
2012-2015 MEDIUM TERM EXPENDITURE FRAMEWORK & FISCAL STRATEGY PAPER

1. Introduction

The Medium Term Expenditure Framework (MTEF) & Fiscal Strategy Paper (FSP) are statutory documents which articulate Government's revenue and spending plan as well as its fiscal policy objectives over the period. Section 11 of the Fiscal Responsibility Act (FRA) 2007 requires the Minister of Finance to prepare the MTEF & FSP and lay it before the Federal Executive Council and the National Assembly for consideration.

The MTEF & FSP is composed of the macroeconomic framework which gives an analysis of key macroeconomic trends of recent years and provides insight on future policy direction. The FSP outlines fiscal strategy, analyses expenditure and revenue figures for the years under review, details the assumptions underlying these projections, reviews the previous budget and gives an overview of consolidated debt and possible fiscal risks.

2. Macroeconomic Framework

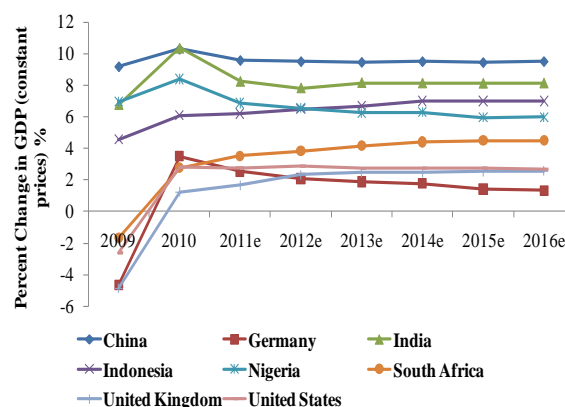
2.1 Global Economic Overview

Recovery from the global recession has slowed down significantly as downside risks are on the increase on the back of the debt crisis in the Euro area and concerns about the trajectory of US recovery given the recent downgrade by Standard and Poor's

(S&P). Poor GDP growth figures from Organisation for Economic Cooperation and Development (OECD) countries over the last few quarters and high unemployment figures have further increased fears of a double-dip recession.

Global growth remains unbalanced as many advanced economies, especially in the Euro area periphery, continue to struggle with high levels of sovereign debt. Japan's growth prospects have been weakened considerably by the recent nuclear crisis and effects of the tsunami and earthquake culminating in the recent downgrade of Japan's credit rating. Emerging markets are leading the recovery, in particular, China and India, although overheating concerns persist.

Figure 2.1: GDP Growth for Selected Countries (2009-2016)

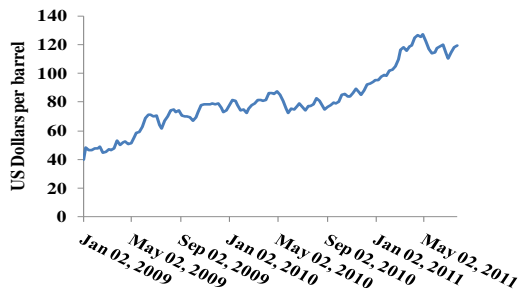


Source: IMF

Although it is expected that emerging and developing countries such as Nigeria would

continue to lead the recovery in the medium term, rising food and commodity prices as well as other inflationary pressures must be managed for growth to proceed.

Figure 2.2: Weekly Price of Bonny Light (Jan 2009- July 2011)



Source: EIA

2.2 Overview of Nigerian Economic Performance

Although the Nigerian economy has recovered considerably from the worst effects of the global economic crisis, global economic activities, particularly the outlook for international oil prices, remain a source of concern. The main transmission mechanisms of the crisis to the economy were the international price of oil, foreign capital inflows through remittances, portfolio investment and FDI. The oil price has been above \$100 per barrel since February 2011; however weak economic growth prospects pose considerable downside risks to the global demand for oil.

Reforms in the banking sector, such as the creation of AMCON to clear up non-performing loans on bank balance sheets and NSE reforms to introduce tighter regulations in the market, are also aiding recovery in these areas but there is a long way to go.

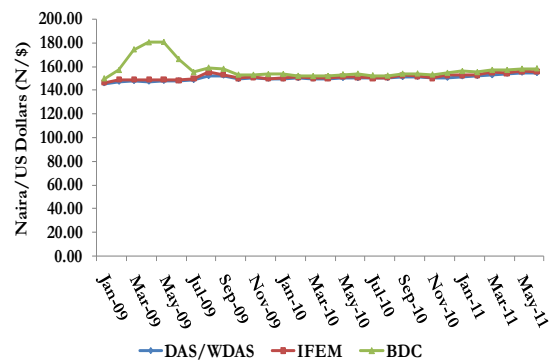
Figure 2.3: Nigeria Stock Market Performance (Oct 2009 - July 2011)



Source: Bloomberg

To mitigate the possibility of a reduction in oil revenue receipts, Government will continue to implement the policy of fiscal consolidation commenced in the 2011 fiscal year. Increasing inflationary pressures and their impact on macroeconomic stability through adverse interest and exchange rate movements necessitates this. Greater coordination between monetary and fiscal authorities will seek to mitigate these concerns.

