MEDIUM-TERM EXPENDITURE FRAMEWORK

&

FISCAL STRATEGY PAPER

FEDERAL GOVERNMENT OF NIGERIA

2011-2013

BUDGET OFFICE OF THE FEDERATION

FEDERAL MINISTRY OF FINANCE

Table of Contents

Table of Figures

Part A: Macroeconomic Framework

List of Acronyms

Acronyms	Description
AMCON	Asset Management Corporation of Nigeria
BOF	Budget Office of the Federation
BOI	Bank of Industry
BPE	Bureau for Public Enterprises
CBN	Central Bank of Nigeria
CIT	Companies Income Tax
CPIA	Country Policy and Institutional Assessment Index
DMO	Debt Management Office
DMB	Deposit Money Bank
DSA	Debt Sustainability Analysis
ECA	Excess Crude Account
EIA	Energy Information Administration
FAAC	Federation Account Allocation Committee
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FG	Federal Government
FGN	Federal Government of Nigeria
FRA	Fiscal Responsibility Act
GDP	Gross Domestic Product
IEA	International Energy Agency
IMF	International Monetary Fund
INEC	Independent National Electoral Commission
IPPIS	Integrated Personnel and Payroll Information System
LPFO	Low Pour Fuel Oil
MBPD	Million Barrels Per Day
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MOMR	Monthly Oil Market Report
MPR	Monetary Policy Rate
MTFF	Medium-Term Fiscal Framework
MTEF	Medium-Term Expenditure Framework
MTSS	Medium-Term Sector Strategies
NASS	National Assembly
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
PMS	Premium Motor Spirit
PPP	Public Private Partnership
RDAS	Retail Dutch Auction System
SWF	Sovereign Wealth Fund
UBEC	Universal Basic Education Commission
USD	United States Dollar

Acronyms	Description
USA	United States of America
VAT	Value Added Tax
VGF	Viability Gap Fund
WDAS	Wholesale Dutch Auction System
WEO	World Economic Outlook

Executive Summary

The fiscal strategy of the Government for the next 3 years is set out in this paper. The FRA 2007 requires that the Minister of Finance prepare the MTEF which should include a macroeconomic framework, fiscal strategy and MTFF. The MTEF also serves as the basis for the preparation of the estimates of revenue and expenditure for the Annual Federal Budget. The MTEF is a crucial component of public financial management reforms as it requires the adoption of a multi-year perspective in budgeting to allocate public resources on a rolling basis over the medium-term.

The 2011-2013 fiscal strategy is set against the backdrop of recovery from the global economic recession. Recovery from the crisis is uneven with emerging markets leading the recovery while a number of developed countries continue to cope with increasingly high debt burdens. The crisis was transmitted to the Nigerian economy mainly through the international market for oil, the domestic capital market, FDI and remittances. The crisis in the Nigerian banking sector also resulted in a credit squeeze which made it difficult for banks to lend. In response to the crisis, the Government utilised the monetary and fiscal policy tools at its disposal to encourage lending by deposit money banks and provide a fiscal stimulus to the economy. Over the 2011-2013 period, Government will continue to play an active role in stimulating the economy and pursue the goals of single-digit inflation, low interest rates, convergence and stability of the official and parallel exchange rates and economic growth driven by active private sector participation.

In the 2009 fiscal year, an annual budget and two supplementary budgets were passed. The Budgets approved combined spending of N3.558 trillion, of which N1.281 trillion was allocated to capital spending, N2.277 trillion to non-debt recurrent spending, N168.62 billion to statutory transfers, and N283.65 billion to debt service. Of the N2.265 trillion of budgeted FGN revenue, N1.705 trillion was realised. The shortfall in oil revenue was mainly due to oil production shut-ins while the poor performance of non-oil revenue can be attributed to the impact of the global economic crisis on trade, consumption and investment activities. The 2009 Budgets placed special emphasis on critical infrastructure to kick-start the economy and create an environment conducive for private sector growth. With the extension of the fiscal year to March 31st 2010, MDAs were able to utilise 77.13% of the total capital vote allocated.

The 2010 Appropriation Bill was passed by the National Assembly and assented to by Mr President in March 2010. In light of current revenue realities and some unanticipated expenditure items such as the wage increases awarded to civil servants, university lecturers, and medical personnel, PHCN arrears of monetisation and additional funding for INEC, there was a need to review the 2010 Appropriation and prepare two Supplementary Budgets. Following a series of consultations between the Executive and Legislature, an

Amendment Budget of N4,427 billion, a Supplementary Budget of N644.75 billion and a special supplementary budget of N87.72 billion for INEC funding were passed by the National Assembly.

Several assumptions have been made concerning the fiscal strategy for the 2011-2013 period. Oil price benchmarks of $58, $60 and $62 have been adopted for the 2011, 2012 and 2013 fiscal years respectively. The oil production benchmarks have been set at 2.3mbpd, 2.4mbpd and 2.45mbpd for 2011, 2012 and 2013. Companies Income Tax (CIT) projections have been set at N632.79 billion, N696.06 billion and N765.67 billion while VAT collection projections of N625.24 billion, N687.76 billion and N756.54 billion have been made for 2011, 2012 and 2013 respectively. In addition, Customs Duty Collection receipts of N450 billion, N510.1 billion and N663.4 billion have been targeted for 2011, 2012 and 2013 respectively. These assumptions are both realistic and conservative and have taken into account the previous performance of oil and non-oil revenue.

The fiscal strategy of Government over 2011-2013 is focused on improving the efficiency and quality of capital spending through promotion of PPPs, greater emphasis on critical infrastructure, rationalisation of the outlay on recurrent expenditure, boosting revenue receipts by identifying and plugging revenue leakages and gradual fiscal consolidation to return the fiscal deficit below 3% of GDP as prescribed by the FRA, 2007. In line with this strategy and based on oil and non-oil revenue assumptions, Government has projected gross federally collectible revenue of N7.202 trillion, N7.826 trillion and N8.179 trillion for 2011, 2012 and 2013 respectively. Of these amounts, Government expects N2.47 trillion to fund the Federal Budget in 2011 while N2.701 trillion and N2.875 trillion are the projections for 2012 and 2013.

Aggregate Expenditure for the period has been projected at N4.63 trillion, N5.013 trillion and N5.465 trillion which results in a fiscal deficit as percent of GDP of -5.67%, -5.21% and -5.02% for 2011, 2012 and 2013 respectively. The increase in aggregate expenditure is largely attributable to the increase in personnel costs as a result of the award of wage increases to core civil servants, medical personnel, university lecturers etc. To address the possible effects of a wage bill shock, Government is seeking to rationalise recurrent spending by implementing quick-wins in areas such as, centralisation of payment of PHCN bills by all MDAs, both of which should reduce the need for subsidy through MYTO, and aggressive completion of the rollout of IPPIS to all MDAs and parastatals, amongst other measures.

Real sector growth is an imperative for Government and to achieve this, several initiatives such as the establishment of the AMCON, direct interventions in specific areas of the economy such as the N150 billion fund for the manufacturing sector and the dedication of electricity supply to industrial clusters are underway. To improve the business climate, work is being done to shorten the time for goods clearance at the ports, eventually to no more than 48 hours, review the import prohibition list and review tariffs amongst other initiatives.

Analysis of consolidated debt in the 2010 DSA reveals that Nigeria is at a low level of debt risk; however, Government is mindful of the rise in the domestic debt stock and its possible effects on interest rates and private sector participation in the domestic financial markets. Possible fiscal risks to the implementation of the 2011-2013 Fiscal Frameworks and the annual budgets were considered against the backdrop of recovery from the global economic recession. To mitigate the effects of shocks to the fiscal system, Government is actively pursuing the creation of a SWF which will insulate the economy from the possible negative effects of a windfall increase in oil revenue, provide a legal framework for the management of excess oil revenues and serve as a means of attracting local and foreign investors. A realistic oil price, combined with a hedging strategy to further protect Government earnings against the vagaries of the oil market is also under development. To identify and resolve revenue leakages, an audit of all revenue-generating agencies is underway and internal plans for increasing revenue collection have been requested from both the NCS and FIRS.

Part A: Macroeconomic Framework

Section 1: Introduction

With recovery from the global economic crisis now underway, expectations concerning the macroeconomic environment in the medium term are quite optimistic, but given the fragility of the recovery, the Federal Government intends to continue its expansionary fiscal policy stance as early and incoherent withdrawal of the fiscal stimulus could negate the positive outcomes recorded so far. This policy stance will be closely monitored and tightened in the medium term, as is the case with other countries around the world, in order to ensure long-term fiscal sustainability.

To address inflationary concerns and the possibility of further crowding out of the private sector in credit markets, Government will continue to exercise fiscal discipline in extending the stimulus. It will balance these efforts with appropriate monetary policies with the intent of stimulating aggregate demand in order to maintain macroeconomic stability and long term economic growth. The macroeconomic assumptions underlying the 2011-2013 Medium-Term Fiscal Framework are therefore based on realistic estimates and guided by contemporary events in the global economy and current realities in the Nigerian economy.

Section 2: Macroeconomic Overview

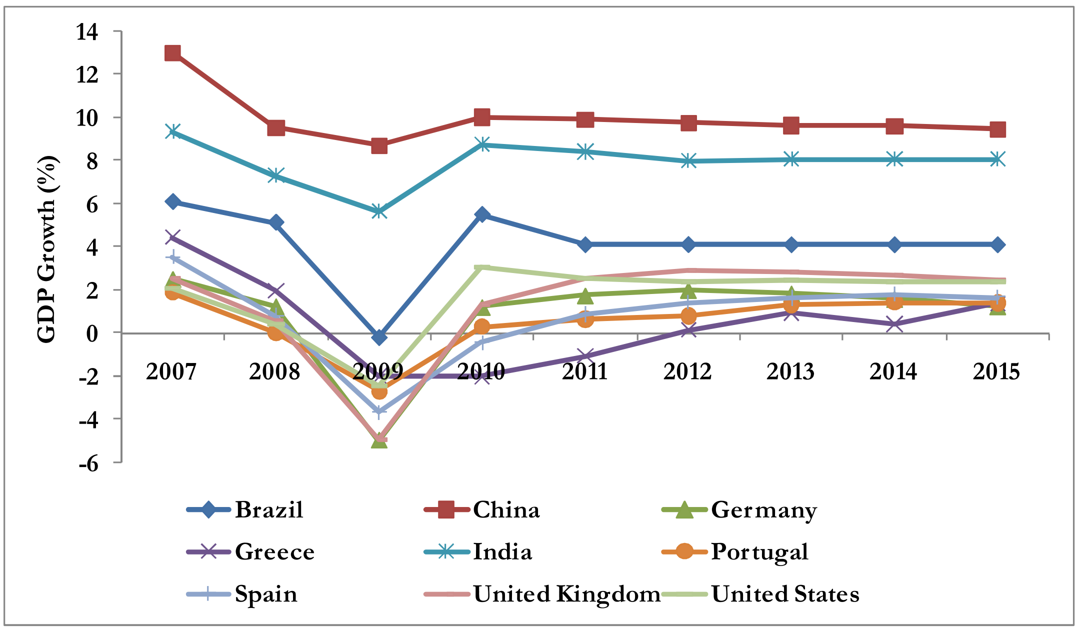
2.1 Trends in Economic Growth

Macroeconomic reforms introduced since 2003 have created an environment for strong and sustained economic growth over the 2004-2009 period. During this period, GDP growth averaged about 7% according to data from the NPC. The non-oil sector was the main driver of growth with an average rate of 9.7% over the period, with agriculture and wholesale and retail trade as the largest contributors to growth. This growth trend has been attributed to the positive returns from sustained macroeconomic stability, favourable weather conditions for agriculture and the deregulation of certain sectors of the economy, such as telecommunications. These sectors mostly serve the domestic economy; hence, they have been shielded to some extent from the fallout of the global economic recession. The oil sector, though the largest contributor to export earnings and Government revenue, contracted by 2.1% during this period mostly due to interruptions to production in the oil-producing region. The precipitous slide in the oil price from July 2008 to January 2009 also impacted negatively on oil revenue.

2.2 Recovery from the Global Economic Recession

The global economic downturn was marked by a credit squeeze in many industrial countries, falling output levels, slowdown in aggregate demand and a drop in asset prices. Recovery from the crisis is underway but has been uneven worldwide with developing and emerging countries such as China and India leading the recovery. The United States has fared better than Europe as output levels have begun to recover, although unemployment remains a pressing concern. The Euro zone debt crisis is also a source of concern as there are fears the current situation could have contagion effects and lead to a double-dip recession. It is however expected that intervention by the IMF, ECB and European Commission will mitigate the impact of this debt crisis.

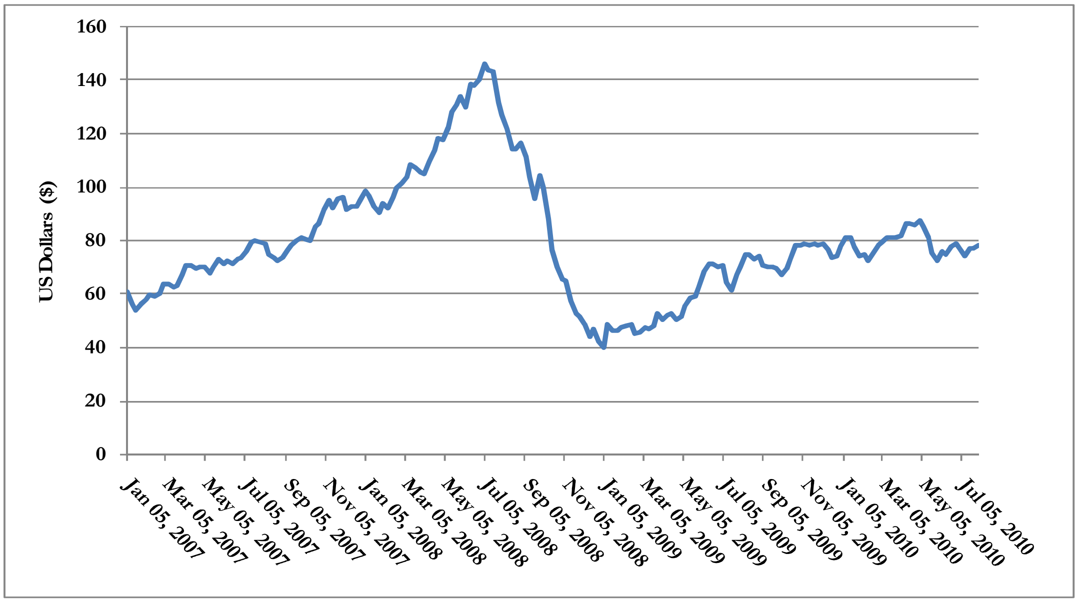
Figure 2.1: Actual and Projected Annual percentage change in Real GDP, Selected Economies



Source: IMF, WEO, April 2010

The global recession has affected Nigeria mainly through the international market for oil, the domestic capital market, FDI and remittances. Oil revenue accounts for a large share of our total budget revenue; thus the impact of the drop in the international price of oil from July 2008 to early 2009 was sharply felt. Non-oil revenue was also impacted as the volume of imports dropped as consumption and investment slowed and credit to the private sector dried up with the crisis in the banking sector. The credit squeeze in the banking sector was partly a fallout of the global recession, poor risk management and corporate governance issues.

Figure 2.2: The Weekly Price of Bonny Light (January 2007- July 2010)



Source: EIA

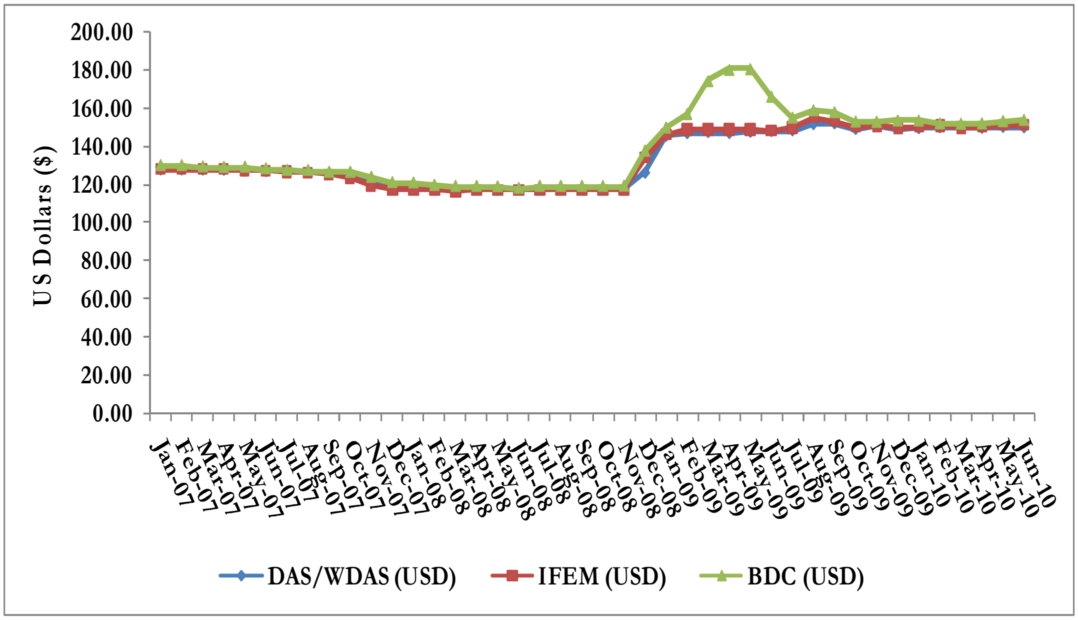
With the collapse of the bubble in the capital market, institutional and foreign investors pulled out of the market leading to a crash in asset values. The severity of the crisis was also increased by the exposure of deposit money banks to the capital market due to a large number of unregulated margin loan facilities extended to clients.

