ACTUAL	VARIANCE	
	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	***Sub-Total (1+2+3+4)***	**3,055.64**	**1,545.86**	**386.47**	**279.89**	(106.57)	
6	Independent Revenue	198.23	305.94	76.49	29.16	(47.33)	-61.88%
7	***Total (5+6)***	**3,253.87**	**1,851.80**	**462.95**	**309.05**	(153.90)	
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	***Total (7+8+9+10)***	**3,253.87**	**2,265.19**	**566.30**	**530.48**	**(35.82)**	**-6.32%**
	* Shortfall *(at budgeted Unspent balance)*					(182.24)	-32.18%

Source: BOF

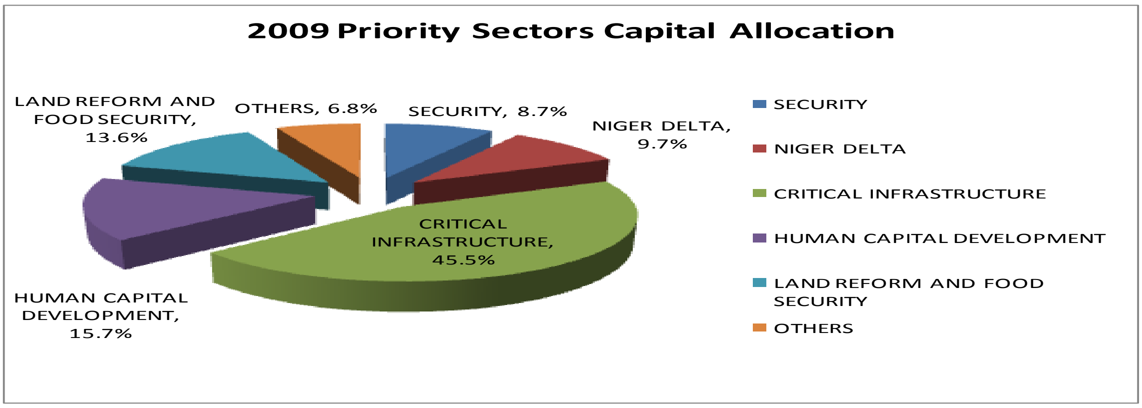
The Q1 revenue shortfalls raise serious concerns regarding the prospects for financing the levels of expenditure approved by the Budget. Regarding oil revenues, Q1 average production was lower at 2.05 mbpd than the forecast 2.292 mbpd. Also, average oil prices were only slightly higher than the Budget Benchmark Price of $45/barrel (Bonny Light Crude daily prices averaged about $47.88/barrel in Q1). However, with the recovery of prices to about $60/barrel in early July and prospects for better production output once the situation in the Niger Delta improves, oil revenue performance is expected to improve in the second and subsequent quarters of the year.

On the non-oil side, the targets set by the revenue generating agencies were not realised. Although these non-oil revenue targets remain quite ambitious, it is expected that as the year progresses, the performance will pick up, as the historical trend has usually been for a slow start, particularly for some taxes which are seasonal in nature. To respond to these revenue challenges, the Government has set up a Cash Management Committee to support budget implementation and optimal resource allocation. Another Committee has been established to spearhead the process audit of revenue-generating agencies under the Chairmanship of the Permanent Secretary (Finance). Finally, a Presidential Task Force on Customs Reform has commenced work on the implementation of key recommendations to enhance the performance of customs and excise duties.

3.3. 2009 Budget Performance: Q1 Expenditure Outturns

Approved aggregate expenditure of N3.1018 trillion in the 2009 Appropriation Act represents a 17.18% increase over the N2.647 trillion appropriated by the 2008 Amended Budget. More significantly, the capital vote of N1.0223 trillion is significantly higher than the actual capital expenditure of N560 billion spent in 2008. However, 93% of the capital vote was directed at five priority areas that are central to Mr President's Seven-Point Agenda, namely Critical Infrastructure [45.5%], Human Capital Development [15.7%], Land Reform and Food Security [13.6%], Internal Security [8.7%] and the Niger Delta [9.7%]. Only 89.8% of the 2008 Amendment Budget's N785.2 billion capital vote was so allocated.

Figure 3.3: 2009 Budget Expenditure Breakdown



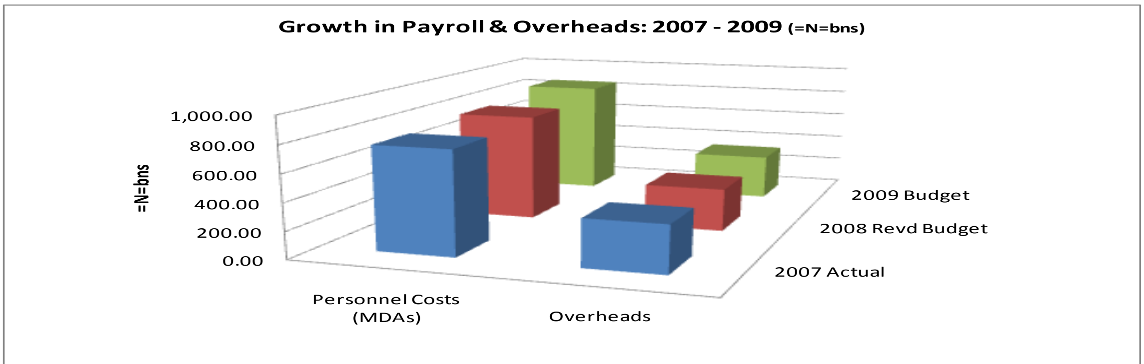
Source: BOF

N200.37 billion was released in the first quarter comprising N187.68 billion for spending on ongoing capital projects and N12.69 billion through Authority to Incur Expenditures for both the Ministry of Defence and the new Ministry of the Niger Delta. However, despite the early release, in January, of the quarter's capital warrants capital budget implementation averaged 20.68% in the first quarter with only N33.26 billion of the N160.84 billion cash-backed by the Office of the Accountant-General being utilised by MDAs. However, as the Ministries increase their utilisation rates and begin to implement their projects and programmes in earnest, budget performance and achievement of promised deliverables is expected to improve. Indeed, as at April, data from the Office of the Accountant-General of the Federation indicated a marked improvement in the MDAs' utilization of capital funds from an average of 20.68% in the first quarter to an average of 52.72% in April 2009.

N222 billion was released in Q2 because of cash flow constraints which forced Government to prioritise among MDAs for the purpose of the releases.

The Recurrent vote has been rising in absolute terms over the last three years, with personnel costs rising by 8.31% to N856.89 billion in 2009 over the N791.14 billion appropriated by the 2008 Budget. Similarly overhead costs rose by 5.56% from N317.73 billion in 2008 to N335.39 billion in 2009, reflecting the expansion of the recurrent vote in tandem with the increasing levels of aggregate expenditure.

Figure 3.4: Growth in Payroll & Overhead Expenditure (2007 – 2009)

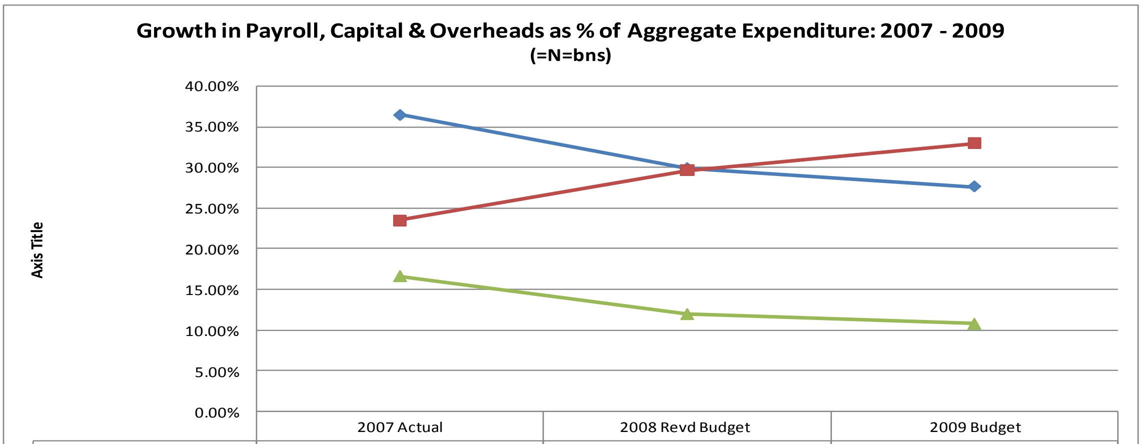


	Personnel Costs (MDAs)	Overheads
2007 Actual	761.22	347.04
2008 Revd Budget	791.14	317.73
2009 Budget	856.89	335.39

Source: BOF

However, the Government has taken steps to curb recurrent expenditures in line with revenue constraints. As seen in Figure 3.5 below, both Personnel and Overhead costs have falling as a percentage of aggregate expenditure in recent years.

Figure 3.5: Payroll, Overhead & Capital Expenditure Trends (2007 – 2009)



	2007 Actual	2008 Revd Budget	2009 Budget
Personnel Costs (MDAs)	36.46%	29.88%	27.63%
Capital Spending	23.52%	29.66%	32.96%
Overheads	16.62%	12.00%	10.81%

Source: BOF

As the 2009 Appropriation Act was assented to on 10 March 2009, the first quarter overhead releases were made based on the 2008 Amendment Budget and the overhead releases were similarly treated while personnel costs are based on the nominal roll. This measure was necessary to maintain public spending on essential recurrent expenditure pending the passage of the 2009 Budget. Once the 2009 Budget was passed, appropriate adjustments were made to the overhead releases in the second quarter to ensure due compliance with the 2009 Appropriation Act.

The report on the second quarter budget implementation is in progress and is due for completion at the end of July.

Chapter 4: Macroeconomic Overview

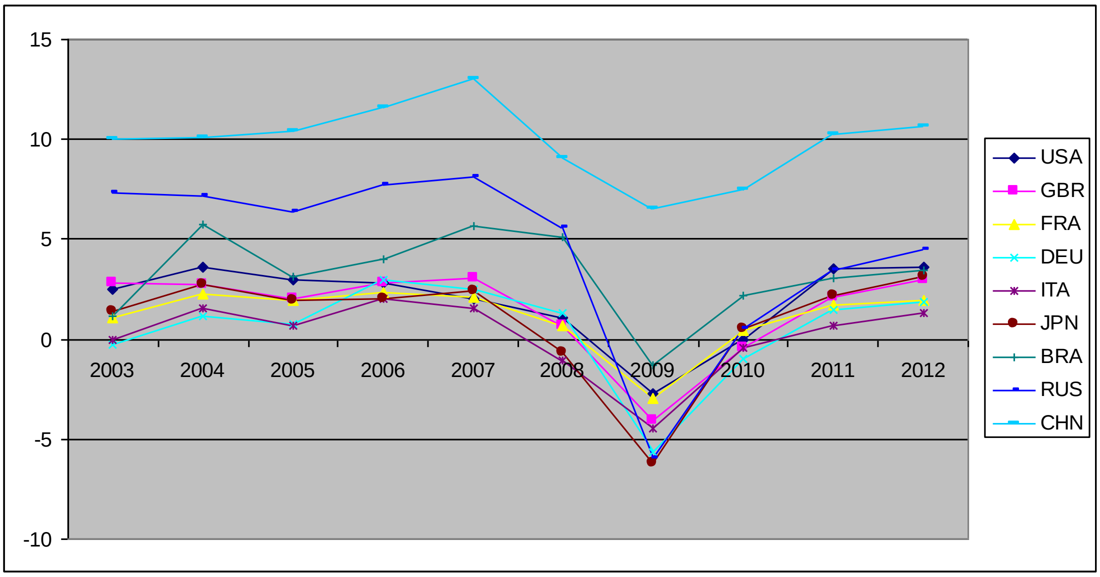
4.1. Trends in Economic Growth

Sound fiscal policy based on de-linking Government expenditure from the short term market price of oil delivered a stable macroeconomic environment and has supported the expansion of the real sector in Nigeria since 2004. Between 2004 and 2008 real GDP growth averaged 6.78 % per year[7]. Strong economic growth in the non-oil sector, especially agriculture, in this period drove the overall high rate of economic growth. Real GDP growth is projected to decelerate to 2.86 % in 2009 mainly due to a slowdown in non-oil economic growth caused by the global economic recession.

4.2. The Impact of the Global Economic Downturn on Nigeria's Economy

The global economic downturn has fundamentally altered the world's economic outlook, negatively impacting on the economic growth of developing and developed nations alike. The IMF has recently reported that 8 of the 9 largest economies in the world are now in recession. Forecasts from the IMF also show that most of these economies will continue to be in recession until early 2010.

Figure 4.1: Annual percentage change in real GDP, World's Nine Largest Economies



Source: IMF, WEO, April 2009

The global recession has generally undermined investor confidence, causing financial institutions and individual investors to become more risk averse. Developing country equity markets, such as Nigeria's, are often regarded as containing greater risk than

[7] Source: IMF, World Economic Outlook, April 2009.

developed country equity markets. This means that they suffer sharper falls than developed countries' stock indices in times of economic uncertainty. Figure 4.2 shows that there has been a sharp decline in Nigeria's stock market since May 2008.

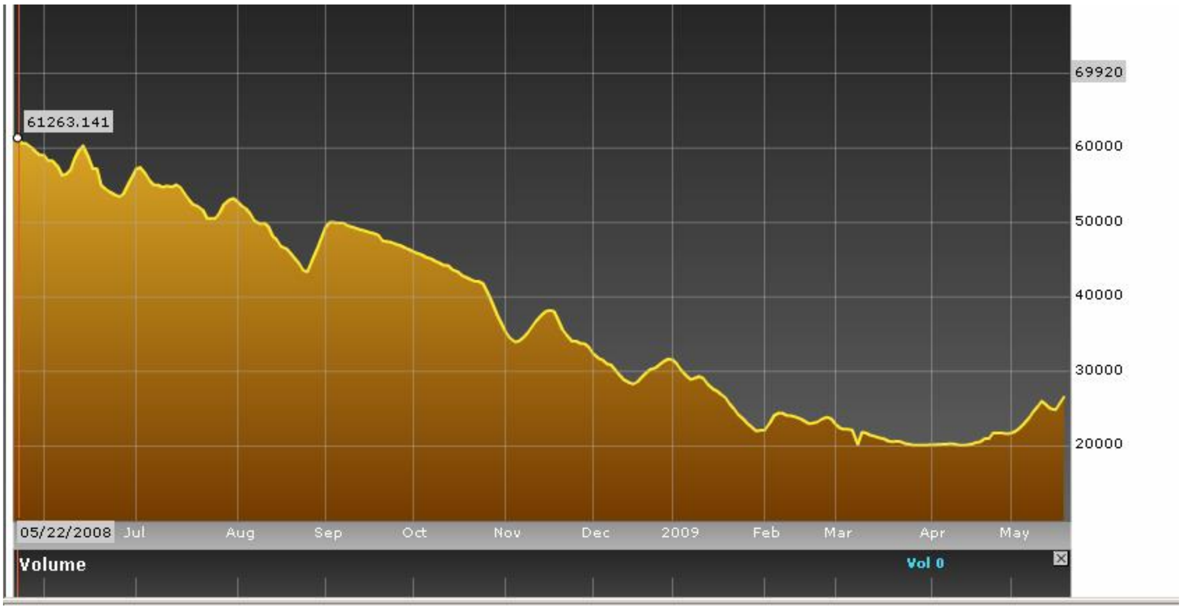
The decline in economic activity in other countries in which Nigerians are resident is also expected to negatively affect the economy through a reduced inflow of remittances. The IMF has recently estimated that because of the global recession, the flow of remittances to Nigeria will fall from 1.6 % of GDP in 2008, to 1.0 % of GDP in 2009. Similarly inflows of Foreign Direct Investment and portfolio capital have also declined.