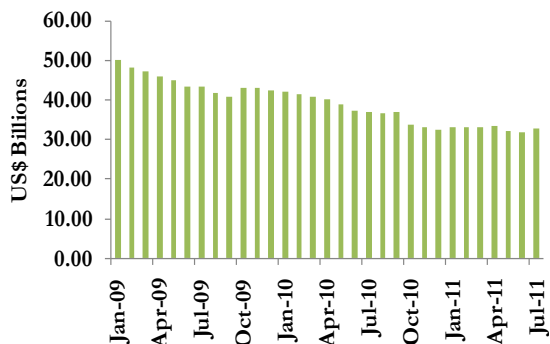
Figure 2.4: Exchange Rate Movement (Jan 09- June 11)



Source: CBN

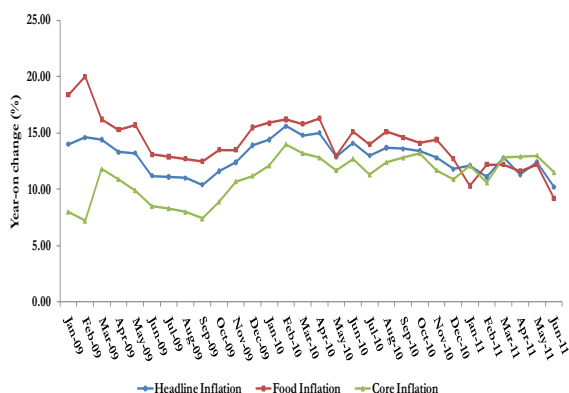
The goal will be low inflation, interest rates consistent with strong and sustained economic growth, a stable exchange rate reflective of real market conditions and a build up in external reserves in the presence of high oil prices.

Figure 2.5: External Reserve Position (Dec 2009- July 2011)



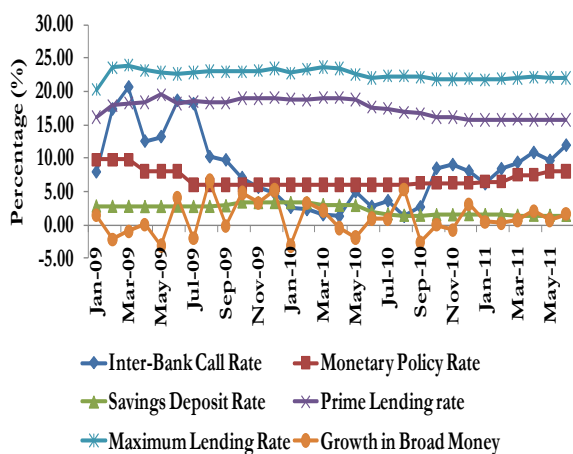
Source: CBN

Figure 2.6: Inflation (Jan 2009-July 2011)



Source: NBS

Figure 2.7: Growth in Broad Money & Interest Rates (Jan 2009-July 2011)



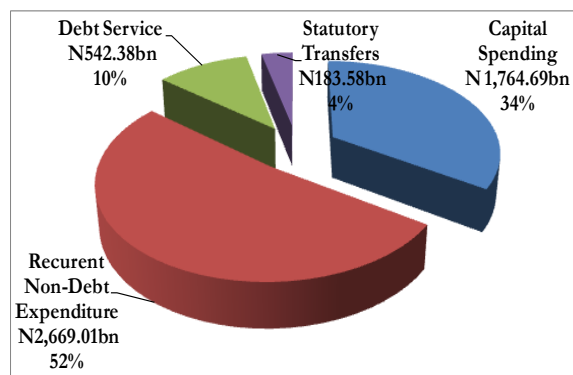
Source: CBN

3. Review of the 2010 Budgets – Amended and Supplementary Budgets

The 2010 Budgets were stimulus budgets intended to mitigate the negative consequences of the global economic crisis. The 2010 Appropriation Bill was based on aggregate expenditure of N4.637 trillion; however to address the realities of revenue constraints, the National Assembly passed an Amendment Budget of N4.427 trillion in May 2010. The approved Amendment Budget was based on an oil benchmark price of US\$60 per barrel, oil production of 2.25 million barrels per day and an exchange rate of N150/US\$.