Figure 2.3: The Nigerian Stock Market

Source: Bloomberg

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 resulted in a sharp fall in the Naira to Dollar exchange rate and the emergence of a premium between the official exchange rate and the bureau de change rate. Reforms introduced by the CBN have yielded positive results as the gap has closed in recent times and the exchange rate has exhibited some stability.

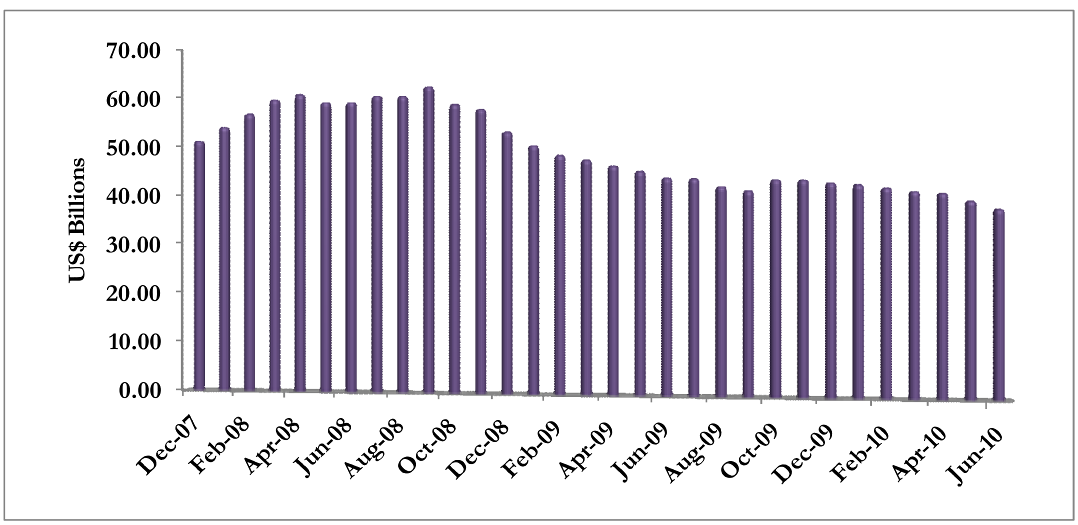
Figure 2.4: Exchange Rate Movement (January 2007 – June 2010)



Source: CBN

Given the decline in foreign exchange inflows and reduction in the ECA balance, Nigeria's external reserves declined from a peak of $62 billion in September 2008 to $37 billion in June 2010.

Figure 2.5: External Reserve Position (December 2007-June 2010)



Source: CBN

2.3 Government's Response to the Global Recession

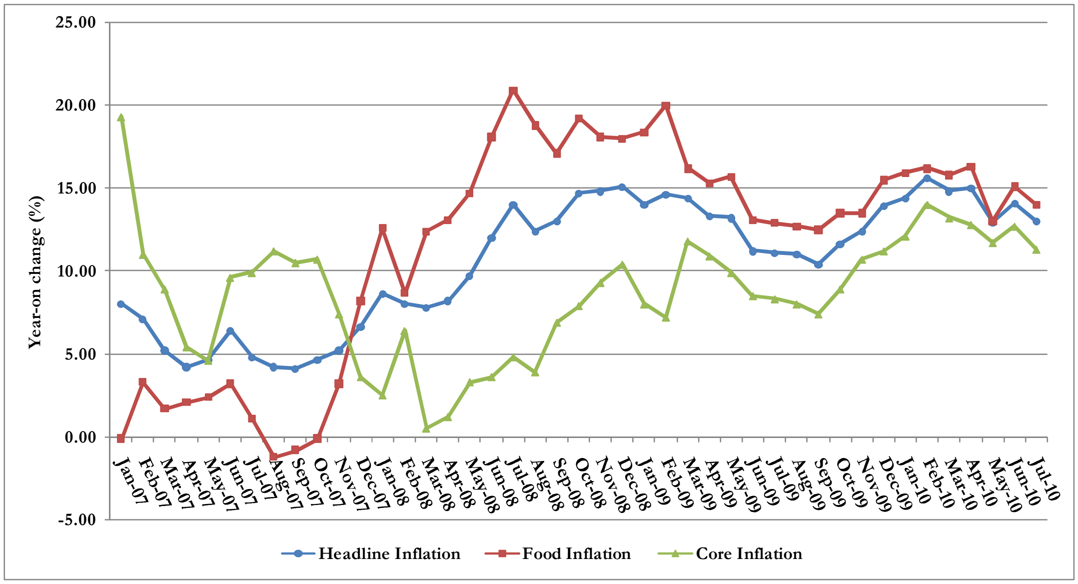
To address the fallout from the crisis, a combination of fiscal and monetary policy measures were introduced by the Government. A fiscal stimulus was introduced through the annual budget with both the 2009 and 2010 budgets targeting spending on critical infrastructure and a number of initiatives to re-invigorate the real sector. Several capital market reforms were also introduced to review trading rules and regulations and fees in order to encourage participation on the stock market. An accommodative monetary policy was also adopted to help jumpstart lending to the private sector.

2.3.1 Monetary Policy Response

The initial monetary policy response to the reluctance by DMBs to continue lending to the private sector included the reduction of the MPR through several stages from 10.25% to the present rate of 6%. The liquidity ratio was also reduced from 40 to 25% while the cash reserve requirement was cut from 4 to 1 percent to encourage lending by banks. An asymmetric corridor of interest rates was introduced by the CBN, 200 basis points above the MPR for the standing lending facility and 500 basis points below it for the standing deposit facility. The discount window was expanded with lending extended from overnight to up to 360 days but this expanded discount window was subsequently closed after the conclusion of the special examination of banks by the CBN. These measures were intended to encourage lending by DMBs but had limited effect on retail lending rates given the disconnect between monetary policy and market interest rates. The disconnect can be attributed to the high cost of funds and of doing business in Nigeria, mainly a result of the infrastructure gap, which leaves DMBs with little choice but to transfer these costs to their customers.

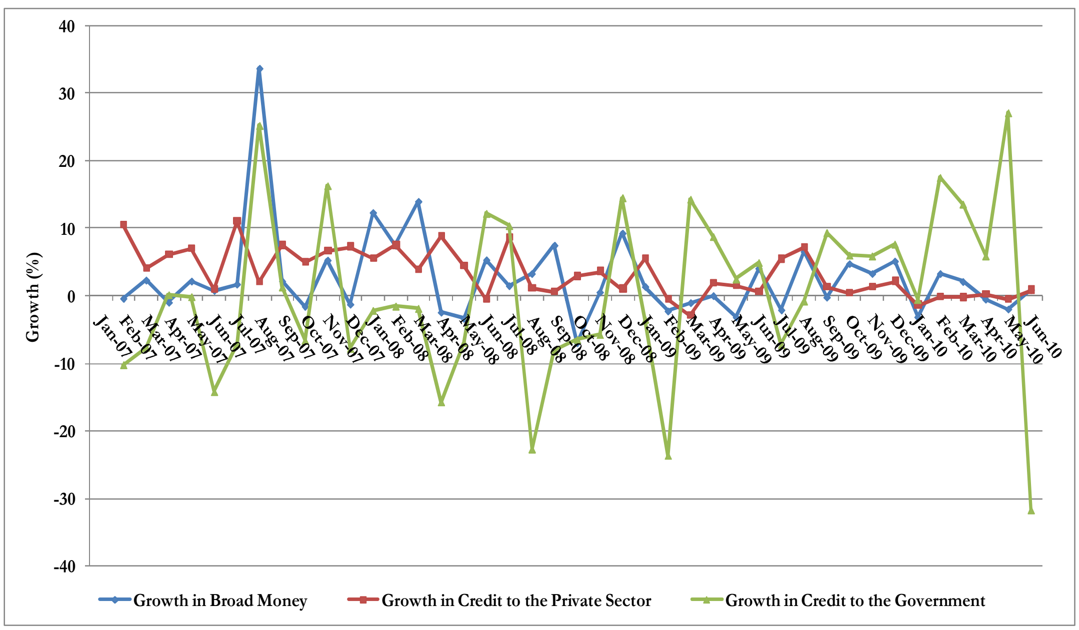
The growth in monetary aggregates during the crisis period was less than expected as broad money growth fell below target. Broad money grew by 40.4% from January to December, 2008 and only by 17.9% from January 2009 to April 2010. In addition, credit to the private sector has been on the decline while credit to Government continued to grow at a faster rate. The dearth in credit to the private sector remains a challenge and the CBN is making efforts to address this through its reform efforts in the banking sector. A reversal of monetary expansion after the crisis and a slowdown in the economy moderated inflation in 2009 and 2010. As of July 2010, headline, food and core inflation were at 13%, 14% and 11.3% respectively. According to the CBN, continuing underperformance of monetary aggregates, increased availability of foodstuff, and improvement in the supply of petroleum products, amongst others have contributed to the declining trend in inflation rates.

Figure 2.6: Inflation (January 2007-June 2010)



Source: NBS

Figure 2.7: Growth in Broad Money and Domestic Credit (January 2007-June 2010)



Source: CBN

2.3.2 Exchange Rate Policy

The global downturn and the resulting decline in the price of oil caused a depreciation in the Naira to Dollar exchange rate and a widening gap between the BDC and DAS rate since early 2009. The CBN responded to these developments by increasing efforts to stabilise the Naira to Dollar exchange rate by suspending the Interbank Foreign Exchange Market in January 2009 and re-introducing the RDAS to replace the WDAS. Once some stability was achieved in the foreign exchange market and the gap between the BDC and DAS rate was narrowed considerably, the WDAS was resumed and restrictions placed on the sale of foreign exchange lifted. Given the relative stability in the exchange rate since January, 2009 and the increased convergence between the DAS and BDC rates, the steps taken by the CBN may be said to have had a measure of success.

2.3.3 Banking Sector Reforms

The CBN responded to the issues in the banking sector by carrying out a special examination of deposit money banks. This exercise revealed a lot of gaps in the regulatory framework, inadequate disclosure and transparency by banks about the true position of their balance sheets. In order to clean up the balance sheets of these banks, the CBN proposed a bill for the set-up of an asset management company, AMCON, which would be responsible for disposing of the non-performing assets that have become a drag on the performance of the banking sector.

The AMCON bill has been passed by the National Assembly and has been assented to by Mr President. The AMCON is to be set up as a vehicle for the disposal of the risky assets of DMBs. This will leave these banks with cleaner balance sheets that will facilitate their access to credit markets for raising capital and enable them to carry out their traditional role of financial intermediation.

2.3.4 Fiscal Policy Response

As has been the case with many other countries worldwide, 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 was focused on five priority sectors namely Security, the Niger Delta, Human Capital Development, Critical Infrastructure and Land Reform & Food Security. This trend has continued in the 2010 Budget as these sectors received 85% of the capital vote. Critical infrastructure has been identified as crucial for the attainment of accelerated economic growth and development and thus received 42% of the capital vote. This investment in infrastructure is in line with the approach adopted by most countries as a way to recover from the economic recession in the short-to medium-term. This increased level of Government spending was considered necessary as a stimulus to the economy to raise the level of aggregate demand. This is in line with recommendations by the IMF on the need for Governments to continue to sustain Government stimulus, as a hasty unwinding of interventions by Government could stall further recovery from the crisis.

2.4 Future Direction of Fiscal, Monetary and Exchange Rate Policy

In the medium term, Government intends to continue to play an active role in providing stimulus to the economy as necessary. Although the shortfalls in revenue have led to a downward revision of estimates driving the 2010 Fiscal Framework and thus the budget as well as the level of outlay on specific expenditure heads in the budget, Government will continue to direct spending at priority projects, particularly in the area of critical infrastructure.

A single digit inflation rate remains an important target for the achievement of macroeconomic stability. This is also expected to anchor inflation expectations and provide price stability and a suitable environment for business planning and investment activity. To achieve this, plans are underway to improve credit availability through the utilisation of new and existing financial instruments via the inter-bank money market. Efforts to reduce the spread between deposit and lending rates will also be intensified while credit to the private sector will be encouraged even as the CBN continues to design special funding schemes for critical sectors of the economy

Exchange Rate Policy will continue to focus on maintaining the convergence of the official and parallel exchange rates. Developments in the foreign exchange market will also be monitored by the CBN to ensure that speculative demand and market volatilities are minimised.

Over the medium term, it is expected that economic growth will continue to be driven by the non-oil sector; however, a structural shift in the economy is expected to begin as sectors such as manufacturing, telecommunications, wholesale and retail trade amongst others increase their contribution to GDP growth. Investments in critical infrastructure and a continued focus on promoting macroeconomic stability are expected to facilitate this shift in the economy. With recovery in the oil and gas sector as production improves in response to the Amnesty initiative, this sector will once again contribute to growth rather than acting as a drag but will likely yield some of its share in GDP to other emerging sectors.

On the basis of the foregoing, we have set the following macroeconomic indicator targets for the 2011-2013 period.

Table 2.1: Key Macroeconomic Indicators (2011-2013)

ITEM	2011	2012	2013
Real GDP Growth Rate (%)*	7	7.5	7.5
CPI Inflation Rate (%)	9	8.5	8.5
Nominal Exchange Rate (N/$)	150	150	150

Source: NPC and CBN

The Vision 20:2020 document projects GDP growth of 10.9%, 11.8% and 13.1% for 2011, 2012 and 2013 respectively. These projections were rationalised as indicated above after consultations with the NPC

PART B: 2011-2013 FISCAL STRATEGY PAPER

Chapter 1: Introduction

1.1. Goals of the 2011-2013 Fiscal Strategy Paper

The Fiscal Strategy Paper documents the fiscal policy stance of Government over the medium-term and outlines the Medium-Term Fiscal Framework (MTFF) on a rolling basis. The Fiscal Strategy Paper has been an essential aspect of the current Public Financial Management (PFM) reforms and is intended to institutionalise a medium-term approach to the development and management of the Federal Government's fiscal programme. The annual preparation and documentation of the Fiscal Strategy Paper has been ongoing since 2005 and is underscored by the legal framework established by the Fiscal Responsibility Act of 2007.

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. In line with this, the 2011-2013 Fiscal Strategy Paper sets out the Federal Government's medium-term fiscal objectives within a defined macroeconomic framework.

The Fiscal Strategy Paper aims to:

- Promote fiscal discipline and diversification in revenue sources through the adoption of accurate revenue estimates and the continued, sustainable growth in oil and non-oil revenues;
- Outline fiscal policies which will work in consonance with monetary policies to create an environment of macroeconomic stability, characterised by low inflation and interest rates – in which private sector investment may create jobs and translate the gains of the reform programmes into poverty reduction and wealth creation;
- Adhere to prudent limits for expenditure to ensure relatively low fiscal deficits with little public sector borrowing and sustainable levels of public debt; and
- Create a framework within which public funds can be allocated optimally to ensure consistency with the goals of the 7-Point Agenda, the MDGs and Vision 20:2020 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 foster sustainable economic growth driven by low inflation, low interest rates, stable exchange rates and a strong balance of payments position. It 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 2011-2013 Fiscal Strategy Paper. The next two Chapters review relevant aspects of the implementation of the 2009 Annual and Supplementary Budgets, and the 2010 Budget. Chapter 4 of this Paper sets out the medium-term projections of, and underlying assumptions for, oil and non-oil revenue. Chapter 5 presents and analyses medium-term trends in revenue and expenditure while Chapter 6 outlines strategies for deficit financing, debt sustainability and managing contingent liabilities. Chapter 7 provides an analysis of fiscal risks and the Government's strategy for managing these while Chapter 8 concludes the Paper.