The most important mechanism through which the global recession affected Nigeria's economy was through a decline in the price of oil. From 2004 there was a sustained increase in oil prices; with the price of Bonny Light peaking at $ 146.15 dollars per barrel in July 2008[8]. The causes of this boom were increased demand due to sustained world economic growth from 2003 to 2008 and an inelastic supply of oil.

The global downturn caused international demand for oil to fall. This fall in demand coincided with increased supply leading to a collapse in the price of oil. Bonny Light fell from a peak of $146.15 in July 2008 to a trough of $39.85 in January 2009. In the first 6 months of 2009 the price of oil has increased; with Bonny Light achieving a weekly spot price of $68.58 during the first week of June 2009. However prices as at early July were about $60/barrel.

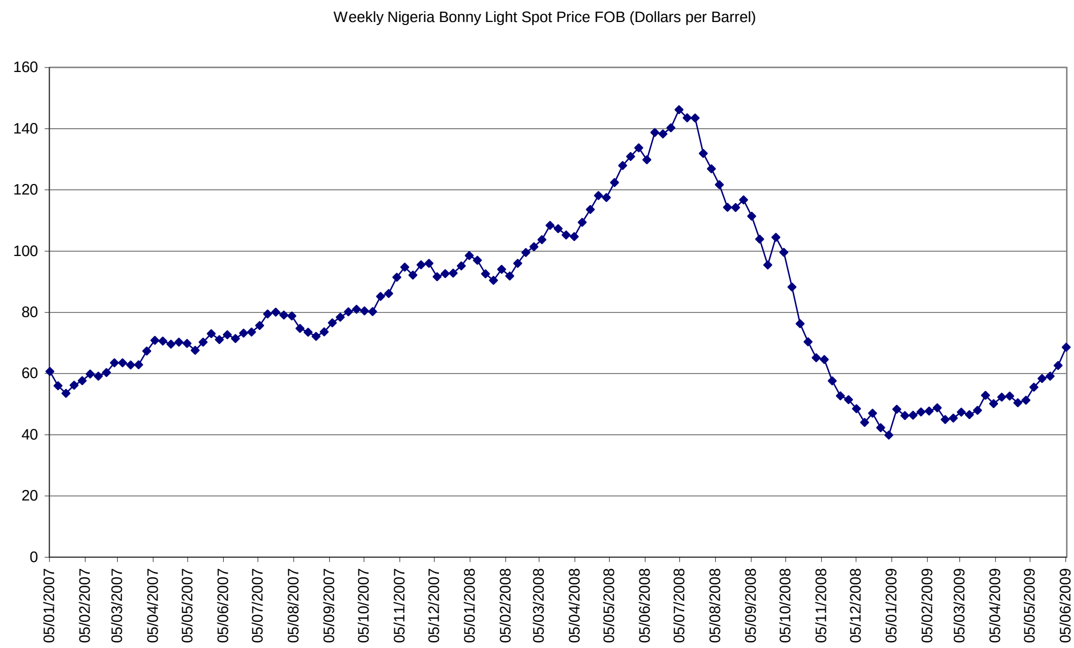
[8] This analysis is based on weekly spot price data from the EIA.

Figure 4.2: The Nigerian Stock Market



Source: Bloomberg

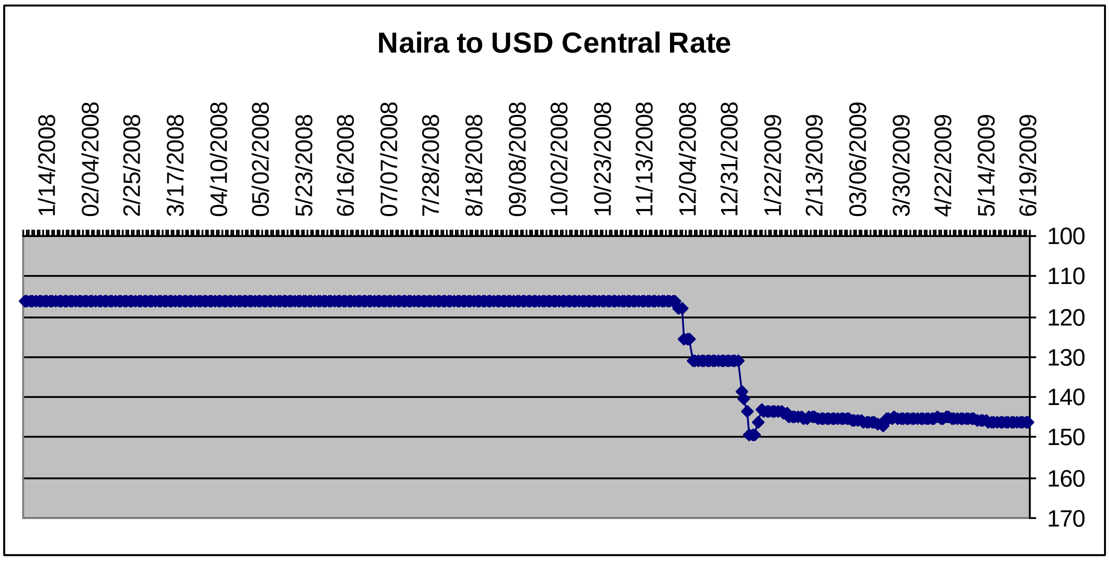
Figure 4.3: The Weekly Price of Bonny Light



Source: EIA

Declines in the price and production of oil, remittances, foreign direct investment and portfolio capital inflows led to a decline in foreign exchange inflows. This in turn led to a sharp fall in the Naira to Dollar exchange rate which depreciated by slightly over 21 % from the 2nd of December 2008 to the 14th of January 2009.

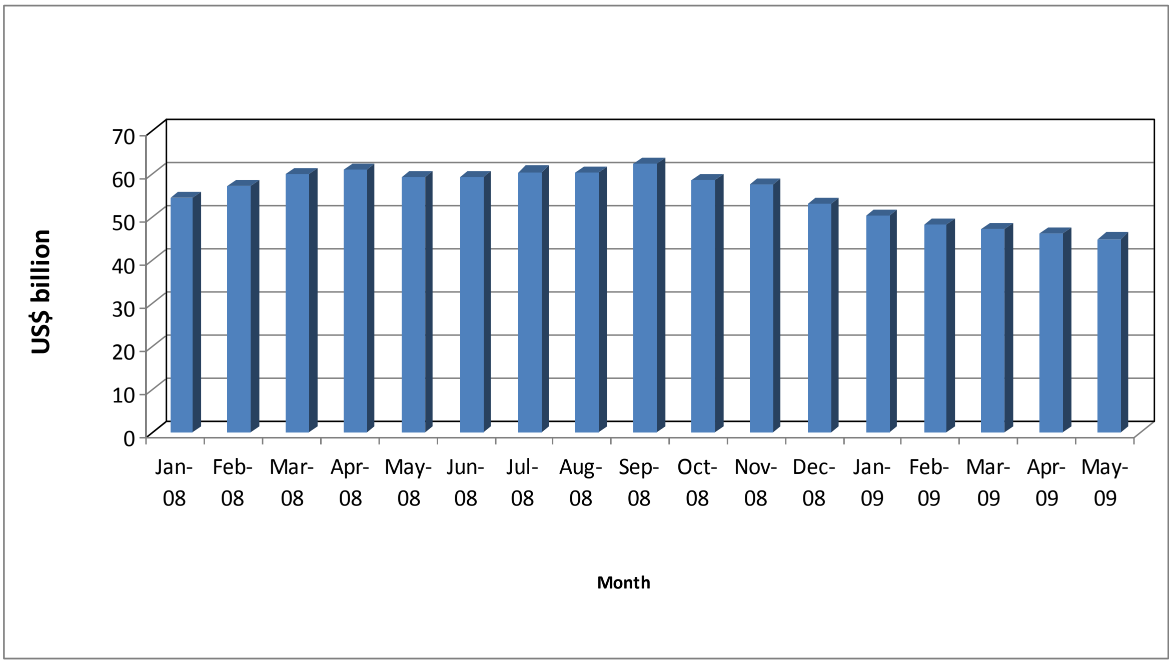
Figure 4.4: Exchange Rate Movement (Jan 2007 – June 2009)



Source: CBN

Oil accounts for the bulk of Nigeria's exports. The declines in the oil price and oil production led to a fall in earnings from oil exports. This in turn increased the current account deficit, which the Government estimates will reach 9.6[9] % of GDP in 2009 before moving back towards zero in 2010. Given the decline in oil revenues and falls in inflows from remittances, Foreign Direct Investment and portfolio capital; Nigeria's external reserves declined from a peak of $62 billion in September 2008 to $45 billion in May 2009.

Figure 4.5: External Reserve Position



Source: CBN

[9] Based on figures from the IMF's, WEO, April 2009

4.3. The Government's Response to the Global Recession

The Government is being proactive in responding to the threats, as well as the opportunities, inherent in the changing economic environment. A Presidential Steering Committee on the Global Economic Crisis was constituted, chaired by the President himself, to identify and oversee the implementation of key policy responses. The Committee comprises and draws on the experience of State Governors, seasoned private sector professionals, erudite economists and representatives of industry and labour. The National Economic Management Team also supports the technical work of this Committee. This Presidential Steering Committee on the Global Economic Crisis has contributed to formulating a variety of Government policies in the main areas which the global crisis has manifested itself in the Nigerian economy.

4.3.1. Exchange Rate Policy

The global downturn and the resulting decline in the price of oil caused a fall in the Naira to Dollar exchange rate, increased speculation and a widening gap between the BDC and DAS rate. The CBN responded to these developments by attempting to stabilise the Naira to Dollar exchange rate by suspending the Interbank Foreign Exchange Market in January 2009. The 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 to Dollar exchange rate. Initial indications are that these measures have been successful with the Naira to USD exchange rate stabilizing within a range of 140 to 150. The CBN has pre-announced a return to a fully liberalised exchange rate regime by late August 2009.

4.3.2. Monetary Policy and Inflation

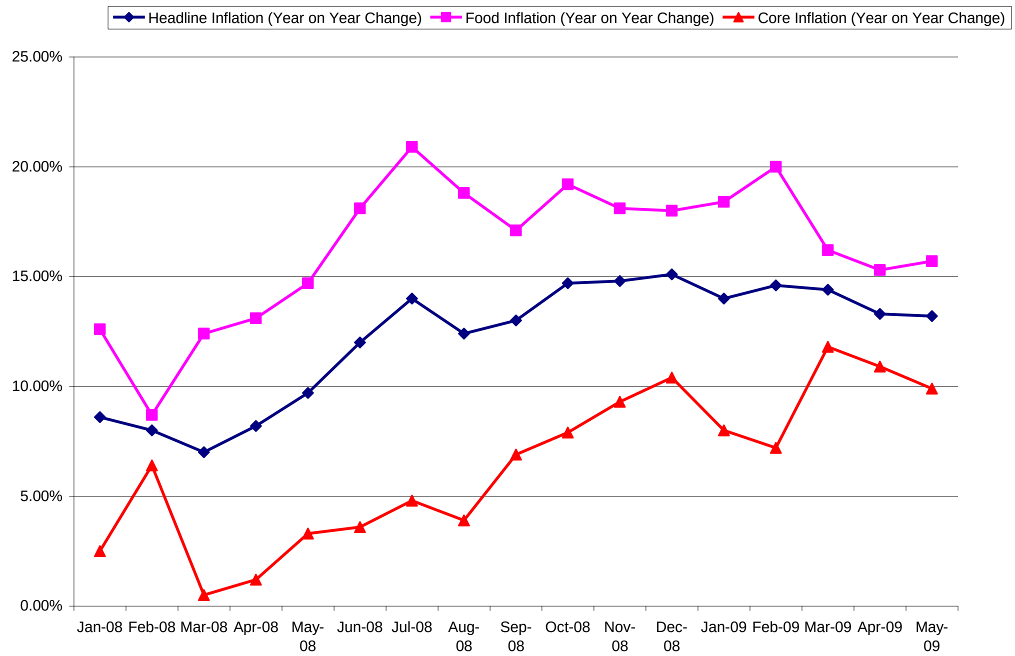
The global recession has imposed serious challenges for monetary policy. In the current economic environment monetary policy has to ensure that credit continues to be available to the private sector, while also ensuring that an increase in the money supply does not lead to higher inflation.

Broad money supply increased over 2008, but decreased in the first five months of 2009. More specifically, from December 2007 to December 2008 broad money supply increased by 56%. However, from January 2009 to May 2009 broad money supply decreased by 6.17 %. This decline was caused by 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 remained below capacity.

The CBN considered that the relatively tight monetary conditions described above required monetary easing. In April 2009, the CBN undertook three policy measures designed to ease monetary conditions, increase aggregate demand and promote positive economic growth. Firstly, it reduced the Monetary Policy Rate (MPR) from 9.75 % to 8 %, and then further reduced the MPR to 6% in early July. Secondly, it reduced the liquidity ratio from 30% to 25%. And thirdly, it reduced the cash reserve requirement ratio from 2 % to 1 %.

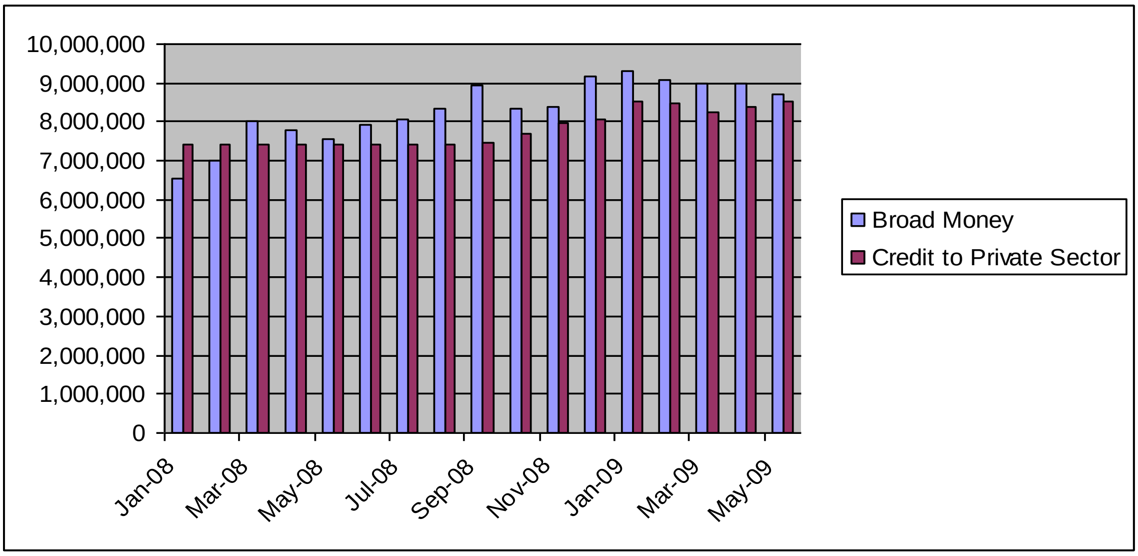
Monetary policy successfully ensured that there was not a severe fall in credit to the private sector (see figure 4.7). There was, however, a significant increase in the rates of headline and core inflation over the first 7 months of 2008. This rise in inflation can arguably be attributed to increased Government expenditure in 2007 and 2008, which was partly funded through withdrawals from the ECA. The rate of inflation has stabilised over the first 5 months of 2009; with headline and core inflation being 13.2 % and 9.9 % respectively in May 2009. These trends are consistent with inflationary pressure caused by a depreciation in the Naira to Dollar exchange rate being counterbalanced by lower aggregate demand. The causes of this lower aggregate demand are a decline in the foreign exchange inflows, lower investor confidence, falling remittances and constrained Government expenditure over the first five months of 2009.