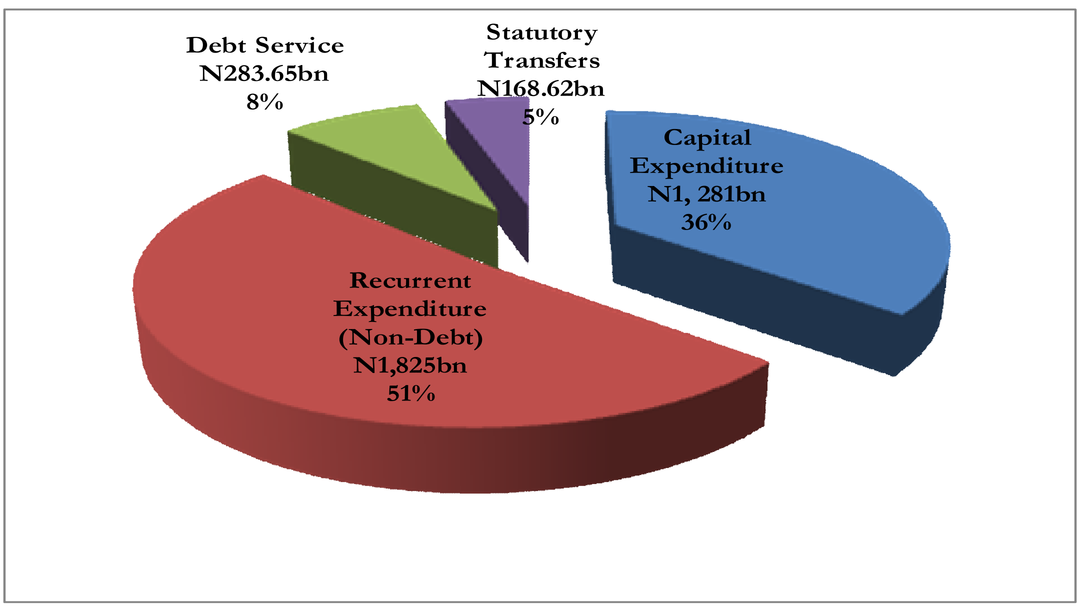
Chapter 2: Review of the 2009 Budget

2.1 The 2009 Appropriation Act and Supplementary Bills (I & II)

Mr. President assented to the 2009 Appropriation Act in March 2009. The Act approved N2,265 billion as the Federal Budget revenue; aggregate expenditure of N3,102 billion, comprising N1,022 billion as Capital Expenditure, and N1,627 billion as Recurrent spending. N168.62 billion was allocated for Statutory Transfers while N283.65 billion was set aside for Debt Service.

The first supplementary budget came into being in August 2009. It was designed to address essential expenditure that was not provided for in the 2009 Appropriation Act such as the negotiated ASUU settlement, amnesty initiative in the Niger Delta etc. Total spending of N102.27 billion was approved, of which N4.9 billion was allocated to capital expenditure while N97.37 billion was allocated to recurrent expenditure. A second supplementary budget, which was designed as a stimulus budget was adopted in late 2009. It focused primarily on the Niger Delta, critical infrastructure, and social palliatives. Out of the total spending of N353.6 billion, N253.55 billion was allocated to capital spending while N100.05 billion was set aside for recurrent spending. The spending composition resulting from the 2009 Budgets is presented in the chart below.

Figure 2.1: 2009 Budget Expenditure Breakdown



Source: BOF

2.2 2009 Budget Performance: Revenue Outturns

Total federally distributable revenue for 2009 fell short of the budgeted estimate of N3,583 billion by N626.90 billion (or 17.5%). The Federal Government was projected to receive N1,516 billion from the Federation Account with other Non-Federation Account items contributing to projected aggregate revenue of N2,265 billion. The actual revenue receipts amounted to N1,704.99 billion (excluding financing items) thus falling short of the target by N560.22 billion (or 24.73%) as of the end of December, 2009. The Federal share of oil revenue was N817.5 billion, indicating a shortfall of N151.57 billion (or 15.64%) when compared with N969.07 billion projected for the FGN budget in 2009. The Federal Government's share of VAT, CIT and Customs Duties fell short of the N576.78 billion target by N115.50 billion (or 20.02%) with only N461.28 billion realised. Independent revenue also underperformed as only N71.24 billion was realized against the expected sum of N305.97 billion in the period.

The 2009 Budget was based on an oil production assumption of 2.292 mbpd and an Oil Benchmark Price of US$45 per barrel. Provisional data from NNPC indicates average oil production of 2.132 mbpd while international oil prices averaged about US$63 per barrel in 2009.

The poor performance of oil revenue is attributable to oil production shut-ins which averaged 155,000 barrels per day and mainly affected JV productions, from which Government gets the most revenue, and gas sales. Non-oil targets were not met due to the effects of the global economic recession on trade activities, the effects of the banking sector crisis on CIT collections and availability of credit to finance investment activities. Revenue receipts are expected to improve as Government undertakes an audit of revenue-collecting agencies to identify and plug leakages. The amnesty efforts of the Administration are also expected to have a positive impact on our ability to meet production targets.

Table 2.1: 2009 Budget Revenue Outturns (N millions)

		DESCRIPTION	BUDGET	ACTUAL 2009	ACTUAL 2008	VARIANCE 2009 ACTUAL & BUDGET	
1	**Inflows for Federal Budget (CRF)**						
	a	**Share of Oil Revenue**	**969.07**	**817.50**	**1,379.55**	**-151.57**	**-15.64%**
	b	**Share of Non-Oil**	**882.75**	**532.52**	**489.93**	**-350.24**	**-39.68%**
		Share of VAT	77.95	**62.95**	**54.37**	**-15.00**	**-19.24%**
		Share of CIT	273.31	**263.04**	**194.07**	**-10.27**	**-3.76%**
		Share of Customs	225.53	**135.29**	**126.86**	**-90.24**	**-40.01%**
		Independent Revenue	305.97	**71.24**	**114.63**	**-234.73**	**-76.72%**
	c	FGN's Share of Actual Balances in Special Accts	48.57	**-**	**-**	**-48.57**	**-100.00%**
	d	FGN's Balances in Special Levies Accounts	64.82	**58.26**	**-**	**-6.56**	**-10.12%**
	e	FGN's Unspent Balances of previous Fiscal Year	300.00	**296.72**	**357.18**	**-3.28**	**-1.09%**
	f	FIRS Recovery Pool Account	**-**	**-**	**11.80**	**-**	**-**
2	**Sub-Total (exc unspent bal. & ECA & augmentation)**		**1,965.21**	**1,408.27**	**1,869.48**	**-556.94**	**-28.34%**
3	**Total (including unspent balances)**		**2,265.21**	**1,704.99**	**2,226.66**	**-560.23**	**-24.73%**

Source: BOF and OAGF

2.3. 2009 Budget Performance: Expenditure Outturns

Aggregate expenditure approved in the 2009 Budgets amounted to N3,558 billion, of which N1,281 billion was allocated to capital expenditure and N2,278 billion to recurrent spending. The table below provides a breakdown of expenditure performance in 2009:

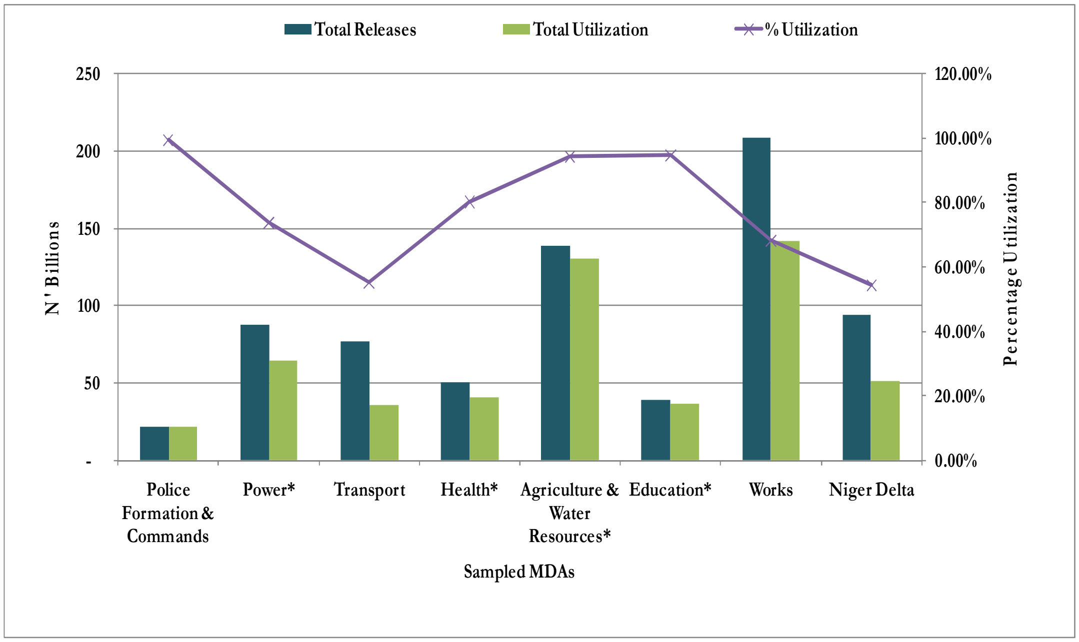
Table 2.1: 2009 Budget Expenditure Outturns (N millions)

FISCAL ITEMS	BUDGET	Actual		Variance (09 Bud & Act)	
	Annual	2009	2008	Diff	%
FGN RETAINED REVENUE	**2,265,209.6**	**1,704,985.6**	**2,226,663.6**	**-560,224.0**	**-24.73%**
FGN EXPENDITURE					
RECURRENT EXPENDITURE					
Personnel Costs	857,042.00	857,041.98	942,525.60	-0.02	0.00%
Pension	161,592.00	129,188.10	101,748.40	-32,403.90	-20.05%
Pension Redemption Funds	35,350.00	32,403.93	36,099.80	-2,946.07	-8.33%
Overhead Costs	338,273.23	338,273.21	470,902.40	-0.02	0.00%
Domestic Debt	227,809.00	209,511.95	319,670.60	-18,297.05	-8.03%
Interest on Ways & Means	-	5,030.72	2,551.10	5,030.72	0.00%
Foreign Debt	55,841.00	37,248.66	59,044.20	-18,592.34	-33.30%
Others[2]	432,450.51	355,558.35	-	-76,892.16	-17.78%
Sub Total(Recurrent)	**2,108,357.74**	**1,964,256.90**	**1,932,542.10**	**-144,100.84**	**-6.83%**
Sub Total(Non-Debt Recurrent)	**1,824,707.74**	**1,717,496.29**	**1,553,827.30**	**-107,211.45**	**-5.88%**
CAPITAL EXPENDITURE					
Capital Vote	1,280,706.00	**919,483.06**	**711,632.40**	-361,222.94	-28.20%
Sub Total	**1,280,706.00**	**919,483.06**	**711,632.40**	**-361,222.94**	**-28.20%**
TRANSFERS					
Niger Delta Development Commission	51,317.00	51,317.00	40,570.00	-	0.00%
National Judicial Council	78,000.00	78,000.00	78,000.00	-	0.00%
Universal Basic Education	39,303.00	39,302.94	44,000.00	-0.06	0.00%
OTHERS					
Refund of Signature Bonuses	-	1,979.60	-	1,979.60	0.00%
Sub Total	**168,620.00**	**170,599.54**	**162,570.00**	**1,979.54**	**1.17%**
AGGREGATE EXPENDITURE	**3,557,683.74**	**3,054,339.51**	**2,806,744.50**	**-503,344.23**	**-14.15%**
		-			
Deficit / Surplus	**-1,292,474.19**	**-1,349,353.93**	**-580,080.92**	**-56,879.74**	**4.40%**
Total Financing	**-1,292,474.19**	**-1,349,353.93**	**-580,080.92**	**-56,879.74**	**4.40%**
Net Deficit / Surplus	-	-	-	-	-

Source: BOF and OAGF

The fiscal year was extended to March 31st, 2010 as the 2nd supplementary budget was approved late in 2009 leaving the MDAs with insufficient time to utilise funds released for capital projects. Data from the OAGF indicates that N919.48 billion was utilised by the MDAs as at March 31st, 2010 which resulted in average capital utilisation of about 77.13%. This was an improvement on the 60.59% performance as of 31st December, 2009.

Figure 2.1: 2009 Capital Budget Performance (Annual and Supp Budgets I &II)



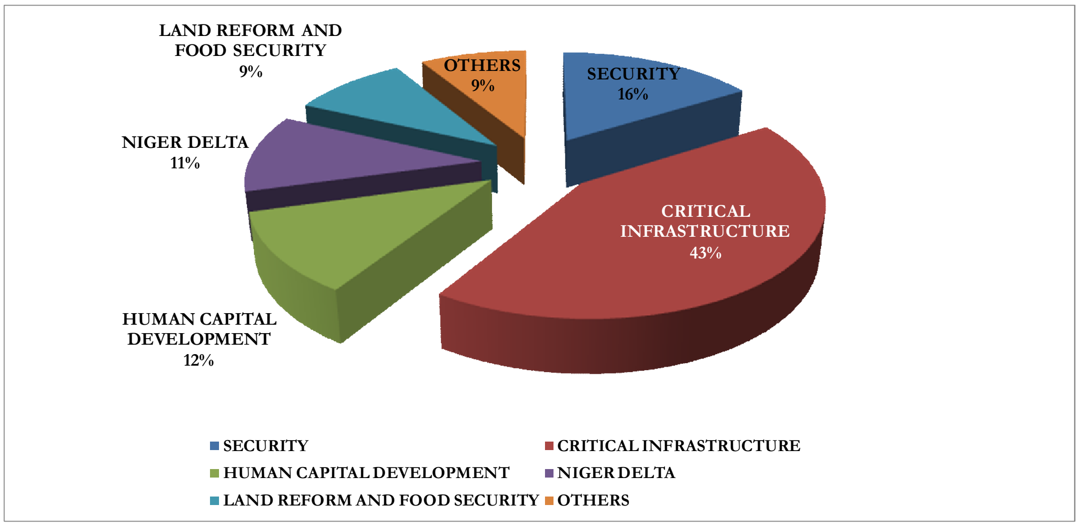
Source: OAGF and BOF
* Utilisation for certain projects and entities, such as the PHCN successor companies, was not included in the OAGF report.

To ensure greater efficiency in Government spending, the funds were released to MDAs in a timely manner, bottlenecks in the procurement process were removed as much as possible and it is expected that this will continue to yield positive results. About 31 of the MDAs including Police Formation and Commands, Health, Education, Agric and Water Resources and FCT had utilization rates of above 80% of their releases while 10 MDAs including Transport, Works, Housing and Urban Development, Niger Delta and Aviation performed below the overall average during the period. It should be noted that the BOF conducts quarterly monitoring of projects, in collaboration with Civil Society groups to ascertain the level of physical implementation. These reports are published every quarter in both electronic and print forms (see BOF website).

Chapter 3: Review of the 2010 Budget – Amended & Supplementary Budgets

The 2010 Budgets were designed to stimulate the economy in view of the negative effects of the global economic crisis. The increased spending outlay in the 2010 Budgets is in line with what governments in other countries are doing to ameliorate the effects of the crisis and set their economies on a path of recovery. The Budgets were designed such that the allocation of resources to priority sectors, particularly critical infrastructure, would provide the enabling environment for the acceleration of sustainable economic growth and development, driven by the private sector.

Figure 3.1: Capital Allocation to Priority Sectors



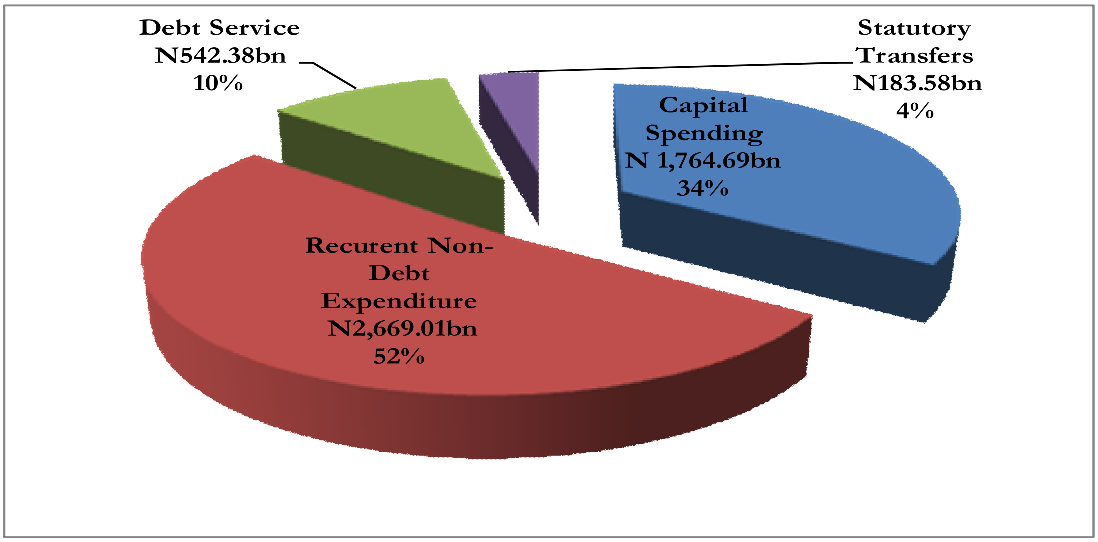
Source: BOF

The 2010 Appropriation Bill was passed by the National Assembly and assented to by Mr President in April 2010. The Appropriation Bill as signed approved N4,608 billion as aggregate expenditure, of which N1,854 billion was allocated to capital spending, N497.07 billion to debt service, N180.28 billion to statutory transfers while N2,077 billion was allocated to non-debt recurrent expenditure.

Following the assent to the 2010 Appropriation Bill, the Executive has worked with NASS to reconcile some observed inconsistencies and to amend the budget in line with revenue realities. In addition, it was necessary to make provision for some unanticipated expenditure items such as the wage increases awarded to civil servants, university lecturers, and medical personnel amongst others as well as the PHCN arrears of monetisation.

An Amended and a Supplementary Budget Proposal were sent to the National Assembly in May 2010 for consideration. Subsequently, the National Assembly passed an Amendment Budget of N4,427 billion and a Supplementary Budget of N644.75 billion. Subsequently, a second Supplementary Budget of N87.72 billion was approved to enable INEC conduct a Voter Registration exercise in preparation for the 2011 Elections.

Figure 3.1: 2010 Amended and Supplementary Budgets Expenditure Breakdown



Source: BOF

The execution of the 2009 capital budget was extended to March 2010; hence, provisional releases were made to honour existing commitments in the first quarter of 2010. Due to cash flow challenges and the need for reconciliation of releases made, the due proportion of the budget was partially funded over the first half of the year. In light of these circumstances, it is difficult to carry out a complete assessment of budget performance over the 1st half of the year. Implementation of the budget is ongoing and a more detailed assessment will be available at a later date; however, the tables below document performance over the first half of the 2010 fiscal year against the Amended and Supplementary Budgets approved by NASS.

Table 3.1: 2010 Half Year Budget Revenue Breakdown (Budget vs. Actuals)

	2010 Budget (amendment & supplementary I &II)	2010 Budget Amendment & Supplementary I & II pro-rata (Jan-June)	2010 Budget (Jan-June actuals)	Variance (2010 Amended and Supplementary Budget and 2010 Actuals)	
	=N= bns		=N= bns	=N= bns	%
FGN REVENUE					
RETAINED REVENUE					
FGN Share of Federation Account[1]	1,910.87	955.44	925.99	(29.45)	(3.08)
FGN Share of VAT	77.95	38.98	37.95	(1.02)	(2.63)
FGN Independent Revenue	300.00	150.00	65.21	(84.79)	(56.53)
FGN's Balances in Special Levies Accounts	15.48	7.74	1.24	(6.50)	(83.99)
FGN's Unspent Balances of Previous Fiscal Year	129.54	64.77	198.30	133.54	206.17
FGN Bond Issuance for PHCN Arrears of Monetisation[2]	200.00	100.00	-	(100.00)	(100.00)
Other Revenue (for Supplementary Budget I)[2]	398.31	199.16	-	(199.16)	(100.00)
Special Bond Issuance for INEC (Supplementary II)[2]	87.72	43.86			
Carryover from Supplementary II 2009	60.00	30.00	-	(30.00)	(100.00)
TOTAL INFLOWS	**3,179.87**	**1,589.94**	**1,228.70**	**(361.24)**	**(22.72)**

Source: BOF and OAGF

[1] This category includes augmentation from the Excess Crude Account

[2] Bonds to be raised on an ongoing basis

Table 3.2: 2010 1st Half Budget Expenditure Breakdown (Budget vs. Actuals)

	2010 Budget (amendment & supplementary I &II)	2010 Budget Amendment & Supplementary I & II pro-rata (Jan-June)	2010 Budget (Jan-June actuals)	Variance (2010 Amended and Supplementary Budget and 2010 Actuals)	
	=N= bns		=N= bns	=N= bns	%
FGN EXPENDITURE					
STATUTORY TRANSFERS					
National Judicial Council	91.00	45.50	45.50	-	-
Niger Delta Development Commission[1]	46.49	23.24	-	(23.24)	(100.00)
Universal Basic Education	46.09	23.04	22.16	(0.88)	(3.83)
Sub Total	**183.58**	**91.79**	**67.66**	**(24.13)**	**(26.29)**
RECURRENT NON-DEBT EXPENDITURE					
Personnel Costs Overhead Costs[2]	2,398.43	1,199.22	964.61	-234.60	(19.56)
Pensions Pensions and Public Service Reforms	270.58	135.29	97.73	-37.56	(27.76)
Pension Redemption Funds[3]	-	-	-	-	-
Others (Service Wide Votes)[3]	-	-	-	-	-
Sub Total	**2,669.01**	**1,334.51**	**1,062.35**	**(272.16)**	**(20.39)**
RECURRENT DEBT EXPENDITURE					
Foreign Debt Service	38.92	19.46	19.62	0.16	0.81
Domestic Debt Service[4]	503.47	251.73	150.95	(100.78)	(40.04)
Interest on Ways and Means	-	-	-	-	-
Sub Total	**542.38**	**271.19**	**170.56**	**(100.63)**	**(37.11)**
RECURRENT EXPENDITURE	**3,394.97**	**1,697.49**	**1,300.57**	**(396.92)**	**(23.38)**
OTHERS[5]					
Sub Total	**-**	**-**	**8.18**	**-**	**-**
CAPITAL EXPENDITURE					
Capital Releases	1,764.69	882.35	445.11	(437.23)	(49.55)
Sub Total	**1,764.69**	**882.35**	**445.11**	**(437.23)**	**(49.55)**
TOTAL OUTFLOWS	**5,159.66**	**2,579.83**	**1,753.86**	**(825.97)**	**(32.02)**

Source: BOF and OAGF

[1] At the time of writing, NDDC had just applied for its allocation for the 1st and 2nd quarters of 2010

[2] This category includes SWV and MYTO items for 2010

[3] This category is captured under the SWV element in overheads

[4] Interest on ways and means is included as part of domestic debt service

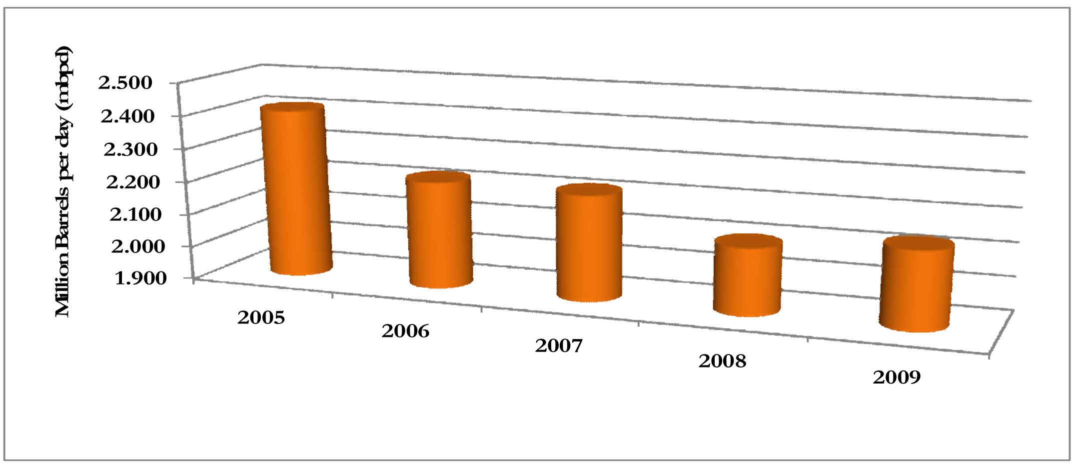
[5] This includes refunds to UBA Plc and FIRS.

Chapter 4: Assumptions Underlying Projections of Oil and Non-oil Revenue

4.1: Oil Production & Growth

Oil production averaged 2.132 mbpd over the 2009 fiscal year compared to 2.1 mbpd in 2008. It is expected that as the gains from the amnesty initiative continue to result in increased stability in the region, oil production will improve over the medium term. Preliminary information from NNPC indicates that already, performance over the first quarter of 2010 has improved over the same period in 2009. On the basis of this, and in line with consultations with NNPC, we consider that oil production will average 2.3, 2.4 and 2.45 mbpd in 2011, 2012 and 2013 respectively. It should be emphasised that these figures represent some discounting of NNPC's projections and have taken into consideration any eventualities that may lead to production shortfalls in the medium term.

Figure 4.1: Past Trends in Oil Production 2005 - 2009



Source: NNPC

Table 4.1: Forecast Oil Production

Business Arrangements	2011 Projection	2012 Projection	2013 Projection
Joint Ventures	1.031	0.875	0.843
Alternative Funding	0.527	0.645	0.687
Production Sharing Contracts	0.735	0.875	0.914
Service Contracts	0.007	0.005	0.006
Independents	-	-	-
Marginal	-	-	-
Total Production	**2.300**	**2.400**	**2.450**

Source: NNPC

4.2. The Market Price of Oil

Following the sharp plunge in oil prices from mid-2008 to early 2009 and the recent volatile price movements in response to the Euro-zone debt crisis, some stability has returned to the oil market. The recovery of emerging economies such as China and India has driven the demand for oil products in recent times and is expected to continue to do so in the medium term. Forecasts for the next few years are highly dependent on economic recovery in the Euro-zone and its implications on demand for Chinese exports by European countries. According to OPEC, demand for oil products is expected to grow by about 1.2 percent in 2010 which is a modest increase over demand in 2009. Based on projections, we expect the demand for petroleum products to remain relatively flat for the 2011-2013 period, and this will certainly moderate the behaviour of prices. Another consideration is the likely recovery of oil production from Iraq as it continues to benefit from recent investments against a background of improving security.

4.3. The Benchmark Price of Oil

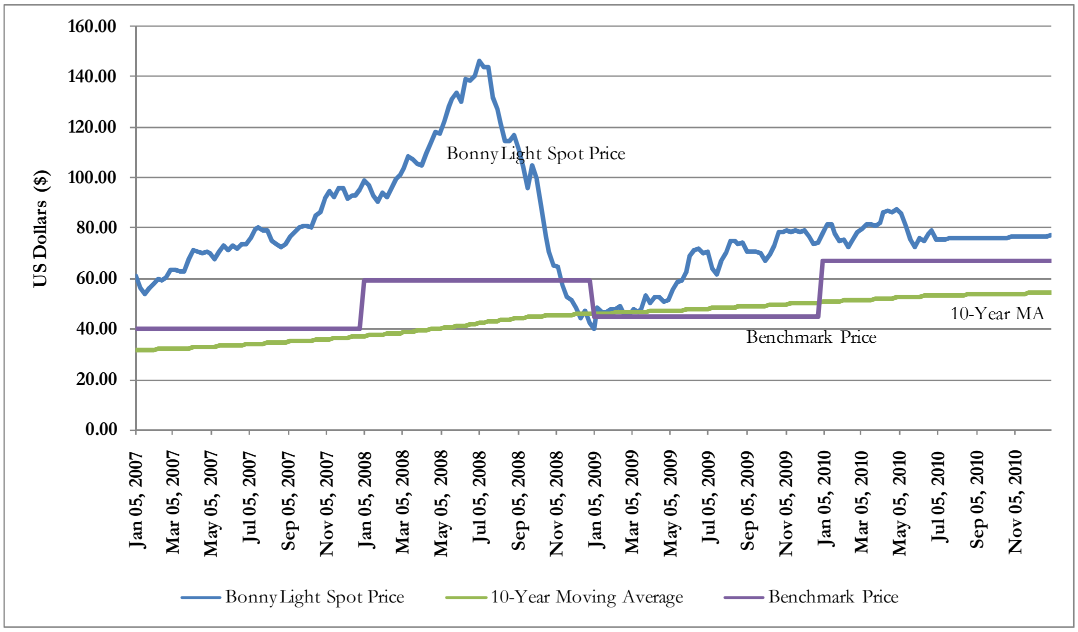
Taking the foregoing into consideration, the future outlook for the price of oil still remains highly uncertain. Given the recovery of the global economy, we expect positive price movements in the medium term; however, we must consider the possible impact of changes in the pattern of demand from China and other emerging economies. The effect of speculative activities and the behaviour of the dollar could also have a bearing on oil price movements

Nigeria is very dependent on revenue from oil, with budgeted gross federally collected oil revenue amounting to about 70 % of gross federally collected total revenue in the 2010 budget. Previous years' budgets were even more heavily dependent on oil revenue. This dependence 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 transmitted to the pattern of Government spending. Prior to 2004, fiscal policy in Nigeria followed a pro-cyclical pattern as the tendency was to spend more when revenues from oil were high and less when those revenues dropped. This 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. Subsequently, counter-cyclical fiscal policy was adopted with the utilisation of an oil-price based fiscal rule and the creation of the Excess Crude Account.

The adoption of a benchmark price for oil therefore decouples Government expenditure from short term changes in oil revenue, such as the negative shock seen in late 2008 to early 2009. 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 and allow for additional spending even when the oil market is weak.

As can be seen from the chart below, from January 2007 until late 2008, the benchmark price was below the market price, causing savings to accrue to the ECA. This chart demonstrates that lowering the benchmark price in January 2009 to $45 per barrel was a well-guided strategy.

Figure 4.2: Market Price, 10-year moving average and the benchmark price



Source: EIA, BOF Estimates

The BOF has, in line with international best practice and taking downside risks to the oil price into consideration, estimated the benchmark price based on a ten-year moving average. The use of a moving average de-links the benchmark price from short and medium-term fluctuations in the market price of oil. We have treated the period in 2008, when oil prices spiked as high as $148 per barrel, as an outlier and made a slight adjustment to the moving average result to reach $58 per barrel. Chapter 5 contains the forecasts for oil revenue which were estimated using a $58 benchmark price.

4.4. Non-Oil Revenue Baselines and Assumptions

Non-oil revenue assumptions and forecasts for the 2011-2013 period are outlined in this chapter to clearly and transparently demonstrate how changes in the relevant components of GDP affect the BOF's estimates of non-oil revenue. Chapter 5 carries out a review of past non-oil revenue performance.

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 as follows:

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

Table 4.2: Sectoral Composition of GDP

Sectoral Contribution to GDP (Percentage)	2009b	2010b	2011f	2012f	2013f
	100%	100%	100%	100.0%	100.0%
Agriculture (%)	30%	37.9%	40.6%	37.9%	37.9%
Solid Minerals (%)	0%	0.4%	0.4%	0.4%	0.4%
Crude Petroleum & Natural Gas (%)	34%	29.1%	26.4%	29.1%	29.1%
Maufacturing (%)	3%	3.0%	4.5%	3.0%	3.0%
Telecommunication & Post (%)	2%	8.2%	7.6%	8.2%	8.2%
Finace & Insurance (%)	1%	4.0%	2.5%	4.0%	4.0%
Wholesale & Retail Trade	18%	13.9%	14.4%	13.9%	13.9%
Building & Construction	2%	1.2%	1.2%	1.2%	1.2%
Others (%)	10%	2.3%	2.3%	2.3%	2.3%

Source: NBS

The projected gross revenue from CIT, VAT and Customs Duties is laid out in the next three tables. 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 4.3. The GDP estimate liable for corporate tax in 2011 is higher than was projected for 2010. N632.8 billion is forecast for collection in 2011, which represents a 7.8 % increase compared to 2010 figures. We expect an increase in CIT collections due to the recovery in the economy as we begin to see positive results from the stimulus applied to the economy. FIRS is also actively pursuing policies aimed at reducing tax avoidance and evasion and increasing the tax bases and we expect that this will lead to a reduction in the adjustment factor for the CIT base.

Table 4.3: CIT Collection Assumptions

CIT Collection					
	2009a	2010f	2011f	2012f	2013f
Tax Rate	30%	30%	30%	30%	30%
Non-Oil GDP	18,419	21,597	25,380	29,441	33,502
Tax Collection	607	587	646	710	781
% Ratio (revenue /non-oil GDP)	3.29%	2.72%	2.54%	2.41%	2.33%
2% Discounted Arrears of Collection			12.91	14.21	15.63
Tax Collection			632.79	696.06	765.67

Source: NBS, FIRS

Estimates in 2009 were over-ambitious, and collection targets could not be met and for this reason, 2010 estimates were more conservative. Information from the OAGF indicates that for the first half of 2010, non-oil revenue collections were below target. This shortfall can be attributed to the continuing impact of the global economic recession which has led to a shrinking in consumption. For the 2011 fiscal year, Government has more optimistic expectations as we expect consumption to rise in the medium term as the stimulus takes greater effect. N625.24 billion is estimated for collection as VAT receipts in 2011. This represents a 7.8% increase from the target set in 2010.