Figure 4.6: Inflation



Source: NBS

Figure 4.7: Broad and Narrow Money Supply and Credit to the Private Sector in N Million



Source: CBN

4.3.3. Fiscal Policy

The Government has responded to the global recession by trying to maintain the level, and increase the efficiency, of Government expenditure. In the 2009 budget, 93 % of capital spending is on five priority sectors. This prioritisation should increase the efficiency of expenditure. The increased level of expenditure should maintain aggregate demand and stimulate economic growth.

Over the medium term, the Government aims to increases expenditure in nominal terms and operate a small fiscal deficit to maintain the level of aggregate demand. The current above trend rate of inflation and positive rate of economic growth, however, indicate that a more expansionary fiscal policy with increased Government expenditure as a percentage of GDP and a larger deficit is not necessary. A more expansionary fiscal policy would also risk crowding out private sector investment and could lead to higher external debt.

4.4. Future Trends in GDP Growth, Inflation and the Exchange Rate

Inflation will remain above trend but is likely to decline over the medium term. The fall in the Naira to Dollar exchange rate and MPR should cause upward pressure on the rate of inflation. The decline in remittances, foreign exchange, capital inflows, stock values and investor confidence should, however, cause downward pressure on the rate of inflation. On the whole, the Government considers that the downward pressures on inflation and the implementation by the CBN of policies to control inflation will lead to headline inflation rates of 10.11 %, 8.5 % and 8.5 % in 2010, 2011 and 2012 respectively.

The Government believes that the recent increases in the price of oil may cause upward pressure on the Naira to USD exchange rate. In the medium term the high rate of inflation in Nigeria compared to the USA will, however, put downward pressure on this exchange rate. The Government is therefore forecasting that the Naira to USD exchange rate will average 147 in 2010, 2011 and 2012.

Over the medium term, the rate of economic growth is forecast to decline but remain positive. The rate of economic growth will decline from the average rate of 6.78 % per year seen between 2004 and 2008 in 2010 because of the decline in the price of oil, fall in remittances and decline in international investor confidence. However, due to the fiscal, exchange rate and monetary policies of the Government, the economy will not enter recession and will continue to grow in the medium term. Improved security in the Niger Delta region could also lead to increased oil production and economic growth in the medium term. The Government currently forecasts that real GDP will grow by 2.61%, 4.89% and 5.83 % respectively in 2010, 2011 and 2012.

Chapter 5: Assumptions Underlying Projections of Oil and Non-oil Revenue

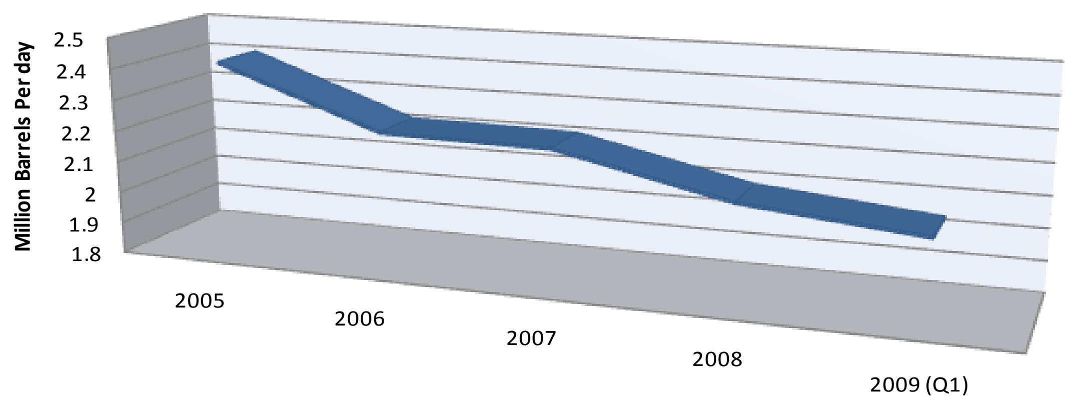
5.1: Oil Production & Growth

There has been a downward trend in oil production over the last five years. The Nigerian Oil Industry produced just 2.1 mbpd in 2008, representing a decline of just over 0.3 mbpd compared to 2005. This decline has mainly occurred due to increased instability in the Niger Delta region.

In the first quarter of 2009, oil production averaged just 2.05 mbpd. This figure is slightly below the 2.1 mbpd produced in 2008.The conflict in the Niger Delta continues to pose a downside risks to the Oil Industry's ability to meet budgeted production of 2.292 mbpd in 2009. The persisting instability in the region has led to increased production shut-ins thus driving production levels well below capacity. Although efforts are being made to stem the conflict in the region, it is difficult to predict the outcome of the current interventions in the region and their impact on production for the remainder of 2009.

Over the medium term, capacity exists to increase production to an average of over 2.5 mbpd. The ongoing conflict in the Niger Delta may, however, constrain production in the medium term. The Government therefore considers that oil production will average 2.088, 2.275 and 2.443 mbpd in 2010, 2011 and 2012 respectively.

Figure 5.1: Past Trends in Oil Production 2005 - 2009



	2005	2006	2007	2008	2009 (Q1)
Oil Production in mbpd	2.411	2.224	2.217	2.1	2.05

Source: NNPC

Table 5.1: Forecasted Oil Production

In mbpd	2009 Projection	2010 Projection	2011 Projection	2012 Projection
Oil production				
Joint Ventures	1.100	1.175	1.167	1.120
Alternative Funding	0.302	0.308	0.372	0.445
Production Sharing Contracts	0.760	0.593	0.724	0.866
Independents	0.105	0.000	0.000	0.000
Service Contracts	0.010	0.011	0.012	0.012
Marginal Fields	0.015	0.000	0.000	0.000
Total Production	**2.292**	**2.088**	**2.275**	**2.443**

Source: NNPC

5.2. The Market Price of Oil

In the third and fourth quarters of 2008 there was a sharp fall in the international price of oil (see figure 4.3). This fall in price was caused by both demand and supply factors. Oil demand decreased by 2.2 mbpd (year on year) in the in the third and fourth quarters of 2008; mainly due to decreased demand from the USA and Japan, both of which are suffering from significant recessions. This fall in demand coincided with increased supply, stimulated by earlier price rises, with global oil production increasing by 0.9 mbpd in 2008 (double the increase in the previous year)[10]. Decreased demand and increased supply led to increased inventories in developed economies, particularly the USA. Movements in the price of Bonny Light closely mirror the international price for oil and thus the price of Bonny Light also declined significantly in the 3rd and 4th quarters of 2008.

The future outlook for the price of oil is uncertain. On the price downside, demand is likely to fall further; with the International Energy Association predicting that over the whole of 2009 demand will decline by 2.4 mbpd. On the upside, non-OPEC supply is likely to decline and overall supply will fall if OPEC can restrict production levels for the year to the level seen in March 2009. Decreased supply may well outweigh decreased demand, leading to modest price increases in the second half of 2009[11]. The BOF recently estimated that the average price of oil will be $51.40 in 2009 based on a range of international forecasts. The BOF therefore considers that the price of Bonny Light for the rest of 2009 will be higher than the average of $50.10 seen over the first five months of 2009.

Movements in the price of oil in 2010, 2011 and 2012 are heavily dependent on demand for oil. The uncertainty of the current economic outlook for most of the world's major economies means it is difficult to accurately forecast future oil demand. However, assuming that economic growth resumes in most of the world's largest economies next year then increased demand for oil should lead to further price increases in 2010. Oil prices are, however, unlikely to return to the very high levels seen in early 2008. The BOF considers,

[10] Source for all figures: Oil Market Report, International Energy Agency, April 2009
[11] See IMF Global Economic Prospects, 2009

based on a range of international forecasts that the average[12] market price of oil will be $57.20 per barrel in 2010.

5.3. The Benchmark Price of Oil

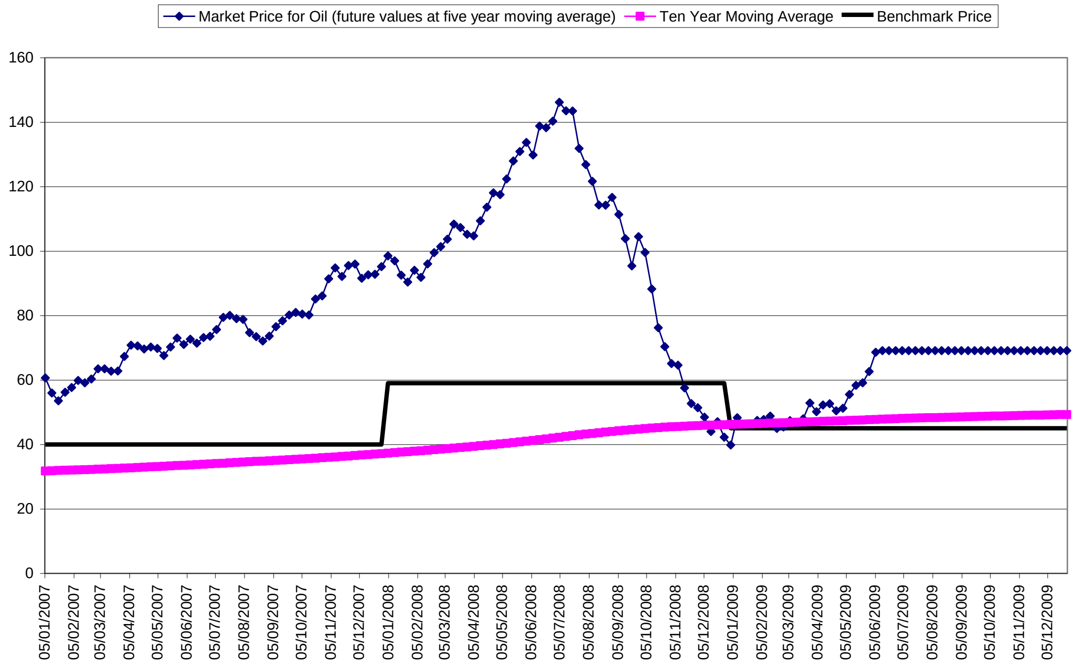
Nigeria is heavily dependent on revenue from oil; with budgeted gross federally collected oil revenue amounting to 59 % of gross federally collected total revenue in the 2009 budget. Previous years' budgets were even more heavily dependent on oil revenue. The high dependence of Nigeria on oil revenue means that volatility in the international price of oil has the potential, if it is not mitigated by fiscal policy, to be translated into volatile Government expenditure. Prior to 2004, changes in revenue from oil were linked to aggregate expenditure. The volatility of expenditure in Nigeria prior to 2004 contributed to an unstable macroeconomic environment; with high inflation and interest rates leading to weak private sector growth, unemployment and low per-capita GDP growth. This had a devastating impact on the living standards of the majority of the population; many of whom did not gain directly from the exploitation of oil, but who suffered from the unstable economic environment created by fluctuations in the price of oil and Government expenditure.

The Government, therefore uses a benchmark price for oil. This decouples expenditure from short term changes in the market price of oil, such as the negative price shock seen in late 2008. The benchmark price should be set below the long term trend price for oil to ensure that long term savings accrue to the ECA. These savings protect the budget against negative oil price shocks, allow additional infrastructure spending and may in the future be invested through a sovereign wealth fund.

As can be seen from the next chart, from January 2007 until late 2008, the benchmark price was below the market price, causing savings to accrue to the ECA. This chart also shows that, with hindsight, the 2008 benchmark price responded to medium term increases in the market price for oil and was set at too high a level.

[12] This is the average of UK Brent, Dubai and West Texas Intermediate crude oil prices.

Figure 5.2: Market Price, ten year moving average and the benchmark price



Source: EIA, BOF Estimates

The BOF has, in line with international best practice, estimated the benchmark price based on a ten year moving average. The use of a ten year moving average de-links the benchmark price from short and medium terms fluctuations in the market price of oil. It also allows long term savings to accrue to the ECA because, due to inflation, the ten year average is likely to be consistently below the current year's average market price. Based on this methodology, the benchmark price for 2010 is $50. Chapter 6 contains the forecasts for oil revenue, which were estimated using a $50 benchmark price.

5.4. Non-Oil Revenue Baselines and Assumptions

This section outlines the assumptions used to estimate non-oil revenue. The forecasts of non-oil revenue are also presented here in order to clearly and transparently demonstrate how changes in the relevant component of GDP affect the BOF's estimates of non-oil revenue. This section does not, however, contain a detailed analysis of past and future trends in non-oil revenue because such an analysis is contained in chapter 6.

The main assumptions used to forecast non-oil revenue are the rate of growth in the relevant bases for different taxes, the effective tax ratio of collection, and an efficiency factor to account for operational improvements in the various tax administration agencies. The underlying tax bases are follows:

- for CIT the underlying base is nominal GDP liable for CIT;
- for VAT the underlying base is consumption liable for VAT;
- for Customs Duty the underlying base is Import CIF.

All these tax bases are forecast to show strong growth over the next three years. These forecasts are in line with the Government's projections for inflation and positive economic growth in the non-oil sector.

Table 5.2: Sectoral Composition of GDP

Sectoral Contribution to GDP	2008b	2009f	2010f	2011f	2012f
Total	**100%**	**100%**	**100%**	**100%**	**100%**
Agriculture	29%	30%	37.9%	40.6%	39.6%
Solid Minerals	0%	0%	0.4%	0.4%	0.4%
Crude Petroleum & Natural Gas	37%	34%	29.1%	27.2%	26.0%
Maufacturing	2%	3%	3.0%	3.2%	2.2%
Telecommunication & Post	2%	2%	8.2%	7.8%	10.0%
Finace & Insurance	1%	1%	4.0%	2.6%	2.8%
Wholesale & Retail Trade	16%	18%	13.9%	14.9%	15.5%
Building & Construction	1%	2%	1.2%	1.3%	1.3%
Others	10%	10%	2.3%	2.4%	2.4%

Source: NBS

The next three tables show the projected gross revenue from CIT, VAT and Customs Duties. These figures differ from the net revenue figures discussed in the next chapter due to the cost of collecting these taxes. Gross figures are used in this chapter as these most clearly show the relationship between changes in the underlying tax base and revenue.

Projected revenue from CIT is outlined in table 5.3. The portion of Nominal GDP liable for CIT increases between 2009 and 2010 because of strong growth in the Telecommunications & Post sector. The amount of revenue forecasted for collection from CIT in 2010 is N 502 billion. This represents a decrease of 14.6 %, compared to the amount budgeted for collection in 2009, despite strong growth in the portion of nominal GDP liable for this tax. The reason for this is that the 2009 budget included a substantial increase in CIT collections of 40.8 % compared to the amount of revenue actually collected in 2008 due to tax efficiency measures. These increases in tax efficiency have so far been less than expected and CIT tax collections for the first 6 months of 2009 have been well below target.