Table 4.4: VAT Collection Assumptions

VAT Estimate					
	2009a	2010e	2011f	2012f	2013f
Tax Rate	5%	5%	5%	5%	5%
Aggregate Consumption	27,055	28,572	30,443	32,314	34,185
VAT Collection	476.40	580.00	638.00	701.80	771.98
% Ratio (revenue /consumption)	1.76%	2.03%	2.10%	2.17%	2.26%
VAT Collection (2% discounted arrears of collection)			625.24	687.764	756.54

Source: NBS, FIRS

Table 4.5 outlines the assumptions underlying Customs Duty Collection. In 2010, it became necessary to revise the collection target of N500 billion to N400 billion in recognition of the over-optimistic projection in Customs duties collections in 2010 as evidenced from actual performance over the first 4 months of the year. Hence, taking off from this base, we have set a target of N450 million for 2011 which represents an increase of 12.5%. To improve the quality of service and the returns made by the Nigerian Customs Service, the Customs Reform Committee has been reconstituted. We expect that the outcomes of planned reforms and the recovery of the economy will improve collections in the medium term.

Table 4.5: Customs Duty Collection Assumptions

Computation of Customs Duty	2009b	2010f	2011f	2012f	2013f
Import c.i.f. (=N=bns)	**5,492**	**6,014**	**5,379.0**	**6,185.9**	**7,113.7**
Non-Oil GDP	18,419	20,651	24,466.3	31,169.1	38,613.6
Customs @14% CIF (=N=bns)		842.03	753.1	866.0	995.9
Real Customs Duty after Adjustment Factor (=N=bns)	**500.00**	**400.00**	**450.0**	**510.1**	**663.4**
Lost due to Exemption, Zero Rating, Evasion, Inefficiency etc) (=N=bns)	**-434.00**	**-442.03**	**-303.06**	**-355.94**	**-332.49**
Lost/Non-Oil GDP	**-2.36%**	**-2.14%**	**-1.24%**	**-1.14%**	**-0.86%**

Source: NBS, NCS

To address the losses due to exemptions and inefficiencies, Government is undertaking an audit of all revenue-generating agencies which is expected to identify and plug revenue leakages. These assumptions and estimates will drive the fiscal strategy of Government over the 2011-2013 period.

Chapter 5: Fiscal Strategy for 2011-2013

5.1. The Fiscal Strategy & the Economic Objectives of Government

This Chapter is dedicated to outlining Government's spending plans and the manner in which this expenditure will be funded over the 2011-2013 period.

The fiscal strategy of Government is guided by contemporary events which have impacted the economy, particularly the global economic crisis which has had real implications for Government's ability to fund its expenditure obligations. In that view, the 2011-2013 fiscal strategy paper has been designed to address these specific challenges by focusing on the following:

- Improve the efficiency and quality of capital spending by promoting Public Private Partnership (PPP) arrangements through initiatives such as Viability Gap Funding (VGF)
- Place greater focus on critical infrastructure as a means of promoting long-term economic growth, particularly in the non-oil sector.
- Continue the application of a fiscal stimulus in the medium term to kick-start the economy, taking into consideration the current revenue constraints and its impact on the fiscal deficit.
- Pursue gradual fiscal consolidation in order to return the fiscal balance below the 3% threshold prescribed by the Fiscal Responsibility Act, 2007.
- Rationalise the outlay on recurrent expenditure through the identification of cost-saving measures.
- Boost revenue receipts and identify and plug revenue leakages through audits of revenue-generating agencies

With the application of policies in line with the objectives outlined above, it is expected that over the medium term we will be able to address the negative impact of the global recession on the Nigerian economy and place it on a path of sustained growth. These policies will be applied taking into consideration 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.

The rest of this chapter sets out important aspects of the 2011-2013 Fiscal Framework in some detail.

5.2. Aggregate Revenue

5.2.1. The Federation Account

Table 5.1: Federally Collectible Revenue

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
GROSS FEDERALLY COLLECTIBLE REVENUE	6,999.15	7,202.34	7,826.43	8,179.33
Total Oil & Gas Revenue	4,902.33	5,021.88	5,449.65	5,670.69
Total Non-Oil	1,867.00	1,958.04	2,143.56	2,268.21
Memorandum Items				
Special Levies for Targeted Expenditure[1]	158.72	154.82	156.12	157.63
Other Non-Federation Account Items - Education Tax	74.80	67.61	77.09	82.80

Source: BOF, NNPC, NCS, FIRS

[1] These are Customs Levies such as the 7% Port Development Levy and Rice Levy set aside for specific purposes.

Total federally collectible revenue is made up of revenue from both oil and non-oil sources and includes other items like special levies and tax items. For the 2011 fiscal year, total federally collectible revenue projected to flow into the Federation Account amounts to N7.202 trillion. This is higher than the amount approved in the 2010 Budget given the oil price and oil production assumptions adopted for 2011.

Table 5.2: Oil Revenue

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
GROSS FEDERALLY COLLECTIBLE REVENUE	6,999.15	7,202.34	7,826.43	8,179.33
Oil Revenue				
Crude Oil Sales	2,802.01	2,938.08	3,138.01	3,230.06
Royalties	483.20	494.29	582.27	614.95
Oil & Gas Petroleum Profits Tax	1,253.15	1,230.25	1,355.40	1,453.70
Gas Sales	352.62	352.62	367.73	366.73
Rent, Gas Flared Penalty and Miscellanous Oil Revenue	11.36	6.63	6.25	5.25
Total Oil & Gas Revenue	4,902.33	5,021.88	5,449.65	5,670.69

Source: BOF, NNPC

A budget benchmark price of $58 per barrel and oil production of 2.3mbpd has been adopted for the 2011 Budget. Based on these assumptions, we expect oil revenue of N5.022 trillion in 2011 which we expect will rise to N5.45 trillion and N5.671 trillion in 2012 and

2013 respectively. This increase is based on the higher oil benchmark price and oil production targets set for 2012 and 2013 in comparison with 2011. Conservative estimates for the 2011-2013 period were adopted due to the recent challenges with revenue generation in the first half of 2010. With the conclusion of the audit of NNPC, we expect this performance to improve in the medium term.

Table 5.3: Non-oil Revenue

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
Gross Non-Oil Revenue				
Customs	400.00	450.00	450.00	450.00
Corporate Tax	587.00	632.80	738.29	775.45
Value-Added Tax	580.00	625.24	687.76	756.54
FGN Independent Revenue	300.00	250.00	267.50	286.23
Total Non-Oil	**1,867.00**	**1,958.04**	**2,143.56**	**2,268.21**

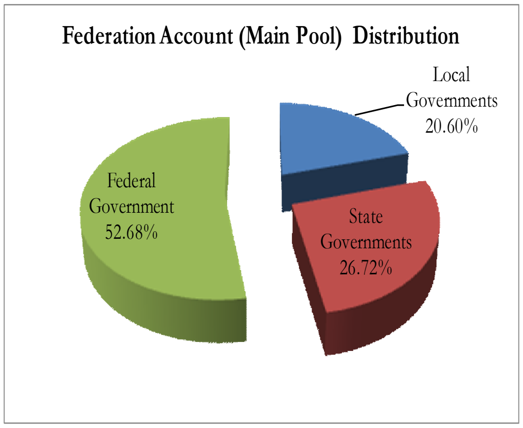
Source: BOF, NNPC, NCS, FIRS

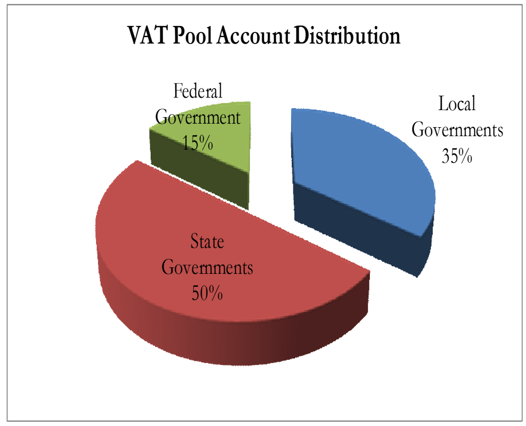
Non-oil revenue collection targets for 2011 have also been moderated. Based on non-oil revenue performance in the first half of 2010, it has also become necessary to adopt more prudent assumptions. Much of this under-performance can be attributed to the lingering effects of the global economic recession and its impact on consumption and investment activities in Nigeria. As mentioned earlier, as the audit of revenue-generating agencies continues, we expect performance and thus collection targets to improve over the medium term. The total non-oil revenue target for 2011 has been set at N1.958 trillion which represents a 4.88% increase over the target for 2010. Going forward, as the various reforms to increase non-oil revenue yield dividends, non-oil revenue is expected to rise to N2.144 trillion and N2.268 trillion in the 2012 and 2013 fiscal years respectively.

5.2.2. Consolidated Revenue Fund

In accordance with the 1999 Constitution of the Federal Republic of Nigeria, the distribution of Federally collected revenue from the Federation Account Main Pool and VAT Pool among the three tiers of Government is determined by the sharing formula as shown in Figure 5.1 below:

Figure 5.1: Federation Account Main Pool & VAT Pool Distribution Formulae





Source: BOF

Based on the sharing formulae, the Federal Government is forecast to receive N2.233 trillion in 2011 from the Federation Account Main Pool and the VAT Pool of the Federation Account, while the States and Local Governments are expected to receive N1.387 trillion and N1.048 trillion respectively. The oil producing states will receive N452.68 billion in addition to their share of the above which represents their 13% derivation share.

Table 5.4: Shared Revenue from FAAC & VAT Pool Distribution

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
SUMMARY OF FAAC & VAT POOL				
FGN	2,159.07	2,232.67	2,490.16	2,621.53
STATES	1,331.15	1,386.89	1,542.94	1,637.56
LGCs	1,006.51	1,047.94	1,166.11	1,236.72
Total	**4,496.73**	**4,667.49**	**5,199.21**	**5,495.81**

Source: BOF

The Federal Government is projected to receive 3.41% more than allocated in the 2010 Budget as passed by NASS. This allocation is projected to rise to N2.49 trillion and N2.622 trillion in 2012 and 2013 respectively.

5.2.3 Federal Government Budgeted Revenue

Based on the assumptions outlined in Chapter 4 (an oil price benchmark of $58 per barrel and oil production of 2.3 mbpd in 2011), the Total Retained Revenue for the Federal Government Budget is forecast at N2.47 trillion which comprises of N1.973 trillion as the Federal Government's share of the Federation Account after provision for Special Funds, N84.03 billion as the FGN's share of the VAT Pool after 1% is put aside for the FCT, N13.61 billion as the estimated balance in Special Accounts and N250 billion as Independent Revenue. This represents a 20.01% reduction over the N3.092 trillion budgeted for 2010. The variation is as a result of the additional revenue sources proposed to fund the 2010 Supplementary Budget. Exclusion of those items will reduce the budget revenue for 2010 to N2.434 trillion.

Table 5.5: Federal Government Budget Revenue

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
FGN BUDGET REVENUE (INFLOWS)				
Unspent balance from previous FY	129.54	150.00	100.00	100.00
FGN BUDGET Share of Federation Account (48.5%)	1,910.87	1,972.62	2,231.07	2,380.54
FGN BUDGET Share of VAT (14%)	77.95	84.03	92.44	101.68
FGN Independent Revenue	300.00	250.00	267.50	286.23
Carryover from Supplementary II of 2009	60.00	0.00	0.00	0.00
DMO Bond Issuance for PHCN Arrears of Monetisation (Supplementary I)	200.00	0.00	0.00	0.00
Other Revenue (Supplementary I)	398.31	0.00	0.00	0.00
Special Bond Issuance for INEC (Supplementary II)	87.72	0.00	0.00	0.00
Estimated FGN's Balances of Special Accounts end Dec.	15.48	13.61	9.53	6.67
Total	**3,179.87**	**2,470.26**	**2,700.54**	**2,875.12**

Source: BOF

5.3. Federal Government Budgeted Expenditure

5.3.1. 2011-2013 Medium-Term Sector Strategies

The 2011-2013 MTSS was held in July 2010 with selected high-spending MDAS in the priority sectors to articulate, develop, cost and prioritise their spending strategies over the medium-term horizon based on the high-level development plans of the Government, as outlined in the 7-Point Agenda and the draft Vision 20:2020 document. The 13 MDAs involved in this year's exercise were the Ministries of Agriculture, Water Resources, Aviation, Defence, Education, FCT, Health, Interior, Niger Delta, Police (Affairs/Formations & Command), Power, Transport and Works. The Environment Ministry is also a priority of this Administration.

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, organise the MTSS annually. During the MTSS sessions, sector strategies defined in the previous year's MTSS are updated, with the first year of the MTSS serving to ground the Budget for the succeeding fiscal year. Each of the MDAs agrees on tangible outcomes and outputs by way of deliverables together with measureable key performance indicators to track budget implementation and project execution.

5.3.2. Analysis of Medium-Term Budget Expenditure

Table 5.6: Federal Government Budget Expenditure Projections

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
FEDERAL GOVT. OF NIGERIA BUDGET				
FGN REVENUE (INFLOWS)	**3,179.87**	**2,470.26**	**2,700.54**	**2,875.12**
Less				
Statutory Transfers	**183.58**	**179.78**	**188.76**	**196.41**
Debt Service Recurrent	**542.38**	**517.07**	**566.83**	**621.47**
MDA Spending	**4,433.70**	**3,933.10**	**4,257.67**	**4,647.15**
Of which:				
Non-Debt Recurrent	**2,669.01**	**2,849.66**	**3,085.22**	**3,378.13**
Personnel Costs (MDAs)[1]	1,360.37	1,634.06	1,797.47	1,977.21
Overheads	536.27	450.00	495.00	544.50
Pensions and Public Service Reform	270.58	294.37	323.65	355.83
Multi-Year Tariff Order	65.78	40.00	30.00	20.00
Other Service Wide Votes	436.01	431.22	439.11	480.59
Sub-Total	**2,669.01**	**2,849.66**	**3,085.22**	**3,378.13**
Percentage Change in Non-Debt Recurrent Spending		*6.77%*	*8.27%*	*9.49%*
Capital Spending	1,764.69	1,083.44	1,172.45	1,269.02
Sub-Total	**1,764.69**	**1,083.44**	**1,172.45**	**1,269.02**
Percentage Change in Capital Spending		*-38.60%*	*8.22%*	*8.24%*
Aggregate Expenditure	**5,159.66**	**4,629.95**	**5,013.26**	**5,465.03**
Percentage Change in Aggregate Expenditure		*-10.27%*	*8.28%*	*9.01%*

Source: BOF

[1] For 2010, this includes provisions made under the SWV category in the Amendment and Supplementary Budgets for wage increase to civil servants. Personnel costs will come to N973.1 billion if this is excluded.

The 2010 Budgets approved by the NASS comprise an Amendment Budget with aggregate spending of N4.427trillion and two Supplementary Budgets of N644.75 billion and N87.72 billion respectively, resulting in combined expenditure of N5.16 trillion. The increased level of spending in the Amended Budget was designed to provide stimulus to the economy in light of the global economic crisis and the credit squeeze in the economy. In times of economic recession expansionary fiscal policy is shown to be the best remedy to kick-start the economy and Government is best-placed to provide the level of intervention necessary to "spend us out of such a crisis". The 2010 Budget was designed with this in mind, although contemporary economic events has made it necessary to moderate Government spending in order to continue to maintain a sustainable debt profile.

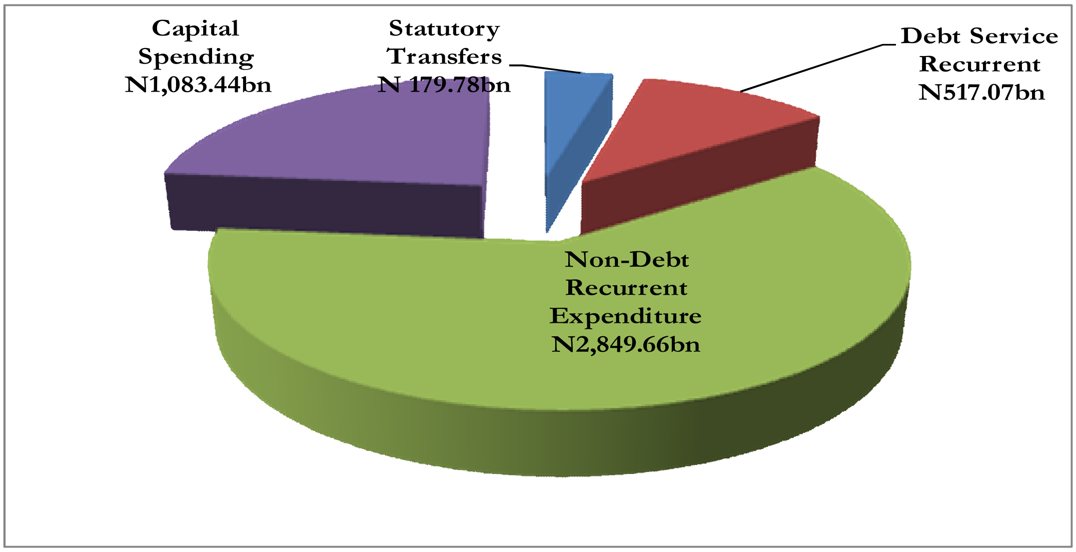
Subsequent to the submission of the 2010 Budget proposal to NASS, certain unanticipated expenditure items crystallised. These included the Wage Increase for Core Civil Servants, Medical Professionals, University Lecturers and the Arrears of Monetisation for staff of PHCN. Negotiations on these items were concluded after the submission of the Budget; hence, they had to be provisioned for in a Supplementary Budget. In preparation for the 2011 Elections, INEC also requested additional funding of N87.72 billion for the creation of a fresh Voter Register. This request was captured in a second Supplementary Budget.

In the area of capital spending, Government is actively encouraging private sector participation through PPPs. A large number of capital projects require a high level of investment which Government cannot bear on its own; hence, the need to seek alternative means of funding these investments. To promote the flow of private capital and increase the commercial viability of vital projects, the framework for a VGF is being designed in conjunction with the ICRC and World Bank to provide grants for projects which have been identified as suitable for a PPP arrangement. This will ensure all capital projects undertaken can deliver both an economic and financial return.

Government will rely on other possible sources of financing such as soft loans through bilateral agreements and concessionary loans from multilateral organisations. In view of our rising debt profile, any borrowing will be limited to highly productive projects with the potential of delivering positive socio-economic returns. Initiatives to increase the efficiency and quality of public spending on capital projects are also under development. To rationalise capital expenditure, a circular has also been forwarded to all MDAs requesting for a list of all ongoing building projects. Emphasis is also being placed on completing ongoing projects as only highly critical new projects will be entertained and only after all ongoing projects have been fully funded.

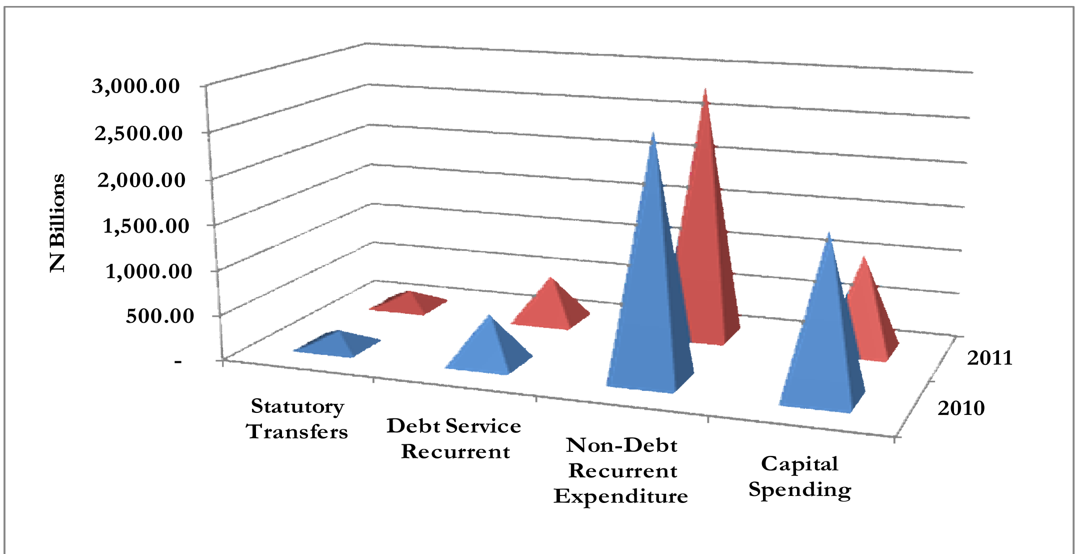
Statutory transfers to the NJC, NDDC and the UBEC are expected to drop from N183.58 billion in 2010 to N179.78 billion in 2011. Under the framework, the UBEC scheme is allocated 2% of the Consolidated Revenue Fund while NDDC is entitled to 15% of the revenues accruing to the oil producing states from their share in the Federation Account

Figure 5.3: 2011 Budget Expenditure Breakdown



Source: BOF

Figure 5.4: 2010 Budget vs. 2011 Budget Expenditure Breakdown

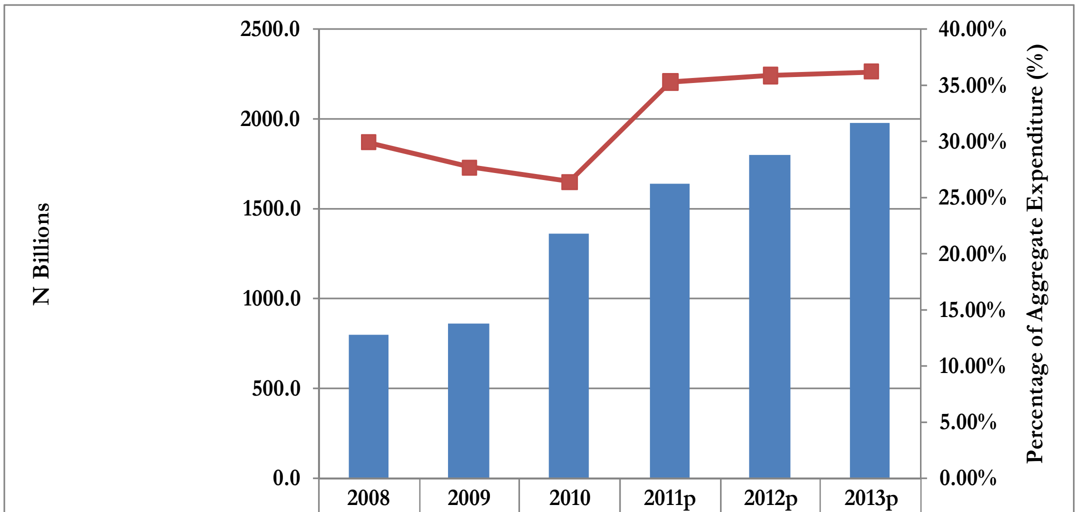


	Statutory Transfers	Debt Service Recurrent	Non-Debt Recurrent Expenditure	Capital Spending
2010	183.58	542.38	2,669.01	1,764.69
2011	179.78	517.07	2,849.66	1,083.44

Source: BOF

Recurrent expenditure has been on the increase in recent years and this trend might persist in the medium term as the wage increase for civil servants, medical personnel, university lecturers etc. is fully implemented. To manage this, the Government is to set up a Committee to rationalise recurrent expenditure.

Figure 5.5: Growth in Personnel Costs (2008-2013)



	2008	2009	2010	2011p	2012p	2013p
Personnel Costs	791.1	856.9	1360.4	1634.1	1797.5	1977.2
Personnel Costs as % of Aggregate Expenditure	29.88%	27.63%	26.37%	35.29%	35.85%	36.18%

Source: BOF

The chart above clearly indicates that personnel costs as a percentage of aggregate expenditure has grown considerably over the last few years. The increase in the wage bill was provided for in the 2010 Supplementary and Amendment Budgets with N387.32 billion set aside for this purpose under Service Wide Votes. It has also been factored under personnel costs in the 2011-2013 MTEF. The award of an increase in the wage bill became necessary in light of the huge disparity between emoluments to political office holders and wages payable to civil servants. This large increase within such a short time frame will pose a considerable shock to the fiscal system and have several undesirable effects:

- An increase in the wage bill is bound to result in a similar reduction in the funds available for funding capital projects. This is particularly disturbing given the already existing infrastructure gap.
- As the new salary structures take effect, it is inevitable that it will lead to a higher level of liquidity which will most likely result in higher levels of inflation and will put the Naira/US$ exchange rate under considerable pressure.

The wage bill shock will pose a challenge to the fiscal system over the 2011-2013 period and to address these problems, Government is seeking ways to rationalise recurrent spending. Immediate measures will involve implementing quick-wins in already identified areas such as the reform of the electricity tariff regime; accelerating the roll-out of pre-paid meters, thereby reducing the need for subsidy through MYTO; adoption of immediate steps to curtail the proliferation of government agencies and membership of international organisations, aggressive completion of the rollout of the IPPIS to all MDAs and parastatals and centralisation of the payment of PHCN bills by all MDAs.

Steps have already been taken to implement these measures as PHCN has been directed to provide a listing of all Government agencies that may be indebted to the company with a view to reconciling and clearing outstanding claims. Other areas where Government can make additional savings is the reform of the electricity tariff regime and the acceleration of the roll-out of pre-paid meters, thereby reducing the need for subsidy through MYTO. An Expenditure Review Committee with representation from Government, Civil Society, the Organised Private Sector and Academia is being set up to review and rationalise the outlay on recurrent spending. The Committee's scope of work will also include the accelerated implementation of identified quick-wins and other cost-saving measures as well as eliminating the duplication of projects, such as skill acquisition centres.

In parallel with the implementation of these quick wins, Government will continue to adopt cost-saving measures to institute more efficient public expenditure priorities over the medium-term. These measures were introduced in the 2009 fiscal year and will continue into the 2011-2013 period:

- **Procurement and Maintenance** - Technical items and components of a specialized nature are increasingly being ordered directly from the manufacturers to maintain standards and save costs when feasible.
- **Procurement of Vehicles** - Expenditure on non-priority procurement of vehicles has been reduced.
- **Provision for Furnishing and Equipment of Non-Priority Offices** - Expenditure on furniture and equipment for non-priority office buildings has also been kept to a minimum.
- **Insurance Premium** - Provisions for insurance for group life, buildings and vehicles in the chart of accounts of MDAs have 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 are encouraged 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. Modalities for further rationalisation of expenditure in this area are under consideration.

5.4. Deficit and Financing Items (including Debt Service)

In 2011, Federal Government's retained revenue is projected at N2.47 trillion with a projected aggregate expenditure of N4.6 trillion resulting in a deficit of N2.13 trillion or 5.59% of Gross Domestic Product (GDP).

In line with the current practice in other countries, the Federal Government is pursuing a policy of gradual fiscal consolidation by which it plans to bring the deficit below the 3% threshold recommended by the FRA, 2007. In line with this policy, the expenditure outlay for 2011 will be greatly reduced. It is expected that the 2012 and 2013 expenditure figures will be relatively similar with an 8.28% and 9.01% increase over the previous year as the effect of inflation is taken into consideration. We expect that as our reforms on the revenue-side take effect and we are able to increase revenue receipts, Government will be able to achieve its goal of reducing the fiscal deficit over the medium term. 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.

Table 5.7: Aggregate Revenue, Expenditure & Deficit (2010 – 2013)

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
FGN Retained Revenue	3,179.87	2,470.26	2,700.54	2,875.12
Less				
Total Government Spending	5,159.66	4,629.95	5,013.26	5,465.03
Fiscal Deficit	-1,979.79	-2,159.69	-2,312.72	-2,589.92
GDP	32,648.31	38,077.73	44,412.91	51,563.38
DEFICIT/GDP	-6.06%	-5.67%	-5.21%	-5.02%

Source: BOF

The Federal Government will rely on the traditional sources to finance the deficits, but the overriding principle remains that going forward, the deficit will be moderated through fiscal prudence and revenue enhancement.

5.5. Performance Based Budgeting

Performance Based Budgeting (PBB) is an essential component of Public Financial Management (PFM) reforms and Government is currently undertaking a gradual transition to full implementation of PBB with some key elements already adopted. Key Performance Indicators (KPIs) have been agreed with MDAs against which progress on project completion is measured, policies, projects and goals are being linked with outputs and deliverable targets in certain large-spending MDAs on an ongoing basis.

To facilitate the full migration to PBB, a Business Process review was completed in December 2008, the Chart of Accounts (COA) has been fully revised and the process of implementing the Government Integrated Financial Management System (GIFMIS) platform with World Bank assistance is ongoing. A Performance Indicators database as well as detailed project formulation documentation and checklists are under development. The software selection process for GIFMIS has been completed and a pilot run with some large-spending MDAs is scheduled for January 2011.

5.6. Focus on the Real Sector

Government's fiscal strategy is directed at enhancing economic growth through active encouragement of real sector growth. In line with this objective, several initiatives are currently underway to stimulate the real sector of the economy. As the AMCON commences operations and actions to strengthen and deepen the capital markets begin to take effect, we expect to see the unlocking of credit markets and the re-invigoration of the financial sector. Access to long term capital, which has been a constraint on investment activities, is being addressed through direct interventions in specific areas of the economy. The CBN and BOI are driving the initiative to provide cheap long-term credit to manufacturers through the N150 billion intervention fund. Other interventions are also being targeted at SMEs as well as the Agriculture and Aviation sectors of the economy.

To address the problem of poor infrastructure, a new gas policy has been approved which will ensure the direct allocation of gas, LPFO and PMS to manufacturers. In addition, several other initiatives are being spearheaded by the Government to address the power situation, including dedicating power to industrial clusters. Work is also underway to improve the business climate, including shortening the time for goods clearance at the ports, eventually to no more than 48 hours. The review of the import prohibition list and tariffs are also ongoing. These initiatives are targeted at improving the competitiveness of Nigerian businesses and strengthening the business climate.

In addition to the initiatives outlined above which will have a direct positive impact on growth, productivity and the creation of new jobs, several enterprise development programmes which are focused on the more labour intensive sectors of the economy are currently being developed. Government's focus is on inclusive growth with job creation and with these and other initiatives to refocus the economy; we expect to see positive results in the medium to long-term.

Chapter 6: Analysis and Statement on Consolidated Debt and Contingent Liabilities

6.1 Debt Stock

An analysis of consolidated debt is an important component of the 2011-2013 fiscal strategy given the importance of borrowing as a means of financing any deficit resulting from the annual budgets. Following the exit from the Paris and London Clubs in 2006, external debt has fallen dramatically and subsequent borrowing from external sources has been at concessionary rates in line with FRA 2007. The domestic debt stock, on the other hand, has been on the rise as Government has been playing an increasingly active role in developing the local bond market. This has been done taking into consideration possible crowding-out effects in the domestic market. It is important to keep the domestic debt stock at sustainable levels as a rising domestic debt profile will likely result in higher interest rates which will have adverse effects on the real sector.

Table 6.1: Total Public Debt Outstanding, 2005-2009 (US$ Millions)

Item	2005	2006	2007	2008	2009
External Debt Stock	20,477.97	3,544.49	3,654.21	3,720.36	3,947.30
Domestic Debt Stock	11,828.76	13,805.20	18,575.67	17,678.55	21,870.12
Total Debt to GDP Ratio (%)	28.6	12.39	11.67	11.77	13.88

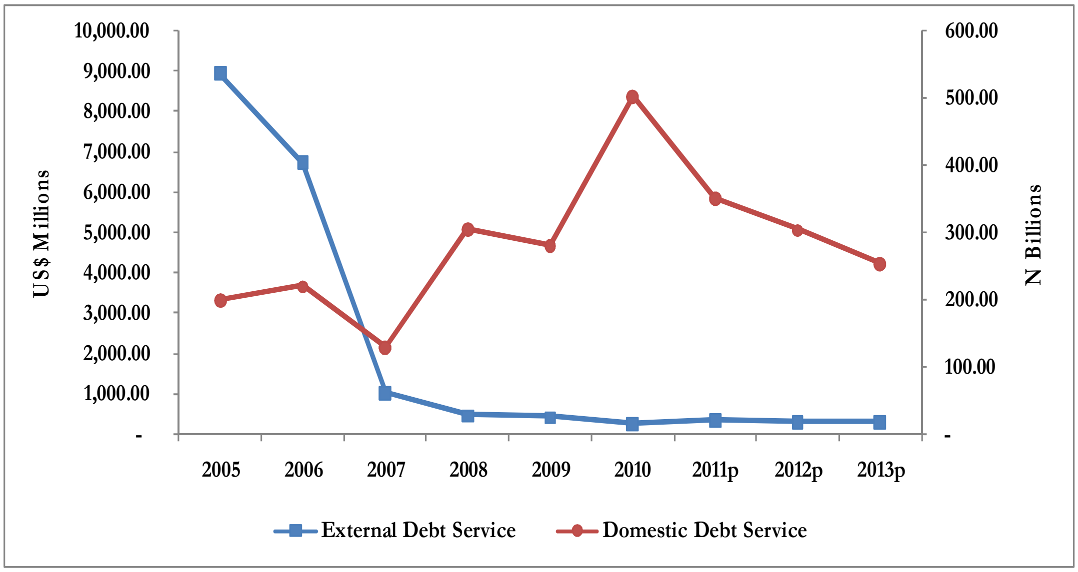
Source: DMO

As of March 2010, domestic debt stock stood at N3,466 billion while the external debt stock is now at US$4.306 million.