Table 5.3: CIT Collection Assumptions

CIT Collection	2008a	2009b	2010f	2011f	2012f
Non-Oil GDP (N' Bill)	15,669	18,419	20,651	24,577	29,032
GDP Ratio	7.5%	7.9%	16.4%	16.0%	15.7%
Corporate Tax (=N=bns)	1,871	2,186	4,777	5,391	6,161
Nominal Corporate Taxes @30% CITA	561	656	1,433	1,617	1,848
(Adjusted for evasion, avoidance,	364	587	502	566	647
CIT Revenues @ 30% CITA (N'Bill.)	**417**	**587**	**502**	**566**	**647**
Year On Growth	*27.5%*	*40.8%*	*-14.6%*	*12.9%*	*14.3%*

Source: NBS, FIRS

The assumptions underlying the estimates of revenue from VAT are outlined in the next table. The amount of VAT forecasted for collection in 2010 is N 525 billion. This represents a 9.5 % decline from the amount forecasted to be collected in 2009, despite an increase in discounted consumption. The reason for this is that the 2009 budgeted figure for VAT collections was based on ambitious, and possibly unrealistic, tax efficiency assumptions. VAT collections for the first 5 months of 2009 have been well below target and the actual amount of VAT collected in 2009 is likely to be below its budgeted amount.

Table 5.4: VAT Collection Assumptions

VAT Collection	2008a	2009b	2010f	2011f	2012f
Consumption (=N=bns)	11,612	28,295	28,572	30,443	32,314
Consumption	32.2%	31.7%	38.8%	40.8%	40.4%
Of which Agriculture (65%)	14.4%	14.1%	18.3%	21.3%	21.7%
Of which Industrial Machinery	2.6%	2.6%	3.0%	3.2%	3.1%
(60%)	15.2%	15.1%	17.5%	16.3%	15.6%
Discounted Consumption	7,876	19,323	17,487	18,021	19,274
VAT@5% Discounted Consumption	394	966	874	901	964
VAT@3% Discounted Consumption	236	580	525	541	578
VAT Collection (N'Bill)	**405**	**580**	**525**	**541**	**578**
Year on Growth	*34.1%*	*43.3%*	*-9.5%*	*3.0%*	*10.2%*

Source: NBS, FIRS

Table 5.7 outlines the assumptions underlying Customs Duty. The BOF has forecasted that N 421 billion will be collected from this revenue item in 2010; representing a 15.8 % decline from the 2009 budget. This decline is forecasted to occur despite growth in the nominal value of imports because the 2009 forecast for this revenue item was based on unrealistic increases in tax efficiency. Customs Duty collections have been well below target for the first five months of 2009 and actual collections for the whole of 2009 are likely to be below their budgeted amount.

Table 5.5: Customs Duty Assumptions

Customs Duty	2008a	2009b	2010f	2011f	2012f
Import c.i.f. (=N=bns)	5,043	5,492	6,014	6,607	7,751
Non-Oil GDP	15,669	18,419	20,651	24,577	29,032
Customs @14% CIF (=N=bns)			842	925	1,085
Customs Revenue (=N=bns) (7% of cif for 2010-2012)	**281**	**500**	**421**	**462**	**543**
Customs levies (Non-Federation Acct 1.75% of cif which is same as 25% of actual levies comparable to Import duties in 2008)	70	150	105	116	136
Customs @17% CIF (=N=bns)	857	934	1,022	1,123	1,318
Lost due to Exemption, Zero Rating, Evasion, Inefficiency etc) (=N=bns)	-576	-434	-421	-462	-543
Lost/Non-Oil GDP	-3.7%	-2.4%	-2.0%	-1.9%	-1.9%

Source: NBS, NCS

The oil and non-oil revenue assumptions set out in this section are further discussed in the next section.

Chapter 6: Fiscal Strategy for 2010-2012

6.1. The Fiscal Strategy & the Economic Objectives of Government

Chapter 5 has set out, in some detail, the underlying macroeconomic variables and assumptions that underpin both the projections for oil and non-oil revenue. This Chapter focuses on expenditure, revenue and financing.

The resulting fiscal strategy has been informed by the principal economic objectives of the Nigerian State as enshrined in Section 16 of the Constitution of the Federal Republic of Nigeria, 1999. Accordingly, the 2010-2012 fiscal strategy has been designed to:

- Promote balanced and planned national economic development;
- Ensure that the scarce natural resources of the Federal Government are harnessed and distributed in a manner to best serve the common good;
- Promote competition and freedom of trade particularly in the domestic markets, industrial production and other areas of commerce; and
- Improve the livings standards of Nigerians vis-à-vis shelter, food, employment and healthcare by the fiscal and other strategies of Government.

The fiscal policies outlined in this paper should, over the medium term, ameliorate the negative impact of the global recession on Nigeria's economy and ensure positive rates of economic growth. The Fiscal Policies of the Government also prioritise and increase spending in line with the development priorities of this Administration as encapsulated in the 7-Point Agenda, the Millennium Development Goals and the Vision 20:2020 national planning framework. Specifically, the rolling Medium-Term Sector Strategies, which underpin the expenditure framework and the annual budgets, have been conceived against the backdrop of these high level policy documents. This spending should reduce poverty. The Government is also cognisant of the need to maintain long term macroeconomic and fiscal stability. The Government's medium term fiscal policies contribute to this goal by seeking to keep the deficit within the 3 % of GDP threshold mandated in the FRA of 2007. The deficit is also forecasted to fall over the medium term. Over the long term the Government is committed to stimulating growth in the non-oil sector of the economy and decreasing the Government's dependence on oil revenue.

The rest of this Chapter sets out, in some detail, aspects of the 2010-2012 fiscal framework which is the outcome of this rolling budgeting process and an integral part of the Federal Government's fiscal strategy going forward.

6.2. Aggregate Revenue

6.2.1. The Federation Account

Table 6.1: Federally Collectible Revenue

REVENUE SOURCES	2008 Budget	2009 Approved	2010 Projection	2011 Projection	2012 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
KEY PARAMETERS, ASSUMPTIONS & INDICATORS					
GROSS FEDERALLY COLLECTIBLE REVENUE	5,425.27	5,305.31	5,410.40	6,146.72	6,807.60
Total Oil & Gas Revenue	4,053.96	3,114.82	3,540.47	4,117.41	4,519.36
Total Non-Oil	1,371.31	1,972.97	1,697.18	1,836.06	2,063.34
MEMORANDUM ITEMS					
Special Levies for Targetted Expenditure	0.00	154.40	109.65	120.68	141.46
Other Non Federation Acct. Items		63.11	63.10	72.57	83.45

Source: BOF, NNPC, NCS, FIRS

The total federally collectible revenue comprises both oil and non-oil revenue, and other items like special levies and other non-federation account items. For the 2010 fiscal year, total federally collectible revenue projected to flow into the Federation Account amounts to N5,410.40 billion, slightly above the amount approved in the 2009 Budget.

Table 6.2: Oil Revenue

REVENUE SOURCES	2008 Budget	2009 Budget	2010 Projection	2011 Projection	2012 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
GROSS FEDERALLY COLLECTIBLE REVENUE	5,425.27	5,305.31	5,410.40	6,146.72	6,807.60
Oil Revenue					
Crude Oil Sales	2,369.16	1,846.42	1,970.31	2,301.43	2,412.26
Royalties	438.37	319.42	368.99	441.33	482.71
Oil & Gas Petroleum Profits Tax	1,077.12	686.59	844.46	1,017.95	1,267.68
Gas Sales	166.42	253.23	345.57	345.57	345.57
Rent, Gas Flared Penalty, Miscellaneous Oil Revenue etc	2.88	9.16	11.13	11.13	11.13
Total Oil & Gas Revenue	4,053.96	3,114.82	3,540.47	4,117.41	4,519.36

Source: BOF, NNPC

Based on the Budget Benchmark Price and Production of $50/barrel and 2.088 mbpd, respectively, oil revenue is projected to increase in 2010 by 13.67% to N3,540.47 billion from the N3,114.82 billion projected in 2009. The bulk of the increases are expected to come from rising receipts from Oil & Gas Petroleum Profits Taxes, Crude Oil Sales, and Royalties. Oil revenue is projected to increase by about 16.3% in 2011 to N4,117.41 billion and by about 9.76% over 2011 levels to N4,519.36 billion in 2012. The smaller increase in 2011 is due to shifts in production across different business arrangements which are subject to different cost structures and fiscal terms.

Table 6.3: Non-oil Revenue

REVENUE SOURCES	2008 Budget	2009 Budget	2010 Projection	2011 Projection	2012 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
Gross Non-Oil Revenue					
Customs	281.25	500.00	421.01	462.48	542.55
Companies Income Tax	416.83	587.00	501.54	566.07	646.94
Value-Added Tax	404.53	580.00	524.62	540.62	578.21
FGN Independent Revenue	268.70	305.97	250.00	266.89	295.64
Total Non-Oil	**1,371.31**	**1,972.97**	**1,697.18**	**1,836.06**	**2,063.34**

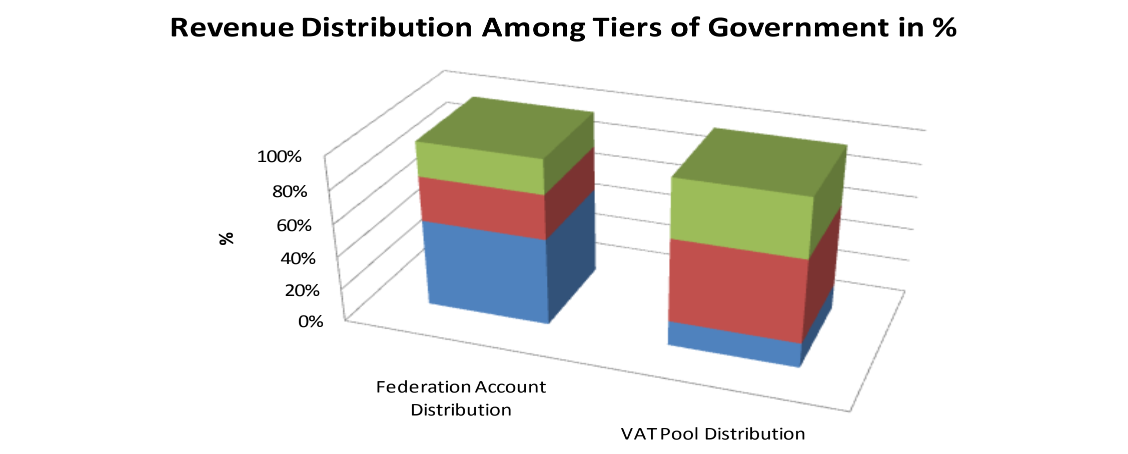
Source: BOF, NNPC, NCS, FIRS

On the non-oil side, projections for 2009 were rather optimistic resulting in an increase of 43.87% and 51.67% over the N1,371.31 billion and N1,300.84 billion budgeted and actually achieved, respectively, in 2008. Some of this underperformance may be attributed to the effect of the global economic slowdown on the domestic economy and business environment. Accordingly, non-oil projections have been rationalised down by about 14% in the 2010 fiscal year to N1,671.18 billion in line with the levels of actual receipts achieved by the various non-oil revenue generating agencies in the half year to June 2009. Going forward, as the various reforms to increase non-oil revenue yield dividends, non-oil revenue is expected to rise to N1,836.06 billion and N2,063.34 billion in the 2011 and 2012 fiscal years.

6.2.2. Consolidated Revenue Fund

In accordance with the Constitution of the Federal Republic of Nigeria, the distribution of the federally collected revenue from the Federation Account and VAT Pool among the three tiers of Government is determined by the sharing formula as shown in Figure 6.1 below:

Figure 6.1: Federation Account & VAT Pool Distribution Formulae



	Federation Account Distribution	VAT Pool Distribution
Local Govts	20.60	35.00
State Govts	26.72	50.00
Federal Govt	52.68	15.00

Source: BOF

In line with these sharing formulae, the Federal Government is forecast to receive N1,824.75 billion in 2010 from the Federation Account Main Pool and the VAT Pool of the Federation Account, while the States and Local Governments are expected to receive N1,139.04 billion and N860.28 billion respectively. Moreover, the oil producing states will receive N364.71 billion in addition to their share of the above from the derivation share.

Table 6.4: Shared Revenue from FAAC & VAT Pool Distribution

REVENUE SOURCES	2008 Budget	2009 Budget	2010 Projection	2011 Projection	2012 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
SUMMARY OF FAAC & VAT POOL					
FGN	1,998.33	1,730.71	1,824.75	2,107.23	2,376.99
STATES	1,178.21	1,113.88	1,139.04	1,288.83	1,440.95
LGCs	894.57	839.00	860.28	975.22	1,091.22
Total	**4,071.11**	**3,683.58**	**3,824.07**	**4,371.28**	**4,909.16**
		-13.39%	5.43%	3.50%	12.80%

Source: BOF

The Federal Government's allocation is projected to increase by 5.43% from N1,730.71 billion in 2009 to N1,824.75 billion in 2010 and increase to N2,107.23 billion in 2011. The Federal Government's share is projected to reach N2,376.99 billion by 2012 out of consolidated revenue of N4,909.16 billion.

6.2.3 Federal Government Budgeted Revenue

As indicated earlier, the 2010 Budget is predicated on a Budget Benchmark Price of $50/barrel and target production of 2.088 mbpd, as well as other key assumptions for non-oil revenue. Taking into account the revenue sharing formula, the total federally collected revenue is projected at N5,410.40 billion, which includes oil revenues of N3,540.47 billion and non-oil revenues of N1,697.18 billion (as well as other non-Federation Account items such as special levies amounting to N172.75 billion). The total Revenue for the Federal Government Budget is forecast at N2,096.31 billion including Independent Revenue of N250 billion. This represents a reduction of 7.46% over the N2,265.21 billion budgeted for in 2009.

Table 6.5: Federal Government Budget Revenue

REVENUE SOURCES	2008 Budget =N= bns	2009 Budget =N= bns	2010 Projection =N= bns	2011 Projection =N= bns	2012 Projection =N= bns
FGN BUDGET RETAINED REVENUE					
Unspent balance from previous FY*	217.67	300.00	150.00	100.00	50.00
FGN BUDGET Share of Federation Account (48.5%)	1,786.14	1,516.47	1,610.41	1,868.36	2,111.73
FGN BUDGET Share of VAT (14%)	54.37	77.95	70.51	72.66	77.71
FGN Independent Revenue	268.70	305.97	250.00	266.89	295.64
Estimated FGN's Balances of Special Accounts end Dec. 2008		64.82	15.39	0.00	0.00
Total	**2,326.88**	**2,265.21**	**2,096.31**	**2,307.91**	**2,535.08**

Source: BOF

6.3. Federal Government Budgeted Expenditure

6.3.1. 2010-2012 Medium-Term Sector Strategies

As has been the tradition since 2005, the Federal Ministry of Finance and the Budget Office of the Federation (with the support of the National Planning Commission, the Office of the Senior Special Assistant to the President on the MDGs and the Chief Economic Adviser to the President), organises the annual MTSS. During the MTSS, the MDAs articulate, develop, cost and prioritise their spending strategies over the medium-term horizon based on the high-level development plans of the Government, which are currently contained in the 7-Point Agenda. These Strategies are updated annually with the first year of the MTSS serving to ground the Budget for the succeeding fiscal year. Since 2008, the MTSS have involved the MDAs agreeing on tangible outcomes and outputs by way of deliverables together with measureable key performance indicators to track budget implementation and project execution.

The 2010-2012 MTSS sessions were held at the end of June 2009 and involved 15 large spending Ministries, which constitute over 90% of federal Government capital spending and comprise Agriculture & Water Resources; Aviation; Defence; Education; Environment; FCT; Health; Interior; Mines & Steel Development; Niger Delta; Petroleum Resources; Police (Affairs/Formations & Command); Power; Transport; and Works, Housing & Urban Development. The MTSS outcomes for the 2010 fiscal year are expected to form the basis for the capital vote of the 2010 Budget.