6.2 Debt Service

To ensure that the Government meets its obligations to our creditors, debt service payments are made on a timely basis as programmed. In line with our shrinking external debt profile, these payments have also reduced in size in recent years, while on the other hand the domestic debt service payments have increased in tandem with the rising domestic debt profile.

Figure 6.1: Total Public Debt Service Payments, (2005-2013)



Source: DMO

6.3 Debt Sustainability

The sustainability of the National Debt is an important consideration for Government. This is underscored by the previously soaring external debt profile before the exit from the Paris and London Clubs. To address these concerns and to ensure Nigeria is on a path of debt sustainability in the short, medium and long term, the DMO conducts an annual Debt Sustainability Analysis based on the World Bank/IMF Debt Sustainability Framework for Low Income Countries.

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, unchanged from the level in 2009, ranks it as a medium performer and implies that by staying below certain well-defined thresholds it is highly likely we can maintain our total debt stock at sustainable levels:

The DSA assesses how a country's current level of debt and prospective new borrowing affect its ability to service its debt in the future. The exercise which is limited to the Federal Government is conducted annually. In conducting the DSA, two scenarios are utilised. One is a baseline scenario which is based on the macroeconomic assumptions driving the current Budget and contemporary global economic events. The second scenario is an alternative or optimistic scenario anchored on the assumptions driving Vision 20:2020 and the 7-Point Agenda.

The results of the 2010 DSA indicate that Nigeria is at a low risk of debt distress under both the baseline and alternative scenarios as all ratios fall well below their indicative thresholds. The results from the DSA are summarised in the tables below:

Table 6.2: Total Debt Sustainability Indicators under the Baseline Scenario

	Threshold	DSA Result				
		2010	2011	2015	2020	2029
NPV of Debt-to-GDP	40.0	16.2	12.4	5.5	2.2	0.9
NPV of Debt-to-Revenue	250.0	129.4	134.9	90.8	85.4	109.6
Debt Service-to-Revenue	30.0	11.7	13.7	8.6	8.0	16.0

Source: DMO

All the solvency and liquidity indicators above show that Nigeria is well within the sustainability threshold.

Table 6.3: Total Debt Sustainability Indicators under Optimistic Scenario

	Threshold	DSA Result				
		2010	2011	2015	2020	2029
NPV of Debt-to-GDP	40.0	16.5	16.3	8.2	4.6	1.4
NPV of Debt-to-Revenue	250.0	129.4	184.0	157.0	193.3	179.5
Debt Service-to-Revenue	30.0	11.7	14.3	11.3	14.0	19.3

Source: DMO

The results for the alternative scenario also give similar results to the baseline scenario. Under the optimistic scenario, however, it was shown that Nigeria's external debt would increase in the medium term as a result of an increase in funding for public infrastructure.
Although the results from the DSA are largely positive, it is important to continue to pursue macroeconomic stability and fiscal prudence to ensure we continue to maintain this low level risk of debt distress.

6.4. Nature & Fiscal Implication of Contingent Liabilities

Contingent liabilities are potential obligations whose occurrence depends on the occurrence of a future event. In this context, these liabilities could arise where guarantees of debt, made by the Federal Government with regard to contract agreements for capital projects entered into by MDAs, materialise into actual obligations. With our current move towards PPPs in driving capital projects, the possibility that these liabilities are realised is quite real; hence, the need for careful and rigorous analysis of potential projects for the PPP scheme.

Chapter 7: Fiscal Risk

7.1. Global Economic Trends

In this chapter, we consider the possible fiscal risks to the implementation of the 2011-2013 fiscal framework and the resulting annual budgets. These risks are being assessed against the backdrop of the recovery from the global economic crisis which was characterised by asset price drops, a credit squeeze and a decline in aggregate demand and output. Although recovery from the global crisis is now underway, it has been somewhat uneven with developing countries leading the recovery as developed countries deal with large budget deficits and escalating debt levels which have left them with limited fiscal space to scale up stimulus efforts.

The IMF's WEO update of July 2010 projects the world economy will grow by 4.25% in 2011. It is expected that developing economies will lead this growth with output expanding by over 6.25% while advanced economies grow by 2.5%. The developing sovereign debt crisis in the Euro zone is raising concerns about its possible contagion effects. In this respect, there is a small risk that such a contagion might affect our economy. Nevertheless, with the intervention of the European Commission, the European Central Bank and other countries in the Euro area, it is expected that a further crisis can be staved off.

Recovery from the crisis is being led by strong growth in Asia and Latin America; however, Sub-Saharan Africa has been able to weather the crisis better than expected. Sub-Saharan Africa is expected to grow by 5.9% in 2011 while China and India are projected to grow over the same period by 10% and 8.5% respectively. Although public spending has played a strong role in stimulating growth in these economies, according to the IMF, it is expected that private consumption and investment will improve over the course of 2011. Of special interest is the impact of strong growth in India, China and other countries driving global growth on the demand for oil products and other commodities.

7.2. Global Oil Trends

7.2.1. Oil Demand

World oil demand projections for 2011 are highly dependent on several factors. According to the IEA in its Market Report of June 2010, the 'game changers' are the threat to global economic recovery from OECD sovereign debt issues and the sustainability of Chinese oil demand growth. According to OPEC, in its Monthly Oil Market Report of June 2010, slower growth in the Euro-zone may affect China, considering that Europe accounts for about 20% of total Chinese exports and is the most important market for China. Global oil demand for 2010 is put at 86.4mbpd in 2010, which represents a 2% increase from 2009 levels according to the IEA. In its latest revision, OPEC estimates that world oil demand will grow by 0.95mbpd to 85.37 mbpd. As expected, most of the growth in demand will likely originate from non-OECD countries, although the US will most likely remain the largest consumer of oil products in 2011. A drop in demand below forecast levels would lead to a build-up of inventories, a situation which would have concomitant dampening effects on the price of oil and therefore oil revenue receipts in Nigeria.

7.2.2. Oil Supply

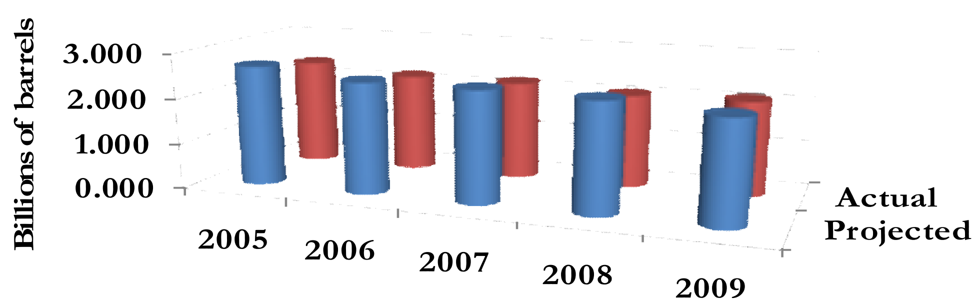
According to the EIA, global oil supply is expected to rise to about 85.59 mbpd in 2010 with OPEC and non-OPEC sources expected to contribute approximately equal amounts to this growth. Based on OPEC's MOMR for June 2010, the persistent overhang of supply has overwhelmed the improvements in demand and this calls for caution concerning the medium-term outlook for oil. Several unanticipated events such as political unrest, adverse weather conditions and unscheduled maintenance could present downside risks to the supply projections. In Nigeria, the Amnesty efforts of the current Administration have yielded relative peace in the Niger Delta region which has improved the country's ability to meet production targets.

To protect the economy from the fiscal risks associated with the volatilities in the international oil market, the Ministry of Finance is pursuing the option of utilising financial instruments to hedge oil price volatility. Preliminary work with key stakeholders, including experts in the area of financial/commodity hedging has already commenced. Taking into consideration the medium-term outlook for the oil market, we believe it would be preferable to err on the side of caution and adopt conservative estimates for oil revenue over the 2011-2013 period under consideration.

7.2.3 Oil Production

Oil production is an important factor in determining the amount of revenue realisable from crude oil sales. Given the fragility of the emerging peace in the Niger Delta region and the impact of previous cases of unrest on oil production targets, the impact of shocks in oil production is of importance. From 2005 till present, we have faced difficulties in meeting our oil production targets; however, we expect this trend to improve on the basis of the relative success of the Amnesty initiative in the Niger Delta. Provisional production data from the NNPC for the first quarter of 2010 shows that oil production averaged 2.38 million barrels per day. Although the entitlements due to our partners in the Modified Carry Arrangements (MCAs) under the Production Sharing Contracts (PSCs) and Joint Ventures (JVs) have not been deducted from these figures, this is an improvement over previous performance.

Figure 7.1: Oil Production – Projected vs. Actual 2005 – 2009



	2005	2006	2007	2008	2009
Projected	2.700	2.500	2.500	2.450	2.292
Actual	2.411	2.224	2.217	2.100	2.132

Source: NNPC and BOF

7.2.4. Oil Price

Oil prices have since recovered from the negative oil price shock of late 2008 to early 2009 and have been relatively stable since October 2009. In recent months, the price of oil became increasingly volatile on the back of reports about the Euro-zone debt crisis and uncertainty surrounding China's continued growth in demand for oil products given moves by the Chinese Government to prevent its economy from overheating.

A simple measure of the volatility in the international oil price is the standard deviation from the mean. From 2003 to 2010, the weekly price of oil averaged \$62.43 per barrel with a standard deviation of 25.43. An analysis of the 2003 to 2007 period gives a mean of \$52.78pb and standard deviation of 18.64 while over the 2008 to 2010 period we have a mean of \$81.8pb and a standard deviation of 26.23. These figures clearly demonstrate the inherent volatility of crude oil prices. Given this characteristic nature of the price of oil and the uncertainty surrounding the recovery of the global economy, the medium-term outlook for the recovery of the price of oil although quite positive is moderated by these factors; hence we have adopted a realistic but conservative estimate for the benchmark price of crude oil in the medium term.

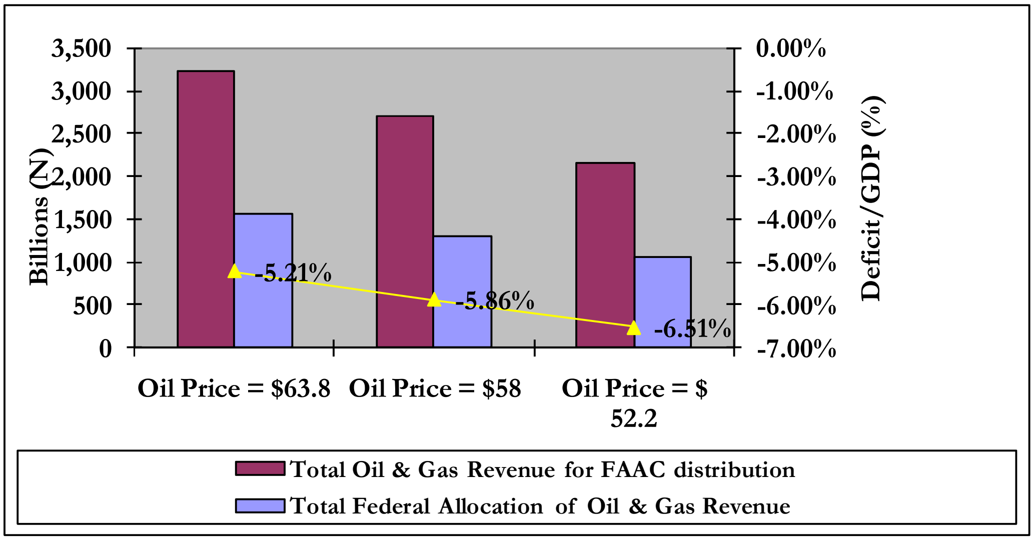
Figure 7.1: The Weekly Price of Bonny Light

Source: EIA

7.2.5. Fiscal Shock Scenarios

The following tables illustrate the potential impact of changes in the price of oil and a drop in production volume by 20% on oil revenue and the federal budget deficit. The price scenario is based on the US\$58 per barrel and a 10% deviation around it. Oil production is set at 2.3mbpd; hence a 20% reduction in production will result in 1.84mbpd. All the scenarios assume the level of expenditure remains the same and that there is no augmentation from the ECA.

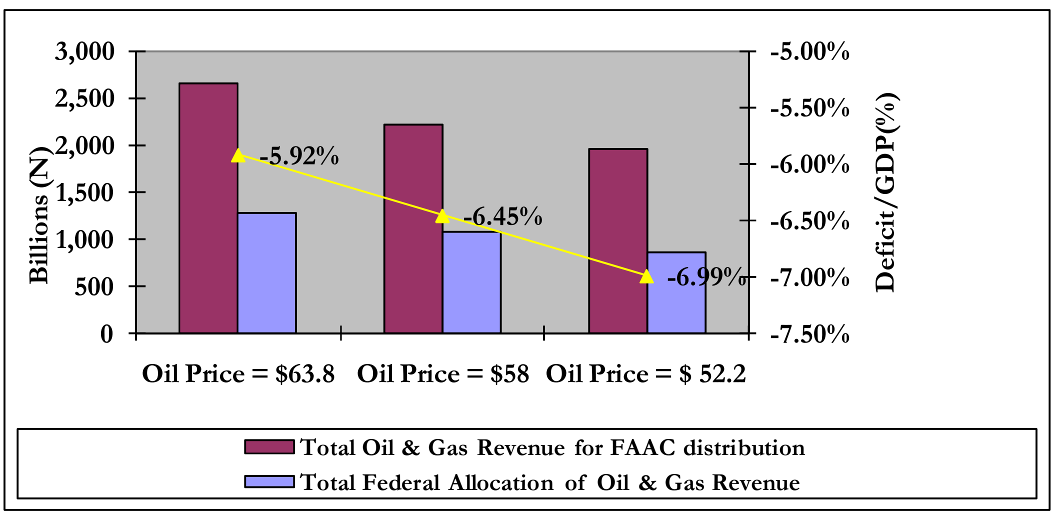
Figure 7.2: Potential oil and gas revenue for a one-year period under different price assumptions.



Source: BOF

As expected, the fiscal deficit as a proportion of GDP worsens as the oil price drops.

Figure 7.3: Potential oil and gas revenue with a 20% decline in production



Source: BOF

With a 20% decline in oil production from 2.3 mbpd to 1.84 mbpd, the fiscal deficit as a proportion of GDP also worsens for every price level with reduced production when compared with the previous scenario.

The scenarios outlined above illustrate the effects of negative shocks to the key variables of oil price and output 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 significance of oil revenue in the funding of the Federal Budget and the need to diversify the revenue sources. These scenarios demonstrate the effects of the volatilities in the oil market and the foreign exchange market on oil revenue receipts. It highlights the importance of applying countercyclical fiscal policy measures and the need to de-link these volatilities from Government's expenditure patterns.

7.2.5 Mitigation Strategies

Given the importance of oil to our revenue receipts and the inherent volatility of oil, various measures have been taken to smooth our revenue profile and de-link the movements in the international market for oil from Government expenditure. The adoption of an oil-price based fiscal rule and the creation of an Excess Crude Account for earnings in excess of that programmed in the budget have proven quite successful over the last few years. Currently, the Government is actively pursuing the strategy of creating a SWF which will enable it to properly address the question of intergenerational equity, provide a legal framework for the management of the Fund, serve as a catalyst to attract local and foreign investors and play a broader role in engendering macroeconomic stability. Although the implementation of these strategies has and will continue to assist in making fiscal policy more counter-cyclical, we intend to further protect Government earnings against the volatilities in the oil market by adopting an oil price hedging strategy.

A hedging strategy provides us with the option of transferring the risks associated with downside movements in the oil price to a third party. With the payment of a premium, we can purchase a hedging solution such as put options, cap and floor agreements, no-cost collars amongst others which would guarantee Government earnings below a floor, such as the benchmark price, while allowing us to reap the gains from higher oil prices. Such strategies have been utilised by several countries as a means of protecting oil proceeds and various instruments can be customised to offer maximum benefits to Government. The Government has received a number of proposals from reputable financial services organisations and these are currently being explored with the intent of adopting a beneficial strategy as soon as possible.