6.3.2. Analysis of Medium-Term Budget Expenditure

Table 6.6: Federal Government Budget Expenditure Projections

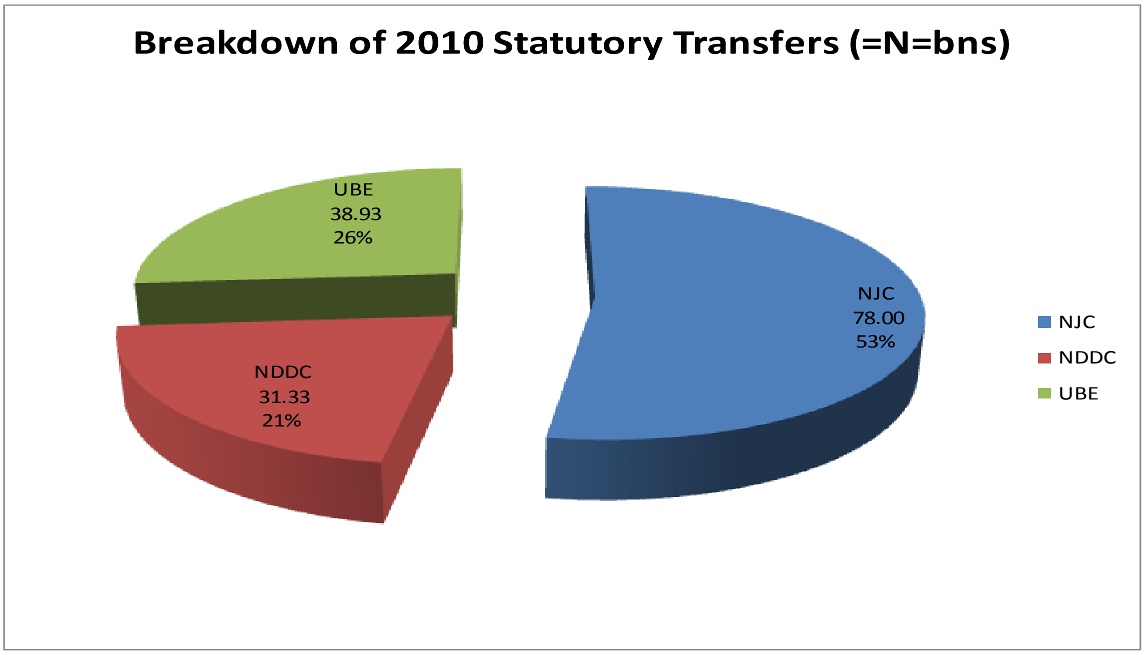
REVENUE SOURCES	2008 Budget	2009 Budget	2010 Projection	2011 Projection	2012 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
FEDERAL GOVT. OF NIGERIA BUDGET					
Statutory Transfers	162.57	168.62	148.26	159.86	168.55
Debt Service Recurrent	372.20	283.65	297.78	327.56	360.31
MDA Spending	2,112.72	2,649.54	2,676.31	2,922.56	3,191.61
Of which:					
Non-Debt Recurrent	1,327.55	1,627.29	1,816.31	1,989.46	2,179.19
Personnel Costs (MDAs)	791.14	856.89	961.04	1,057.14	1,162.86
Pensions and Public Service Reform	144.00	161.59	179.26	196.96	216.42
Overheads	317.73	335.40	323.29	350.77	380.59
Multi-Year Tariff Order	74.68	40.31	85.12	92.35	100.20
Other Service Wide Votes	0.00	233.10	267.61	292.23	319.13
Sub-Total	1,327.55	1,627.29	1,816.31	1,989.46	2,179.19
Percentage change in MDA Spending		*22.58%*	*11.62%*	*9.53%*	*9.54%*
Capital Spending	785.17	1,022.26	860.00	933.10	1,012.41
Percentage change in MDA Spending		*30.20%*	*-15.87%*	*8.50%*	*8.50%*
Aggregate Expenditure	2,647.49	3,101.81	3,122.35	3,409.98	3,720.47
Percentage change in Capital Spending		*17.16%*	*0.66%*	*9.21%*	*9.11%*

Source: BOF

The 2008 Amendment Act authorized the Government to spend N2,647.5 billion representing a 26.77% increase with respect to the previous year's actual expenditure of N2,088 billion. The Supplementary Budget also authorised expenditure in the sum of N683 billion, mainly for power and other infrastructural investments. Given the significant increase in aggregate expenditure from 2008 to 2009, the level of Federal Government spending has been substantially maintained in the 2010 fiscal year at the level of the 2009 Budget. Although the capital vote increased by 30.2% in 2009 to N1,022.3 billion, capital expenditure is projected to decline by about 16% in 2010. However, the capital vote is projected to rise by about 8.5% annually in the outer years in line with the spending priorities of the Federal Government. Similarly, on the recurrent side, MDAs' expenditure rose by about 23% from the N1,327.55 billion budgeted in 2008 to N1,627.3 billion in 2009, due in part to the implementation of certain reforms regarding pensions, public service wages and the Multi-Year Tariff Order. However, once these measures are implemented, the rate of increase of MDAs' expenditure is forecast to reduce to 11.62% to 2010, and to about 9.5% annually thereafter to 2012.

Statutory transfers to the NJC, NDDC and the UBEC are expected to drop from N168.62 billion in 2009 to N148.26 billion in 2010 with the decline in revenue sources. However, it is proposed that the NJC be given a similar share of the budget as in 2008 in the medium-term. The UBEC scheme is allocated 2% of the consolidated revenue fund, which adds up N38.93 billion for 2010, while NDDC is projected to have N31.33 billion being the amount equivalent to 15% of the revenues accruing to the oil producing states from their share in the Federation Account. Figure 6.2 summarises these transfers.

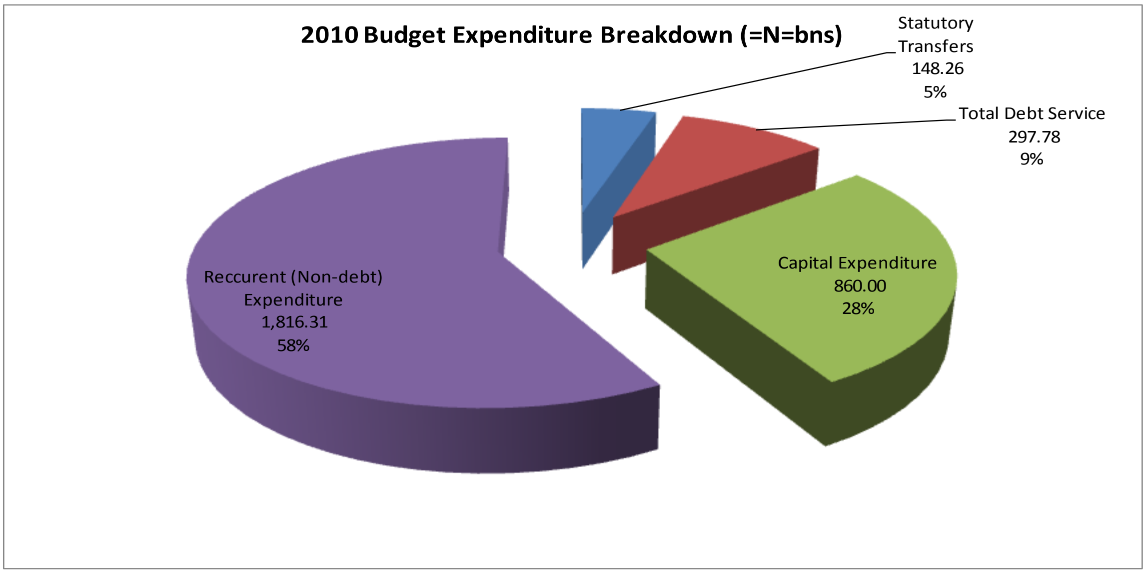
Figure 6.2: Breakdown of Statutory Transfers (2008 – 2010)



Source: BOF

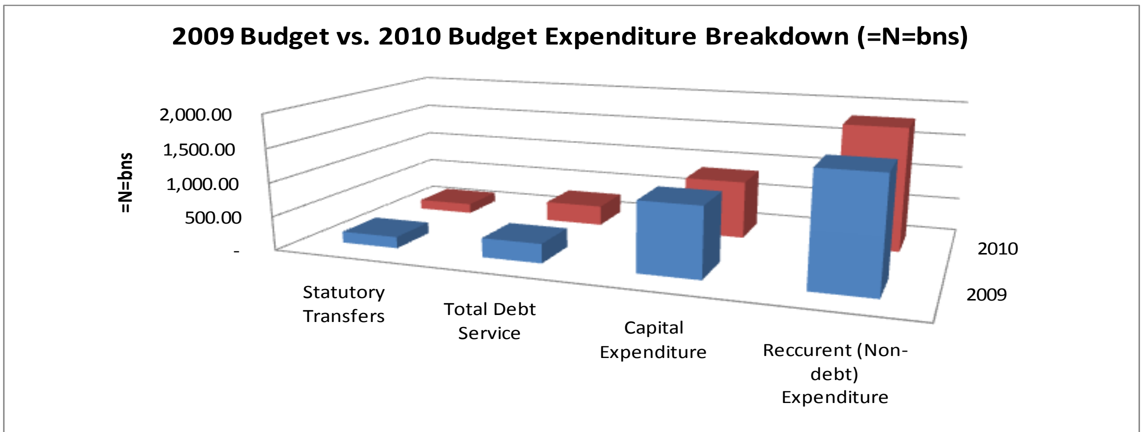
In the 2010 fiscal year, the recurrent vote will maintain the largest share with 58% of projected expenditure; however, the capital vote at about 28% is significant given the emphasis on critical infrastructure and other priority spending areas of Government.

Figure 6.3: 2010 Budget Expenditure Breakdown



Source: BOF

Figure 6.4: 2009 Budget vs. 2010 Budget Expenditure Breakdown

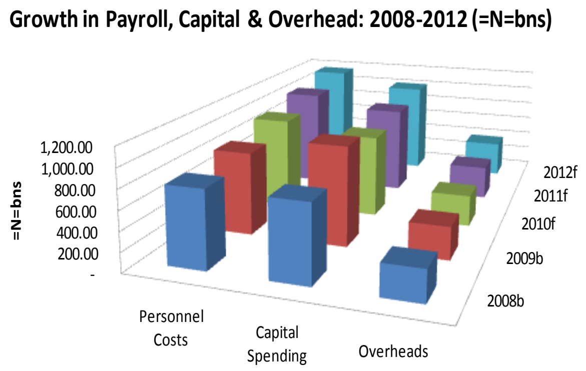


	Statutory Transfers	Total Debt Service	Capital Expenditure	Reccurent (Non-debt) Expenditure
2009	168.62	283.65	1,022.26	1,627.29
2010	148.26	297.78	860.00	1,816.31

Source: BOF

N860 billion is proposed as aggregate capital expenditure for the 2010 fiscal year. The capital vote in 2009 was a significant increase over the N785billion appropriated by the 2008 Amendment Budget, but was necessary to address key spending priorities such as the challenges in power supply, transportation and other aspects of infrastructure. In addition, in prioritising capital expenditure outlays emphasis has been given to the completion of numerous projects which were at advanced levels of execution. As the portfolio of ongoing projects reduces with the successful completion of these projects and a more focused approach is adopted to capital project selection, design and delivery, the capital vote is expected to decrease in 2010 by 16% before increasing annually by about 8.5% in 2011 and 2012, as MDAs' executive capacity to make capital expenditures increases.

Figure 6.5: Growth in Payroll, Capital & Overheads (2008 – 2012)



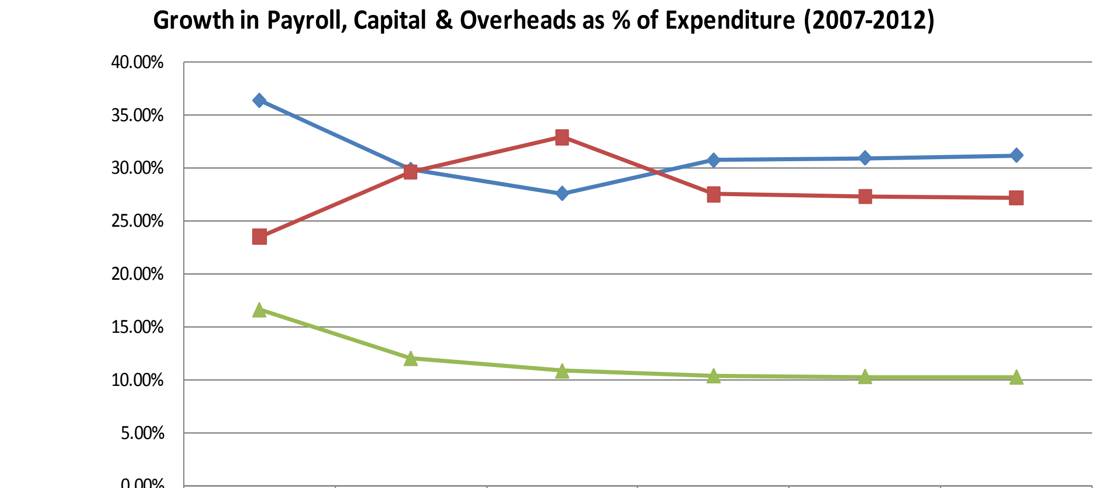
	Personnel Costs	Capital Spending	Overheads
2008b	791.14	785.17	317.73
2009b	856.89	1,022.26	335.40
2010f	961.04	860.00	323.29
2011f	1,057.14	933.10	350.77
2012f	1,162.86	1,012.41	380.59

Source: BOF

There have been some increases in recurrent expenditure which has risen in tandem with the overall expansion of the Federal Budget in recent years. Some reasons for this increase have been the full implementation of the policy on political office holders' remuneration and the reinstatement of staff within the civil service. However, while recurrent expenditure has been rising in absolute terms over the recent years in line with the expansion of the budget, overheads have fallen as a percentage of aggregate expenditure since 2007.

Similarly, while the payroll costs as a percentage of aggregate expenditure declined over the 2007 and 2008 fiscal years, these are projected to remain fairly stable between the 2009 and 2010 fiscal years with a modest increase over the medium term horizon to 2012. Regarding the capital vote, after the significant increase in 2010 to N1,022.3 billion, capital expenditure, as a percentage of aggregate expenditure, is expected to be maintained at more sustainable levels in the medium term to 2012, averaging about 27.37% of total budget expenditure.

Figure 6.6: Growth in Payroll, Capital & Overheads as % of Expenditure (2007 – 2012)



	2007a	2008b	2009b	2010f	2011f	2012f
Personnel Costs	36.46%	29.88%	27.63%	30.78%	31.00%	31.26%
Capital Spending	23.52%	29.66%	32.96%	27.54%	27.36%	27.21%
Overheads	16.62%	12.00%	10.81%	10.35%	10.29%	10.23%

Source: BOF

In line with the Government's policy on cost-saving measures introduced in the 2009 fiscal year, the overhead vote for 2010 is projected to decline, moderating the aggregate increase in recurrent expenditure. It may be recalled that as part of the Government's response to the global economic crisis and the resultant decline in revenues, certain guidelines were applied to align the 2009 Budget with Government's priorities. These measures were designed to institute more efficient public expenditure priorities over the medium-term horizon, and accordingly, have also been applied to the 2010 Budget.

These measures include:

- **Procurement and Maintenance** - Direct procurement of technical items and components of a specialized nature are to be ordered from the manufacturers to maintain standards and save costs.
- **Procurement of Vehicles** - Expenditure on non-priority procurement of vehicles has been deferred, with a modest pooled fund provided to provide for urgent and priority procurement.
- **Construction of New Office Buildings** - Expenditure relating to the construction, purchase or acquisition of new office buildings has been deferred.
- **Provision for Furnishing and Equipment of Non-Priority Offices** - Expenditure on furniture and equipment for non-priority office buildings has also been deferred.
- **Insurance Premium** - Provisions for insurance for group life, buildings and vehicles in the chart of accounts of MDAs has been centralised for monitoring and cost efficiency.

- **International Travel and Transport & Local Management Training and Capacity Building** – Expenditure on international training and travels have been rationalised. However, notwithstanding these restrictions on non-technical international management training, MDAs may continue to meet their manpower training and capacity building requirements by patronising local management training programmes, or bringing in foreign experts to conduct the training, where necessary.

6.4. Deficit and Financing Items (including Debt Service)

In the 2010 fiscal year, the Federal Government's retained revenue projected for 2010 is N2,096.31 billion with a projected aggregate expenditure of N3,122.35 billion resulting in a deficit of N1,026.04 billion or 3.28% of Gross Domestic Product (GDP).

Budgetary expenditure in the 2009 and 2010 fiscal years have increased substantially over the actual amounts expended in both 2007 and 2008, contributing to higher deficits as a percentage of GDP. However, the Government considers that the current expansion in public expenditure in the 2009 and 2010 fiscal years is necessary to stabilise our economy through these challenging times. Once the economy weathers the present economic storms, the fiscal deficit is expected to revert to more sustainable levels. The Federal Government is committed to keeping the deficit within the 3% limit prescribed by the FRA 2007. Going forward, the medium-term framework for 2010 to 2012 must ensure macroeconomic stability and is designed in a way such that Government's spending is consistent with the absorptive capacity of the economy. Table 6.7 summarizes the aggregate expenditure levels by major heads and its effects on the overall deficit of the Federal Government in the medium-term 2010-2012.

Table 6.7: Aggregate Revenue, Expenditure & Deficit (2008 – 2012)

REVENUE SOURCES	2008 Budget	2009 Budget	2010 Projection	2011 Projection	2012 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
FGN Retained Revenue	2,326.88	2,265.21	2,096.31	2,307.91	2,535.08
Less					
Total Government Spending	2,647.49	3,101.81	3,122.35	3,409.98	3,720.47
Fiscal Deficit	-320.61	-836.60	-1,026.04	-1,102.07	-1,185.40
GDP	24,893.00	27,672.00	31,264.59	35,581.80	40,856.71
DEFICIT/GDP	-1.29%	-3.02%	-3.28%	-3.10%	-2.90%

Source: BOF

Various tools are available to the Federal Government to finance the 2010 forecast deficit of N1,26.04 billion. These include: revenues from uncollected signature bonuses, outstanding proceeds of privatisation exercises, revenues from the implementation of the public-private partnership initiatives, and borrowing from the domestic and international financial markets. However, over the medium-term horizon, borrowing from domestic sources is to be moderated to avoid crowding out the private sector. Similarly, once market conditions have stabilised sufficiently to support the issuance of the $500 million Naira-denominated international bond, this exercise will be conducted. The $500 million Naira-denominated international bond is programmed both to provide additional sources of financing and to support the development of a benchmark for the pricing of local and foreign currency denominated sovereign debt instruments.

Chapter 7: Analysis and Statement on Consolidated Debt and Contingent Liabilities

7.1 Debt Sustainability

A DSA assesses how a country's current level of debt and prospective new borrowing affects its ability to service its debt in the future. The World Bank's CPIA provides a framework for classifying countries into debt sustainability categories which then form the basis for the DSA. The CPIA 'measures the extent to which a country's policy and institutional framework supports sustainable growth and poverty reduction, and consequently the effective use of development assistance'. Each country is assigned a CPIA rating based on certain criteria which include Economic Management, Structural Policies, Policies for Social Inclusion/Equity and Public Sector Management and Institutions. The rating is also utilised in determining the thresholds beyond which the level of debt becomes unsustainable for a particular country. According to the DMO, Nigeria's current CPIA rating of 3.4, which classifies it as a medium performer, implies that by staying below the following thresholds, it is highly likely we can maintain our total debt stock at sustainable levels:

Net Present Value (NPV) of debt in percent of:

1. *Exports - 150%*
2. *GDP - 40%*
3. *Revenue - 250%*

Debt Service in percent of:

4. *Exports - 20%*
5. *Revenue - 30%*

Based on the thresholds defined above on the basis of our CPIA rating, the DSA measures debt and debt service outcomes under three separate scenarios; a baseline scenario derived from the macroeconomic variables underpinning the 2009 budget, a country-specific pessimistic scenario which assumes the global financial meltdown leads to a contraction of the economy in the medium-term and a country-specific optimistic scenario assuming accelerated economic growth and the achievement of the 7 Point Agenda and Vision 20:2020 goals.

The DMO recently concluded the 2009 National DSA in conjunction with the World Bank and relevant Federal Government institutional stakeholders. Table 7.1 below provides some key results from the 2009 DSA.

Table 7.1 Results from 2009 Debt Sustainability Analysis (DSA)

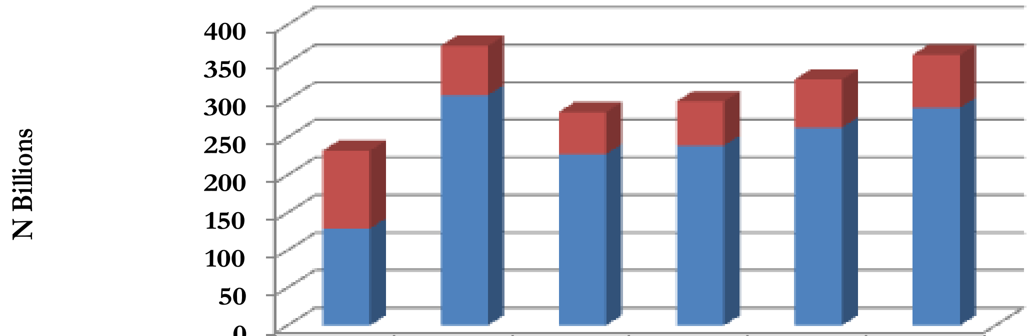
	Ratio	Value %				Threshold
		BASELINE SCENARIO		COUNTRY -SPECIFIC OPTIMISTIC SCENARIO (Accelerated Growth)	COUNTRY - SPECIFIC PESSIMISTIC SCENARIO (Global Financial Meltdown)	
	DEBT STOCK					
		2009	**2029**		**2018**	
1	Total Public Sector Debt to GDP (External and Domestic)	8.7	12.4		39.4	***40***
		2005	**2009**	**2017**		
2	Public and Publicly Guaranteed (PPG) External Debt to GDP	1.6	11.5	38.5		***40***
		2009		**2014**		
3	External Debts to Revenue	11		214.2		***250***
		2009		**2016**		
4	External Debts to Exports	5		149.9		***150***
		2009	**2029**		**2029**	
5	Total Public Sector Debt to Revenue	58.7	233.7		233.7	***250***
	DEBT SERVICE					
		2009	**2015**			
8	Total Public Sector Debt Service to Revenue	15.6	27.8			***30***
		2009		**2019**		
6	External Debt Service to Revenue	1		16.6		***30***
		2009		**2014**		
7	External Debt Service to Exports	0.5		16.8		***20***

Source: DMO

Based on the results of the 2009 DSA, Nigeria's external and total public sector debt ratios indicate a sustainable level of debt, well within the prescribed thresholds outlined above in the medium to long term under the baseline scenario. The country-specific optimistic and country-specific pessimistic scenarios on the other hand suggest that Nigeria's public debt would become unsustainable in the long term.

Although the results from the DSA are largely positive, it is important to continue to maintain debt levels within the prescribed thresholds as the risk of an inability to meet debt service payments on public debt, particularly domestic debt could impair our improved debt profile. The chart below also displays projections for foreign and domestic debt service payments till 2012.

Figure 7.1 Debt Service Payments (2007-2012)



	2007a	2008a	2009b	2010f	2011f	2012f
Foreign debts	103	66	56	59	64	71
Domestic debts	129	306	228	239	263	289

Source: DMO

7.3. Nature & Fiscal Implication of Contingent Liabilities

Contingent liabilities could arise where guarantees of debt, made by the Federal Government with regards to contract agreements for capital projects entered into by MDAs, materialise into actual obligations. These include claims arising from contracts awarded to execute capital projects such as power sector projects. These projects are undertaken with the understanding that revenue generated from such projects will offset the costs of implementation. However, if there is a failure in the performance of these projects, unpaid claims to contractors become the Federal Government's liability.

These liabilities have the potential to increase expenditure levels significantly and although there is a real risk of occurrence as evidenced in recent times with respect to the power projects, these additional costs are typically partly offset through service-wide votes.

Chapter 8: Fiscal Risk

8.1. Global Economic Trends

This chapter aims to assess the fiscal risks which could potentially hinder the effective implementation of the budget, particularly within the context of the current global economic crisis. The economic slowdown, which began as a crisis in financial markets with frozen credit markets and plunging asset prices, has led to a decline in global aggregate demand, shrinking factory output and a sharp fall in commodity prices. The price of oil in particular fell off its July 2008 peak of $146.15 to less than half of that value in the latter part of 2008 and only began to trend upwards at the end of December 2008. Nigeria depends on oil for a large proportion of its revenue (almost 80%) hence it is important to assess the impact of the economic crisis on global demand for oil products in the short to medium term.

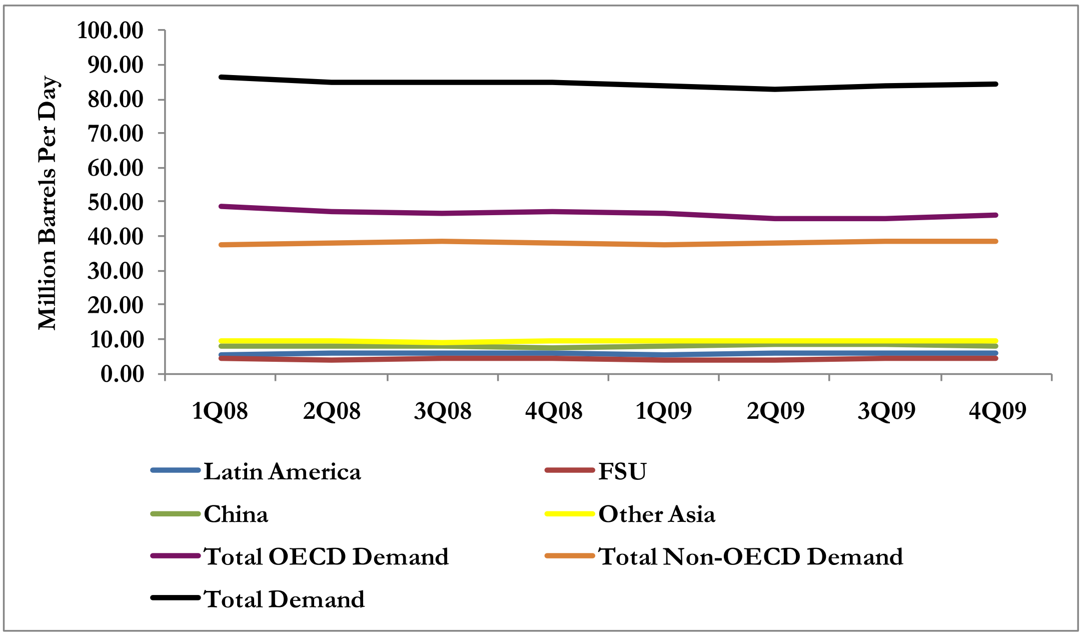
According to recent research by the IMF, it is expected that the current global recession will be long and deep. This analysis is based on the premise that recessions which are associated with a financial crisis and those which are highly synchronised, both of which are features of the current crisis, tend to show a weak recovery. However, recent reports on the pace of recovery indicate the recession may have reached a turning point with hope for recovery in late 2009 or early 2010, although it is expected that unemployment will persist for a long time and the length of the recovery to pre-crisis levels might be long-drawn out. Based on forecasts by OPEC, growth projections over 2009 for China have been revised upwards from 6.5% to 7.0% while India was revised from 5.0% to 5.7% to reflect this optimism. However, OPEC growth forecasts for the OECD countries remain unchanged at -3.8%, with the US economy expected to decline by 2.8%, the Euro-zone economy by 4.2%, and that of Japan experiencing a contraction of 6.4%. Projections and analyses on the depth and severity of the global crisis continue to evolve on an almost daily basis; hence we consider it prudent to remain cautious about the precise turnaround point of the global economy.

8.2. Global Oil Trends

8.2.1. Oil Demand

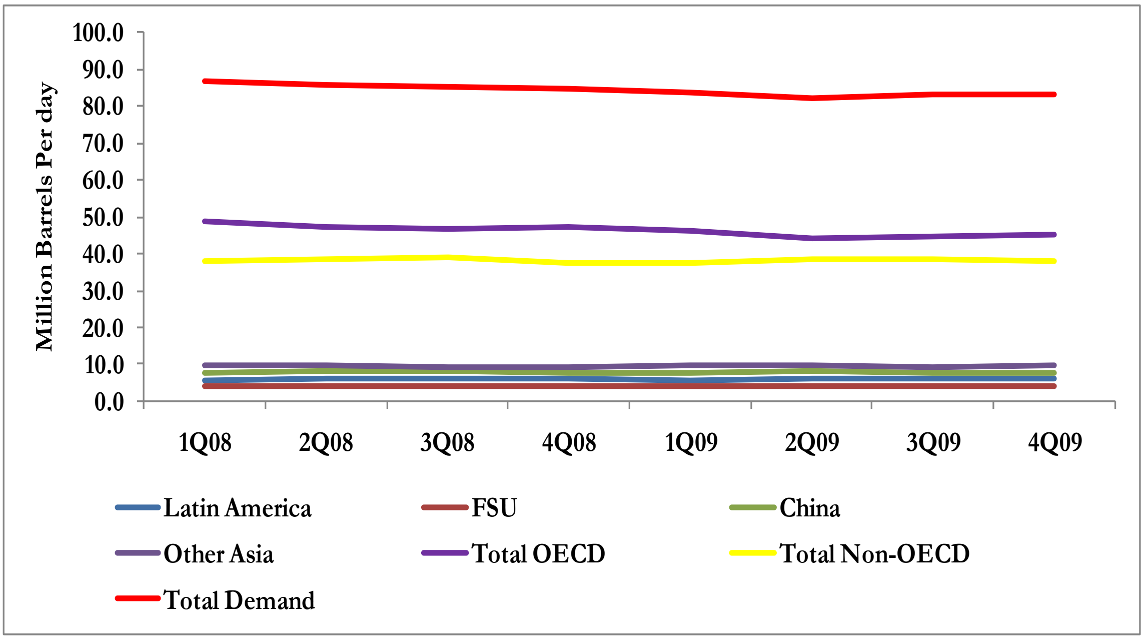
Oil demand projections are yet to price in the increasing optimism on global recovery as world oil demand is expected to decline to 1.8 mbpd in 2009, according to the EIA. OPEC, based on its June 2009 report anticipates a fall in demand by 1.6 mbpd representing a decline of 1.9% in comparison to 2008 levels. The bulk of this decline is to be led by the OECD region which is projected to decline by about 2 mbpd while China, India and the Middle East are expected to show a modest recovery in demand of 0.2 mbpd. The IEA is less optimistic however, as it projects oil demand for 2009 to fall 3 percent below 2008 levels thus representing a decline of 2.6 mbpd. The variance in projections arise from differing expectations for market recovery with the IEA predicting recovery in 2010 at the earliest while the EIA and OPEC see a recovery in late 2009. The relatively weak projections for oil demand growth have been attributed to the presence of a supply overhang based on weak consumption, high inventories and high production levels. However, according to OPEC, inventory levels in OECD countries seem to have peaked while efforts by OPEC member countries to rein in excess supply seem to be yielding some results.