7.3. Non-Oil Revenue

The non-oil economy accounts for about 70% of GDP in Nigeria with agriculture being the largest contributor, according to information from the NPC. The agriculture, wholesale and retail trade sectors are currently the main drivers of the economy and we expect this trend to continue in the medium term. In spite of the increasingly important role played by the non-oil sector, its contribution to Government earnings has not been commensurate with its growth performance. A shock to non-oil revenue earnings, as evidenced between 2008 and 2009, has implications not only for GDP and Government earnings but also for our non-oil primary balance. The non-oil primary balance is of relevance in oil exporting countries and is derived from the overall fiscal balance, excluding oil-related revenues & expenditures and net interest. It is a good measure of fiscal effort and our fiscal policy stance and also gives an indication of the injection of oil revenue into the economy. Our non-oil primary balance as a percent of non-oil GDP has improved in recent times and is currently at about 27% of non-oil GDP. A drop in earnings from non-oil revenue would negatively affect this measure.

Performance of non-oil revenue over the first quarter of the 2010 fiscal year was below expectation. Non-oil revenue underperformed by 33.66%, according to data from the OAGF. Based on information from the revenue collecting agencies, various reasons such as increased waivers and exemptions on goods imported as well as the sharp decline in trade following the global economic recession were responsible for this shortfall. Interactions with the revenue collecting agencies have led to a realisation that it might be necessary to revise collection targets downwards to reflect the true situation of revenue collecting efforts.

To identify and resolve revenue leakages, an audit of all revenue-generating entities is underway and to increase revenue receipts, the NCS and FIRS have been asked to develop internal plans for increasing revenue collection. Poor infrastructure has for long been an impediment to the growth of the non-oil sector and we expect that as we continue to increase our investments in critical infrastructure and explore alternative sources of funding infrastructure projects we will begin to see improvements in the medium term. Going forward, to mitigate the fiscal risk associated with poor performance of non-oil revenue, it would be more prudent to adopt conservative projections over the 2011-2013 period, even as efforts are intensified to increase revenue generation.

7.4. Conclusion

A number of the fiscal risks that may materialise over the medium-term horizon have been identified in this chapter. Several strategies to mitigate the occurrence of these risks have also been outlined such as the adoption of an oil price hedging strategy and the plugging of leakages in the non-oil sector through the ongoing audit of revenue-generating agencies. Given the unpredictability of local and global events, in the event of a significant shock to revenues, it might be necessary to revisit components of aggregate expenditure with a view to making some adjustment and further prioritisation as has been the case with the 2010 Budget. The option of accepting a slightly higher deficit than the 3% of GDP threshold as prescribed by the Fiscal Responsibility Act 2007 is also available under extenuating circumstances.

Chapter 8: Conclusion

The 2011-2013 Fiscal Strategy Paper and Medium Term Expenditure Framework has been prepared against the backdrop of gradual recovery from the global economic crisis. In response to the crisis, the 2009 and 2010 Budgets were designed to stimulate aggregate demand through targeted interventions by Government, particularly in the area of critical infrastructure. However, in line with the recommendations of the IMF and as is the case with many other countries, Government intends to unwind some of these interventions in an orderly manner and in order to ensure public debt is not built to unsustainable levels. In line with this, our fiscal strategy for the 2011-2013 period places emphasis on gradual fiscal consolidation leading to a reduced deficit as we rationalise recurrent spending and increase the quality and efficiency of capital spending through the active encouragement of private sector participation.

The FGN has been faced with several challenges in the 2010 fiscal year which required the revision of the assumptions underlying the 2010 Fiscal Framework and thus the Budget as well as the rationalisation of expenditure; hence an Amendment Budget. A Supplementary Budget was also approved to address critical expenditure items which had not materialised at the time the Budget was being prepared. This led to a larger expenditure outlay and the accommodation of a much higher deficit than originally planned. In order to continue to maintain fiscal discipline in the management of public funds and to ensure Government does not incur unsustainable levels of public debt, we have adopted more conservative and realistic assumptions for the 2011-2013 period.

This paper proposes setting the benchmark price of oil at $58, $60 and $62 in 2011, 2012 and 2013 respectively. Oil production has also been set at 2.3mbpd, 2.4mbpd and 2.45mbpd for the same period. The benchmark price is based on a 10 year moving average as well as plausible projections. This will lead to a slight drop in revenue in 2011 which we expect will increase over the rest of the period. By setting the benchmark price at this level we intend to continue to apply a counter-cyclical fiscal policy and continue to save revenue in excess of programmed benchmarks in the Excess Crude Account. Non-oil revenue targets have also been moderated in line with actual performance over the first half of 2010. The rates of CIT, Custom Duties and VAT has also been left unchanged in recognition that the economy has not fully recovered from the impact of the crisis on trade, investment and consumption.

Recurrent expenditure is expected to rise marginally in 2011 from 2010 levels and rise thereafter as a result of intertemporal effects. In line with our move towards greater private sector participation in infrastructure development emphasis will continue to be laid on efficient capital spending. The Federal Government will continue to have fiscal deficits in excess of the recommended threshold, but this will be on a downward trend as a percent of GDP.

The Federal Government recognises that the adoption of an expansionary fiscal policy with higher aggregate expenditure and a larger fiscal deficit could lead to a rise in inflation but the exigencies of the need to sustain the recovery makes it necessary to maintain this stance while working with the CBN to effectively coordinate monetary and fiscal policy to ensure continued macroeconomic stability.

Analysis of our debt profile reveals that even under a number of unfavourable economic scenarios, Nigeria's debt level remains sustainable in the medium to long term. Several scenarios have also been modelled to determine our ability to withstand shocks to the oil price and production. On the basis of this analysis, we have adopted realistic estimates and assumptions in building the fiscal framework.

The fiscal strategy set out in this paper is designed to consolidate the gains from the macroeconomic policies of recent years. These policies are designed to assist in the achievement of the goals of the 7-Point Agenda and Vision 20:2020 by creating an environment conducive for sustainable economic growth driven by the private sector.

Part C: Annexes Medium-Term Fiscal Framework

Annex 1: 2011-2013 Revenue Framework

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
GROSS FEDERALLY COLLECTIBLE REVENUE	**6,999.15**	**7,202.34**	**7,826.43**	**8,179.33**
Oil Revenue				
Crude Oil Sales	2,802.01	2,938.08	3,138.01	3,230.06
Royalties	483.20	494.29	582.27	614.95
Oil & Gas Petroleum Profits Tax	1,253.15	1,230.25	1,355.40	1,453.70
Gas Sales	352.62	352.62	367.73	366.73
Rent, Gas Flared Penalty and Miscellanous Oil Revenue	11.36	6.63	6.25	5.25
Total Oil & Gas Revenue	**4,902.33**	**5,021.88**	**5,449.65**	**5,670.69**
Gross Non-Oil Revenue				
Customs	400.00	450.00	450.00	450.00
Corporate Tax	587.00	632.80	738.29	775.45
Value-Added Tax	580.00	625.24	687.76	756.54
FGN Independent Revenue	300.00	250.00	267.50	286.23
Total Non-Oil	**1,867.00**	**1,958.04**	**2,143.56**	**2,268.21**
Memorandum Items				
Special Levies for Targeted Expenditure	**158.72**	**154.82**	**156.12**	**157.63**
Other Non-Federation Account Items - Education Tax	**74.80**	**67.61**	**77.09**	**82.80**
SUMMARY OF FAAC & VAT POOL				
FGN	2,159.07	2,232.67	2,490.16	2,621.53
STATES	1,331.15	1,386.89	1,542.94	1,637.56
LGCs	1,006.51	1,047.94	1,166.11	1,236.72
Total	**4,496.73**	**4,667.49**	**5,199.21**	**5,495.81**
FGN BUDGET REVENUE (INFLOWS)				
Unspent balance from previous FY	129.54	150.00	100.00	100.00
FGN BUDGET Share of Federation Account (48.5%)	1,910.87	1,972.62	2,231.07	2,380.54
FGN BUDGET Share of VAT (14%)	77.95	84.03	92.44	101.68
FGN Independent Revenue	300.00	250.00	267.50	286.23
Carryover from Supplementary II of 2009	60.00	0.00	0.00	0.00
DMO Bond Issuance for PHCN Arrears of Monetisation (Supplementary I)	200.00	0.00	0.00	0.00
Other Revenue (Supplementary I)	398.31	0.00	0.00	0.00
Special Bond Issuance for INEC (Supplementary II)	87.72	0.00	0.00	0.00
Estimated FGN's Balances of Special Accounts end Dec.	15.48	13.61	9.53	6.67
Total	**3,179.87**	**2,470.26**	**2,700.54**	**2,875.12**

Annex 2: 2011-2013 Expenditure Framework

FISCAL ITEMS	2010 Budget Amended & Supplementary	2011 Projection	2012 Projection	2013 Projection
	=N= bns	=N= bns	=N= bns	=N= bns
FEDERAL GOVT. OF NIGERIA BUDGET				
FGN REVENUE (INFLOWS)	**3,179.87**	**2,470.26**	**2,700.54**	**2,875.12**
Less				
Statutory Transfers	**183.58**	**179.78**	**188.76**	**196.41**
Debt Service Recurrent	**542.38**	**517.07**	**566.83**	**621.47**
MDA Spending	**4,433.70**	**3,933.10**	**4,257.67**	**4,647.15**
Of which:				
Non-Debt Recurrent	**2,669.01**	**2,849.66**	**3,085.22**	**3,378.13**
Personnel Costs (MDAs)[1]	1,360.37	1,634.06	1,797.47	1,977.21
Overheads	536.27	450.00	495.00	544.50
Pensions and Public Service Reform	270.58	294.37	323.65	355.83
Multi-Year Tariff Order	65.78	40.00	30.00	20.00
Other Service Wide Votes	436.01	431.22	439.11	480.59
Sub-Total	**2,669.01**	**2,849.66**	**3,085.22**	**3,378.13**
Capital Spending	1,764.69	1,083.44	1,172.45	1,269.02
Sub-Total	**1,764.69**	**1,083.44**	**1,172.45**	**1,269.02**
Aggregate Expenditure	**5,159.66**	**4,629.95**	**5,013.26**	**5,465.03**
FGN Retained Revenue	**3,179.87**	**2,470.26**	**2,700.54**	**2,875.12**
Less				
Total Government Spending	**5,159.66**	**4,629.95**	**5,013.26**	**5,465.03**
Fiscal Deficit	-1,979.79	-2,159.69	-2,312.72	-2,589.92
GDP	32,648.31	38,077.73	44,412.91	51,563.38
DEFICIT/GDP	**-6.06%**	**-5.67%**	**-5.21%**	**-5.02%**

Annex 3: 2011-2013 MDAs Ceilings

MDA Expenditure for 2011 is projected at N3.933 trillion, down by 11.29% over the N4.433 trillion approved by the 2010 Amendment and Supplementary Budgets. This represents the total resource ceiling that will be available to fund the expenditures of the MDAs of the Federal Government in the 2011 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 2011-2013 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 2011-2013 MDA resource ceilings are as set out below.

2011-2013 INDICATIVE EXPENDITURE CEILINGS

	FEDERAL GOVERNMENT OF NIGERIA	2009 (BUDGET)	2010 (EXEC.)	2011 (PROJ.)	2012 (PROJ.)	2013 (PROJ.)
	MEDIUM-TERM EXPENDITURE FRAMEWORK	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
	Ministry/Department/Agency	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)
1	Presidency	10.3	10.5	11.9	12.9	14.0
2	Secretary to the Government of the Federation	7.5	13.6	9.0	9.7	10.6
3	Youth Development	6.1	2.4	3.6	3.7	3.9
4	Police Affairs	0.2	0.8	0.7	0.8	0.9
5	Police Formations And Command	21.3	30.4	20.0	21.7	23.5
6	Women Affairs	2.2	0.2	1.1	1.1	1.1
7	Agriculture	138.9	60.6	40.0	43.4	47.0
8	Water Resources	0.0	58.2	43.3	47.0	51.0
9	Auditor-General for the Federation	1.7	0.3	0.2	0.2	0.2
10	ICPC	0.4	0.4	0.3	0.3	0.3
11	Defence/MOD/Army/Airforce/Navy	46.8	39.4	36.0	39.1	42.4
12	Education	40.0	54.0	47.6	50.6	53.9
13	Federal Capital Territory	66.7	124.1	81.8	88.7	96.3
14	Foreign Affairs and Intergovernmental Affairs	18.5	10.5	8.9	9.5	10.1
15	Finance	4.5	3.7	2.4	2.6	2.9
16	Health	50.8	50.2	47.1	49.9	52.9
17	Commerce and Industry	4.1	3.1	2.1	2.2	2.4
18	Information and Communications	1.8	4.0	2.6	2.9	3.1
19	Interior	11.5	13.1	12.0	12.8	13.7
20	Office of the Head of Service of the Federation	4.9	15.5	10.2	11.0	12.0
21	Justice	0.8	1.4	0.9	1.0	1.1
22	Labour and Productivity	0.7	1.5	1.0	1.1	1.2
23	Power	94.6	175.8	115.8	125.7	136.4
24	Science and Technology	10.8	12.1	8.0	8.7	9.4
25	Transport	38.6	141.3	93.1	101.0	109.6
26	Petroleum Resources	26.8	31.9	21.0	22.8	24.8
27	Works[2]	208.6	225.6	117.1	127.0	137.8
28	Lands, Housing and Urban Development[2]	0.0	0.0	31.6	34.3	37.2
29	Mines & Steel Development	5.8	5.9	3.9	4.2	4.6
30	Aviation	29.4	53.6	37.3	40.3	43.6
31	National Salaries and Wages Commission	0.2	0.3	0.2	0.2	0.2
32	Environment	7.3	5.9	4.9	5.2	5.5
33	Tourism, Culture and National Orientation	4.9	4.5	3.0	3.2	3.5
34	National Planning Commission	2.2	2.6	1.7	1.9	2.1
35	National Sports Commission	3.3	3.2	2.1	2.3	2.5
36	Office of the National Security Adviser	9.6	35.1	23.1	25.1	27.2
37	Niger-Delta	48.0	89.3	70.8	76.9	83.4
38	Special Duties	0.0	0.1	0.1	0.1	0.1
39	Fiscal Responsibilty Commission	0.0	0.5	0.3	0.4	0.4
40	Infrastructure Concession Regulatory Commission	0.0	0.3	0.2	0.2	0.2
	TOTAL EXECUTIVE	**929.9**	**1,285.9**	**916.8**	**991.6**	**1,072.8**

	FEDERAL GOVERNMENT OF NIGERIA	2009 (BUDGET)	2010 (EXEC.)	2011 (PROJ.)	2012 (PROJ.)	2013 (PROJ.)
	MEDIUM-TERM EXPENDITURE FRAMEWORK	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
	Ministry/Department/Agency	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)	CAPITAL (INC MDG)
	FEDERAL EXECUTIVE BODIES					
41	National Population Commission	0.8	1.0	0.6	0.7	0.8
42	Code of Conduct Bureau	0.1	0.1	0.1	0.1	0.1
43	Code of Conduct Tribunal	0.2	0.2	0.1	0.1	0.1
44	Public Complaints Commission	0.0	0.5	0.3	0.3	0.4
45	Revenue Mobilisation Fiscal & Allocation Commission	0.8	1.1	0.7	0.8	0.8
46	Federal Civil Service Commission	0.3	0.2	0.1	0.1	0.2
47	Police Service Commission	0.0	0.1	0.1	0.1	0.1
48	Independent National Electoral Commission	5.1	7.9	5.2	5.7	6.1
49	Federal Character Commission	0.1	0.3	0.2	0.2	0.2
	TOTAL FEDERAL EXECUTIVE BODIES	7.3	11.2	7.4	8.0	8.7
	THE LEGISLATURE					
57	National Assembly Office	1.0	1.7	1.1	1.2	1.3
58	Senate	1.0	2.0	1.3	1.4	1.6
59	House of Representatives	2.0	5.0	3.3	3.6	3.9
60	National Assembly Service Commission	0.3	0.3	0.2	0.2	0.2
61	Legislative Aides	0.2	0.0	0.0	0.0	0.0
62	PAC Secretariat (Senate)	0.0	0.0	0.0	0.0	0.0
63	PAC Secretariat (House)	0.0	0.0	0.0	0.0	0.0
64	National Assembly Part II General Services	0.8	0.0	0.0	0.0	0.0
	TOTAL NATIONAL ASSEMBLY	5.3	9.0	5.9	6.4	7.0
	TOTAL MDA EXPENDITURE	942.5	1,306.1	930.1	1,006.1	1,088.5
	CAPITAL SUPPLEMENTATION INCLUDING MDG	79.6	211.5	153.3	166.3	180.5
	AGGREGATE CAPITAL EXPENDITURE	1,022.1	1,517.7	1,083.4	1,172.4	1,269.0