Figure 8.1: World Oil Demand for 2008-2009 (OPEC)



Source: OPEC Monthly Market Report for June 2009

Figure 8.2: World Oil Demand for 2008-2009 (IEA)



Source: IEA

8.2.2. Oil Price

Oil prices have shown a slight recovery from the negative oil price shock of 2008 as prices began to rise in early May 2009, surging to a 6-month high. This positive movement is believed to be a result of improving market sentiment concerning the severity of the current economic recession. We expect an average market price of about US$51.40 and US$57.20 for crude oil grades produced in Nigeria in 2009 and 2010 respectively. These projections are computed based on forecasts for Brent Crude oil from several sources, which include the Dow Jones Newswires Poll of May 2009 and the IMF WEO of 2009. These forecasts can be applied to Nigerian crude oil grades considering that Brent Crude has a similar API gravity to Bonny Light and other grades of crude oil products produced in Nigeria

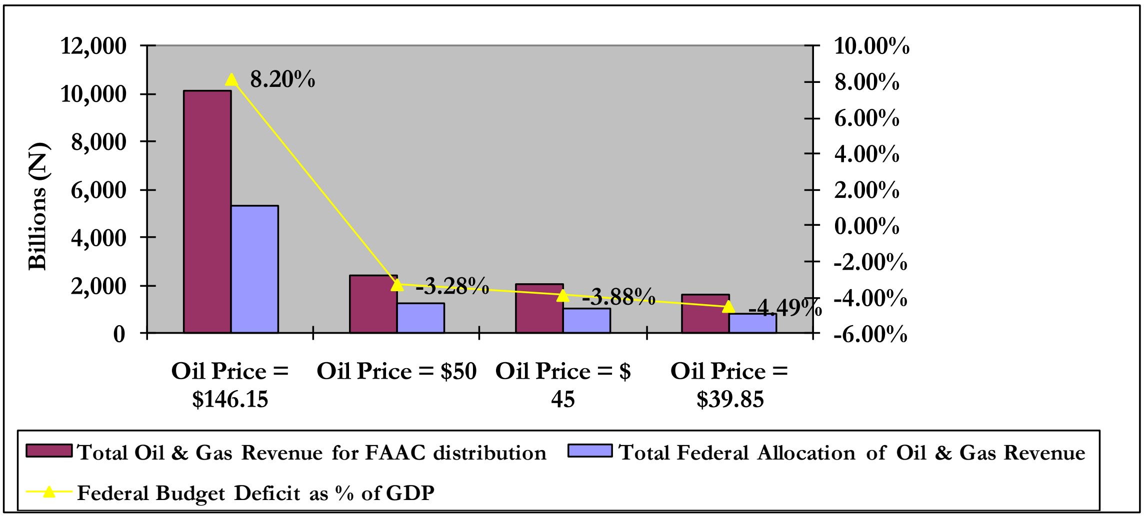
Table 8.1: Oil Price Forecasts for 2009-2010

#	Institution	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2009	2010
		US$					
1	Bank of America Securities Merrill Lynch	48.0	55.0	61.0	62.0	52.0	62.0
2	BHF Bank	53.0	50.0	45.0	40.0	48.0	40.0
3	Cazenove	55.1	60.2	67.0	70.0	57.0	70.0
4	Citigroup	47.0	50.0	50.0	55.0	47.8	55.0
5	Danske Bank	54.0	56.0	66.0	68.0	55.0	70.0
6	DekaBank	54.5	67.5	74.5	66.5	60.0	69.0
7	Deutsche Bank	50.0	45.0	50.0	50.0	47.7	55.0
8	HSBC Trinkaus	55.0	55.0	55.0	55.0	52.5	57.5
9	Hamburgisches Welt-Wirtschafts-Institut	53.0	50.0	54.0	55.0	50.0	60.0
10	Institut fur Weltwirtschaft Kiel	50.0	60.0	60.0	52.0	52.0	60.0
11	IMF World Economic Outlook	-	-	-	-	52.0	62.5
12	ING	51.0	51.0	53.6	56.0	50.0	60.0
13	Intesa Sanpaolo	50.1	55.7	54.2	54.7	51.1	58.5
14	J.P Morgan	50.0	50.0	55.0	55.0	49.4	57.5
15	La Caixa	52.7	53.9	54.7	55.9	51.9	58.0
16	Landesbank Baden-Wurttemberg	55.0	55.0	60.0	65.0	54.0	70.0
17	M.M Warburg	54.0	50.0	45.0	50.0	48.0	-
18	Numis	53.0	55.0	55.0	-	52.0	60.0
19	Postbank	50.0	50.0	50.0	60.0	50.0	60.0
20	RBS	50.5	49.5	53.5	56.0	49.3	56.0
21	UBS	50.0	52.0	56.0	55.0	51.0	57.0
22	WestLB	51.0	52.0	53.0	58.0	50.0	60.0
	Average	49.4	51.0	53.3	51.8	**51.4**	**57.2**
	Median	51.0	52.0	54.5	55.0	**51.1**	**60.0**

Source: Dow Jones Newswire Poll, May 2009, IMF WEO, 2009

The following tables illustrate the potential impact of changes in the price of oil, a drop in production volume by 20%, a 20% appreciation and depreciation of the exchange rate on oil revenue and the federal budget deficit. All the scenarios assume the level of expenditure remains the same and that there is no augmentation from the ECA.

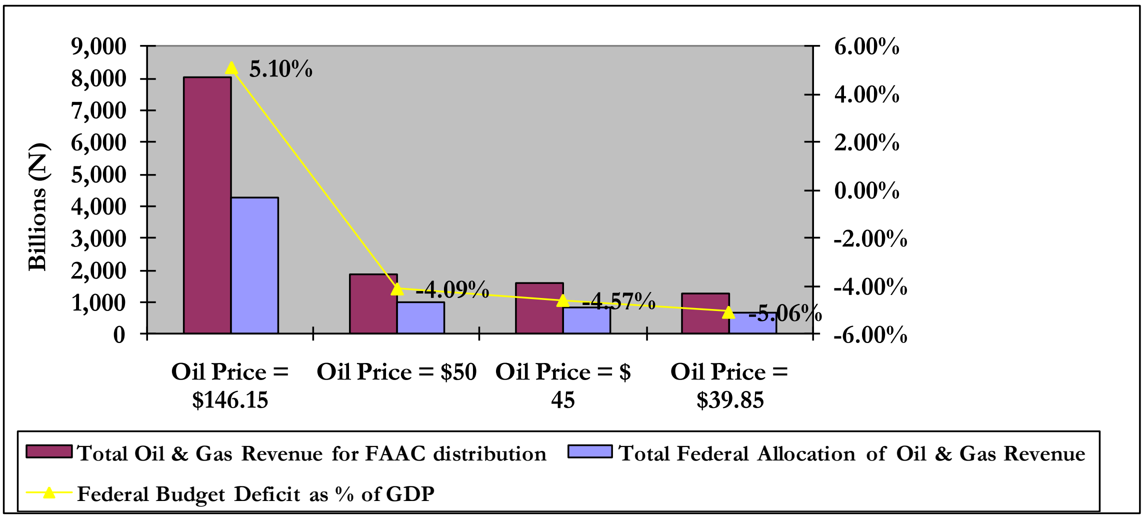
Figure 8.3: Potential oil and gas revenue for a one year period under different price assumptions.



Source: BOF

The fiscal deficit as a proportion of GDP crosses below the 3% mark for the US$50, US$45 and US$36.94 scenarios.

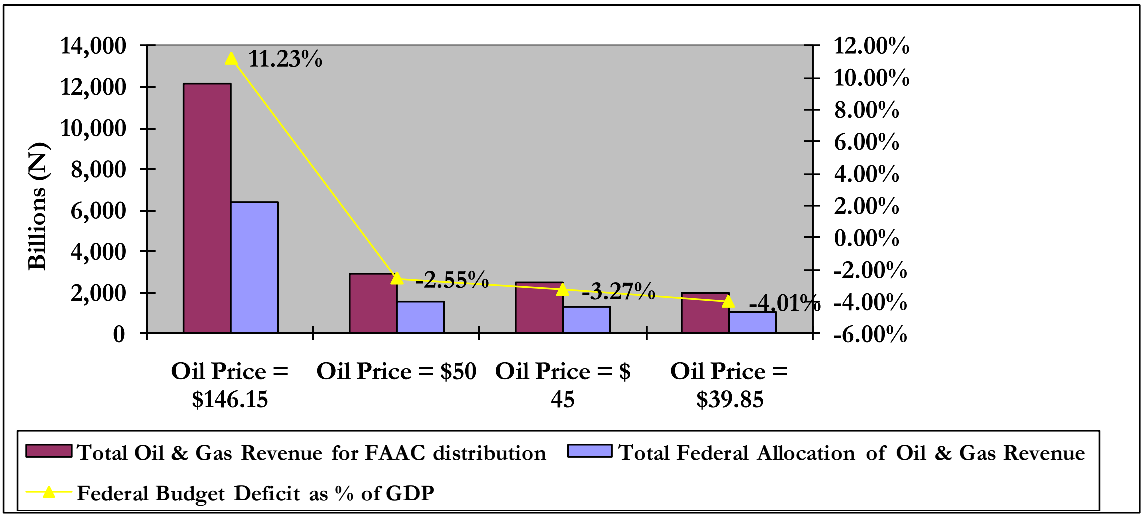
Figure 8.4: Potential oil and gas revenue with a 20% decline in production



Source: BOF

With a 20% decline in oil production from 2.08 mbpd to 1.67 mbpd, the fiscal deficit as a proportion of GDP falls below the 3% benchmark for the US$50 scenario and falls further below that benchmark for the lower price scenarios.

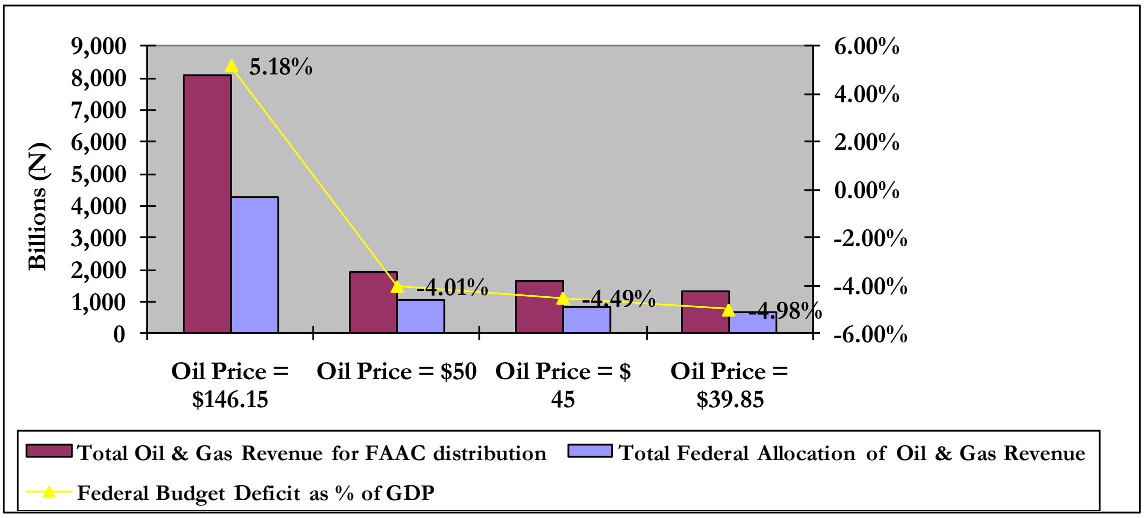
Figure 8.5: Potential oil and gas revenue with a 20% depreciation of the US$/N Exchange Rate



Source: BOF

As expected, a 20% depreciation of the US$/N exchange rate improves the fiscal deficit as a proportion of GDP for each scenario.

Figure 8.6: Potential oil and gas revenue with a 20% appreciation of the US$/N Exchange Rate



Source: BOF

A 20% appreciation of the US$/N exchange rate worsens the fiscal deficit as a proportion of GDP for each scenario.

The scenarios outlined above illustrate the effects of negative shocks to the key variables of price, production volumes and the exchange rate on the levels of oil revenue collectible and their impact on the federal budget deficit. These shocks pose a risk to the implementation of the Federal Budget and further emphasise the importance of oil revenue as a proportion of the retained revenue funding the Federal Budget.

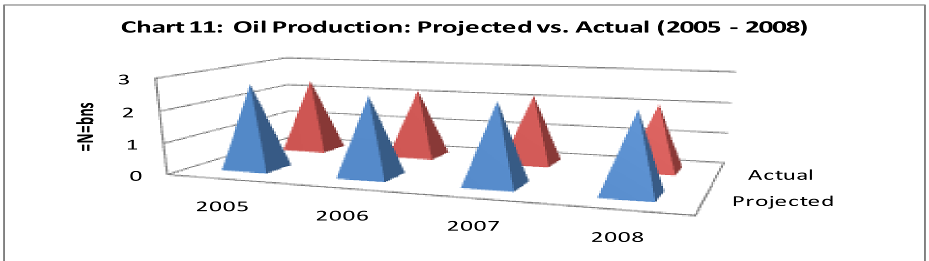
8.3. Oil Supply

Global oil supply rose to about 83.6 mb/d according to reports from OPEC and the IEA. The growth in supply is largely driven by an increase in the share of OPEC supply in global crude production. Non-OPEC production on the other hand exhibited a decline in supply of about 40 trillion barrels per day as at May 2009. Several unanticipated events such as political unrest, adverse weather conditions and unscheduled maintenance could present downside risks to the supply projections; however the Niger Delta situation poses a challenge to our ability to meet production targets in Nigeria.

8.3.1. The Niger Delta Situation

The conflict in the Niger Delta continues to present downside risks to the ability to meet 2009 projections for oil revenue. The persisting instability in the region has led to increased production shut-ins thus driving production levels well below capacity. Although efforts are being made to stem the conflict in the region, it is difficult to predict the outcome of the current interventions in the region and their effects on production in the short to medium term. In addition, previous production data from NNPC shows a significant variance between projected and actual production levels as can be seen from the table below. Hence, even in the presence of rising oil prices, it would be highly prudent to allow production level forecasts for the 2010 to 2012 period remain slightly below 2009 levels.

Figure 8.7: Oil Production – Projected vs. Actual 2005 – 2008



	2005	2006	2007	2008
Projected	2.7	2.5	2.5	2.45
Actual	2.411	2.224	2.217	2.1

Source: NNPC

8.4. Non-Oil Revenue

Reports from revenue agencies on first quarter performance in 2009 indicate that non-oil revenue performed way below expectations. Non-oil revenue as a whole underperformed by 35.17%, with Customs receipts showing the largest variance of 50.04%. Projections for 2009 were based on expectations of increased efficiency in revenue collection by these agencies; however these expectations seem to have been dampened by the slowdown in economic growth in the presence of a general lull in business activity and disappointing turnover results from the private sector. Indications from revenue agencies also show that the likelihood of meeting the 2009 targets are highly unlikely. Hence, to mitigate the fiscal risk associated with non-oil revenue, it would be more prudent to adopt more realistic projections over the 2010-2012 period.

This chapter has highlighted various fiscal risks that may materialise over the medium-term horizon. In the event of a significant shock to revenues, the Government could adopt various strategies including drawing from the Excess Crude Account as has been the case in recent years. Alternative strategies could involve revisiting components of aggregate expenditure with a view to making some adjustment and prioritisation. The Government could also accept a slightly higher deficit within the 3% of GDP threshold as prescribed by the Fiscal Responsibility Act 2007.

Chapter 9: Conclusion

This paper has outlined the Government's fiscal policies for the 2010-2012 period. Over the medium term, the most important outcomes of the Government's fiscal policies are: increased nominal expenditure, reduced expenditure as a percentage of GDP, an increase in the benchmark price for oil and the operation of a modest fiscal deficit.

The FGN plans to increase total expenditure over the medium term. This increase is necessary to implement this administration's 7-Point Agenda, reduce poverty, decrease unemployment and achieve the Millennium Development Goals. Federal Government expenditure as a percentage of GDP will, however, decrease in the medium term. This will ensure that public sector spending does not crowd out the private sector and that the private sector continues to drive economic growth in 2010, 2011 and 2012. Despite the increase in total expenditure, the Federal Government plans to reduce capital expenditures in 2010. It is expected that the capital vote will decrease by 16% in 2010 as the portfolio of ongoing capital projects reduces and a more focused approach is adopted in project selection. As MDA's capacity to carry out capital projects improves, capital expenditure is projected to increase by 8.5% from 2010 to 2011 and then by another 8.5% between 2011 and 2012.

This paper recommends increasing the benchmark price to $ 50, $ 52.5 and $ 55 in 2010, 2011 and 2012 respectively. The setting of the benchmark price at this level leads to an increase in budgeted oil revenue in 2010, which is necessary to finance essential ongoing expenditures. The benchmark price for 2010 is below the forecasted market price for oil; meaning that further savings should accrue to the ECA. These savings are necessary to protect against potential future oil price shocks.

Over the medium term, Federal Government non-oil revenue is forecasted to fall as a percentage of total revenue compared to the 2009 budget. Federal Government non-oil revenue also falls in nominal terms from N1,296 billion to N913 billion from 2009 to 2010. This fall is due to the fact that non-oil revenue targets for 2009 were based on unrealistic increases in tax efficiency and were set at too high a level. Non-oil revenue collections for the first quarter of 2009 were well below expectations. The forecasted amount of non-oil revenue in 2010 may then actually represent an increase on the amount of non-oil revenue that will have been collected by the end of 2009. The Federal Government also considers that given the current economic environment increasing the rates of CIT, Customs Duties or VAT would have a negative effect on aggregate demand, consumer confidence and short term economic growth.

This paper recommends that the Federal Government operates fiscal deficits of 3.28 %, 3.10 % and 2.90 % of GDP in 2010, 2011 and 2012 respectively. The FGN considers that because economic growth is forecasted to slow to 2.61 % in 2010 it is necessary to operate a small fiscal deficit to maintain aggregate demand and stimulate economic growth. This deficit is also necessary to maintain essential expenditures given the forecasts for total revenue.

The Federal Government considers that a more expansionary fiscal policy, than that outlined in this paper, with higher expenditures and a larger fiscal deficit is not currently needed to stimulate economic growth. Such a policy would risk increasing inflation, which is already above its long term trend. A more expansionary fiscal policy could also crowd out private sector investment and could lead to higher external debt.

Calculations contained in this paper also show that the Government's long term fiscal position remains stable. The Government has accrued substantial ECA savings and foreign reserves. The increased debt needed to finance the projected deficits in 2010, 2011 and 2012 will only lead to a small increase in the stock of debt and debt repayments. Analysis contained in this paper shows that even under a number of unfavourable economic scenarios Nigeria's debt level remains sustainable.

The Federal Government is cognisant of the fact that external economic events beyond its control can lead to unexpected declines in revenue. This paper, therefore, modelled the impact of numerous fiscal shocks on Federal Government revenue, expenditure and the deficit. This analysis showed that the Nigeria's fiscal position is relatively robust to fiscal shocks.

In conclusion, the fiscal policies outlined in this paper should stimulate economic growth in the medium term and help achieve Mr President's 7-Point Agenda. More specifically, the Government's medium term fiscal policies are consistent with an increase in economic growth from 2.86 % in 2009 to 5.83 % in 2012, and a decrease in the rate of headline inflation to 8.5 % by 2011. These policies should also lead to a reduction in the unemployment rate. This paper also describes policies which will ensure that Nigeria's long term fiscal position remains stable and that further savings accrue to the ECA – helping to safeguard the welfare of future generations of Nigerians.

PART C: ANNEXES MEDIUM-TERM FISCAL FRAMEWORK

Annex 1: 2010-2012 Revenue Framework

REVENUE SOURCES	2008 Budget	2009 Budget	2010 Projection	2011 Projection	2012 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
GROSS FEDERALLY COLLECTIBLE REVENUE	5,425.27	5,305.31	5,410.40	6,146.72	6,807.60
Oil Revenue					
Crude Oil Sales	2,369.16	1,846.42	1,970.31	2,301.43	2,412.26
Royalties	438.37	319.42	368.99	441.33	482.71
Oil & Gas Petroleum Profits Tax	1,077.12	686.59	844.46	1,017.95	1,267.68
Gas Sales	166.42	253.23	345.57	345.57	345.57
Rent, Gas Flared Penalty, Miscellaneous Oil Revenue etc	2.88	9.16	11.13	11.13	11.13
Total Oil & Gas Revenue	4,053.96	3,114.82	3,540.47	4,117.41	4,519.36
Gross Non-Oil Revenue					
Customs	281.25	500.00	421.01	462.48	542.55
Companies Income Tax	416.83	587.00	501.54	566.07	646.94
Value-Added Tax	404.53	580.00	524.62	540.62	578.21
FGN Independent Revenue	268.70	305.97	250.00	266.89	295.64
Total Non-Oil	1,371.31	1,972.97	1,697.18	1,836.06	2,063.34
MEMORANDUM ITEMS					
Special Levies for Targetted Expenditure	0.00	154.40	109.65	120.68	141.46
Other Non Federation Acct. Items		63.11	63.10	72.57	83.45
Education Tax as projd. By FIRS		63.11	63.10	72.57	83.45
SUMMARY OF FAAC & VAT POOL					
FGN	1,998.33	1,730.71	1,824.75	2,107.23	2,376.99
STATES	1,178.21	1,113.88	1,139.04	1,288.83	1,440.95
LGCs	894.57	839.00	860.28	975.22	1,091.22
Total	4,071.11	3,683.58	3,824.07	4,371.28	4,909.16
FGN BUDGET RETAINED REVENUE					
Unspent balance from previous FY*	217.67	300.00	150.00	100.00	50.00
FGN BUDGET Share of Federation Account (48.5%)	1,786.14	1,516.47	1,610.41	1,868.36	2,111.73
FGN BUDGET Share of VAT (14%)	54.37	77.95	70.51	72.66	77.71
FGN Independent Revenue	268.70	305.97	250.00	266.89	295.64
Estimated FGN's Balances of Special Accounts end Dec. 2008		64.82	15.39	0.00	0.00
Total	2,326.88	2,265.21	2,096.31	2,307.91	2,535.08

Annex 2: 2010-2012 Expenditure Framework

REVENUE SOURCES	2008 Budget =N= bns	2009 Budget =N= bns	2010 Projection =N= bns	2011 Projection =N= bns	2012 Projection =N= bns
FEDERAL GOVT. OF NIGERIA BUDGET					
Statutory Transfers	162.57	168.62	148.26	159.86	168.55
Debt Service Recurrent	372.20	283.65	297.78	327.56	360.31
MDA Spending	2,112.72	2,649.54	2,676.31	2,922.56	3,191.61
Of which:					
Non-Debt Recurrent	1,327.55	1,627.29	1,816.31	1,989.46	2,179.19
Personnel Costs (MDAs)	791.14	856.89	961.04	1,057.14	1,162.86
Pensions and Public Service Reform	144.00	161.59	179.26	196.96	216.42
Overheads	317.73	335.40	323.29	350.77	380.59
Multi-Year Tariff Order	74.68	40.31	85.12	92.35	100.20
Other Service Wide Votes	0.00	233.10	267.61	292.23	319.13
Sub-Total	1,327.55	1,627.29	1,816.31	1,989.46	2,179.19
Capital Spending	785.17	1,022.26	860.00	933.10	1,012.41
Aggregate Expenditure	2,647.49	3,101.81	3,122.35	3,409.98	3,720.47
FGN Retained Revenue	2,326.88	2,265.21	2,096.31	2,307.91	2,535.08
Less					
Total Government Spending	2,647.49	3,101.81	3,122.35	3,409.98	3,720.47
Fiscal Deficit	-320.61	-836.60	-1,026.04	-1,102.07	-1,185.40
GDP	24,893.00	27,672.00	31,264.59	35,581.80	40,856.71
DEFICIT/GDP	-1.29%	-3.02%	-3.28%	-3.10%	-2.90%

Annex 3: 2010-2012 MDA Ceilings

MDA Expenditure for 2010 is projected at N2,676.31 billion, up by 1.01% over the N2,649.54 billion approved by the 2009 Appropriation Act. This represents the total resource ceiling that will be available to fund the expenditures of the MDAs of the Federal Government in the 2010 fiscal year.

As in previous years, the aggregate sum of the personnel costs, overheads and capital expenditure of the MDAs will be confined within this resource ceiling. Each MDA is obliged to confine its spending commitments within its allotted ceiling. In allocating resources among the competing needs, MDAs are to be guided by their 2010-2012 Medium-Term Sector Strategies and the high level policy documents (namely the 7-Point Agenda, the Millennium Development Goals and the Vision 20:2020 planning framework) in achieving an appropriate balance.

The capital components of the 2010-2012 MDA resource ceilings are as set out below.

2010 – 2012 INDICATIVE EXPENDITURE CEILINGS

	FEDERAL GOVERNMENT OF NIGERIA	2008	2009	2010		2011	2012
		(BUDGET)	(BUDGET)	(PROJ.)		(PROJ.)	(PROJ.)
	FRAMEWORK	=N= bns	=N= bns	=N= bns		=N= bns	=N= bns
	Ministry/Department/Agency	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL	MDG	CAPITAL (INC MDG)	CAPITAL (INC MDG)
1	Presidency	21.4	10.3	5.9		6.3	6.9
2	Secretary to the Gov ernment of the Federation	12.1	7.5	8.0		8.7	9.4
3	Youth Dev elopment	5.7	6.1	2.1		2.2	2.4
4	Police Affairs	0.0	0.2	0.2		0.2	0.2
5	Police Formations And Command	11.2	21.3	16.2		17.6	19.1
6	Women Affairs	1.7	2.2	0.3		0.4	0.4
7	Agriculture and Water Resources	107.5	138.9	90.0		97.7	106.0
8	Auditor-General for the Federation	0.3	1.7	0.2		0.3	0.3
9	ICPC	1.5	0.4	0.4		0.4	0.4
10	Defence/MOD/Army/Airforce/Nav y	22.8	46.8	34.8		37.8	41.0
11	Education	50.5	40.0	31.5	8.1	34.2	37.1
12	Federal Capital Territory	47.1	66.7	62.1		67.4	73.1
13	Foreign Affairs and Intergov ernmental Affairs	7.8	18.5	9.0		9.8	10.6
14	Finance	4.6	4.5	2.7		2.9	3.2
15	Health	54.5	50.8	27.5	10.4	29.8	32.3
16	Commerce and Industry	1.8	4.1	2.3		2.5	2.8
17	Information and Communications*	3.9	1.8	1.8		2.0	2.1
18	Interior	10.4	11.5	11.7		12.7	13.8
19	Office of the Head of Serv ice of the Federation	2.0	4.9	7.2		7.8	8.5
20	Justice	1.2	0.8	0.8		0.9	1.0
21	Labour and Productiv ity	1.1	0.7	0.5		0.5	0.5
22	Power	113.3	94.6	83.8		90.9	98.6
23	Science and Technology	9.0	10.8	5.6		6.1	6.6
24	Transport	119.9	38.6	31.3		34.0	36.9
25	Petroleum Resources	10.9	26.8	28.8		31.2	33.9
26	Works, Housing and Urban Dev elopment	0.0	208.6	173.9		188.7	204.7
27	Mines & Steel Dev elopment	3.2	5.8	5.4		5.9	6.4
28	Av iation	12.6	29.4	19.3		20.9	22.7
29	National Salaries and Wages Commission	0.1	0.2	0.3		0.3	0.3
30	Env ironment	7.7	7.3	3.6		3.9	4.2
31	Tourism, Culture and National Orientation*	1.9	4.9	4.1		4.4	4.8
32	National Planning Commission	2.5	2.2	2.2		2.3	2.5
33	National Sports Commission	2.7	3.3	5.2		5.7	6.1
34	Office of the National Security Adv iser	1.0	9.6	3.6		3.9	4.2
35	Niger Delta	0.0	48.0	46.5		50.5	54.8
	TOTAL EXECUTIVE	**653.9**	**929.9**	**728.6**	**18.5**	**790.5**	**857.7**

	FEDERAL GOVERNMENT OF NIGERIA	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
	MEDIUM-TERM EXPENDITURE FRAMEWORK	2008	2009	2010	2011	2012
		(BUDGET)	(BUDGET)	(PROJ.)	(PROJ.)	(PROJ.)
	Ministry/Department/Agency	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)
		=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
	FEDERAL EXECUTIVE BODIES					
36	National Population Commission	1.2	0.8	0.9	1.0	1.1
37	Code of Conduct Bureau	0.3	0.1	0.1	0.1	0.1
38	Code of Conduct Tribunal	0.0	0.2	0.2	0.2	0.2
39	Public Complaints Commission	0.0	0.0	0.2	0.2	0.2
40	Rev enue Mobilisation Fiscal & Allocation Commission	0.5	0.8	0.6	0.7	0.7
41	Federal Civ il Serv ice Commission	0.1	0.3	0.1	0.1	0.2
42	Police Serv ice Commission	0.1	0.0	0.1	0.1	0.1
43	Independent National Electoral Commission	1.4	5.1	3.6	3.9	4.2
44	Federal Character Commission	0.6	0.1	0.1	0.1	0.1
45	Fiscal Responsibilty Commission	0.0	0.1	0.5	0.5	0.5
	TOTAL FEDERAL EXECUTIVE BODIES	**4.1**	**7.4**	**6.4**	**6.9**	**7.5**
	THE LEGISLATURE					
46	National Assembly Office	1.3	1.0	0.5	0.5	0.6
47	Senate	5.0	1.0	0.9	1.0	1.1
48	House of Representativ es	9.0	2.0	1.4	1.6	1.7
49	National Assembly Serv ice Commission	0.3	0.3	0.3	0.3	0.3
50	Legislativ e Aides		0.2			
51	PAC Secretariat (Senate)					
52	PAC Secretariat (House)					
53	National Assembly Part II General Serv ices		0.8			
	TOTAL NATIONAL ASSEMBLY	**15.3**	**5.3**	**3.1**	**3.4**	**3.7**
	TOTAL MDA EXPENDITURE	**673.2**	**942.6**	**747.1**	**820.7**	**890.5**
	CAPITAL SUPPLEMENTATION	**111.6**	**79.6**	**103.1**	**111.9**	**121.4**
	AGGREGATE CAPITAL EXPENDITURE	**784.8**	**1,022.2**	**860.0**	**933.1**	**1,012.4**