A first Supplementary Budget of N644.75 billion was appropriated 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. A second Supplementary Budget of N87.72 billion was approved for INEC in preparation for the 2011 Elections.

Figure 3.1 2010 Amended and Supplementary Budgets Expenditure Breakdown



Source: BOF

3.1 2010 Budget Performance: Revenue Outturns

International oil prices averaged US\$81 per barrel in 2010 while data from NNPC indicated average oil production of 2.462 mbpd for the year. This resulted in gross oil revenue of N5.396 trillion, 10% higher than the budgeted revenue of N4.902 trillion while FGN Retained Revenue which was projected at N3.18 trillion; fell short by N221.15 billion (or 6.95%) as of the end of December, 2010 as only N2.959 trillion was realised.

FGN's share of oil revenue was N1.267 trillion against the budgeted N1.456 trillion, representing a shortfall of N188.6 billion (or 12.96%). Its aggregate share of VAT, CIT and Customs Duties fell short of the N530.1 billion target by 1.70% with N521.05 billion realised as at the end of December, 2010. Breakdown of non-oil revenue performance indicates that the main driver was CIT, with collections being 12.63% above the budgeted figure; whereas customs collections fell short by 22.74%.

3.2 2010 Budget Performance: Expenditure Outturns

Aggregate expenditure approved in the 2010 Budgets (Amendment, Supplementary I and II) amounted to N5.16 trillion, of which N1.765 trillion was allocated to capital expenditure and N2.669 trillion to recurrent spending.

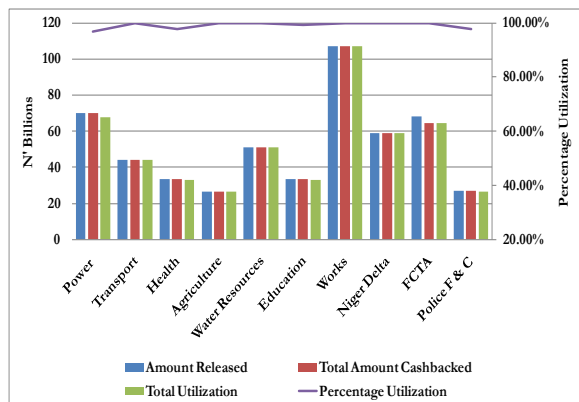
Of the N1.765 trillion budgeted for capital expenditure, only N956.11 billion was released and cash-backed, as it was clear ab initio that the capital vote approved by

NASS was far in excess of available resources. Of the amount cash-backed, MDAs utilised N935.61 billion after the fiscal year was extended to March 31st, 2011. At the end of the period under consideration, N935.61 billion had been utilised, resulting in average capital utilisation of 97.86%. This was an improvement over the 70.42% performance as at 31st December, 2010.

Inability to fully fund the capital budget raises the issue of the skewness of the budget towards recurrent spending and the squeeze it places on funds for capital spending. Approved salary increases of 53.7% for core civil servants and medical personnel amongst others raised the wage bill substantially. The payroll bill, representing 34% of aggregate expenditure, increased by 61% from N857.04 billion in 2009 to N1.381 trillion in 2010 and to N1.506 trillion in 2011.

To ensure greater efficiency in Government spending, Government has approved the engagement of capital programme and project portfolio managers, with the objective to work with pilot MDAs to improve the quality and efficiency of their capital project implementation.

Figure 3.2: 2010 Capital Budget Performance (Amended and Supplementary Budgets I & II)



Source: BOF

Government is also compiling a database of ongoing projects for MDAs that will focus attention on completing and exiting the large portfolio of uncompleted capital projects. Moreover, it would help to minimise the incidence of duplication of projects within and across MDAs, abandoned projects, and avoid spreading resources too thinly across multiple initiatives.

4. Review of the 2011 Amended Budget

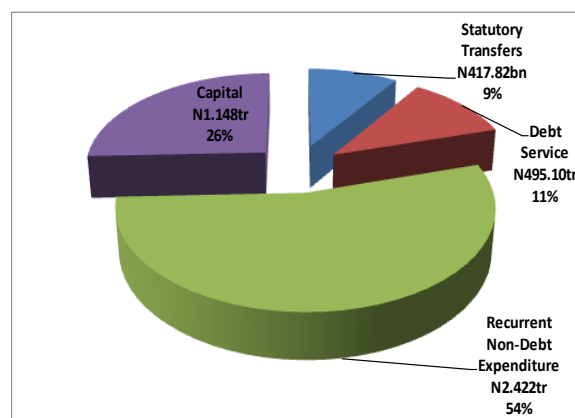
The 2011 Budget, with aggregate expenditure of N4.226 tr (subsequently increased to N4.388tr) was presented to NASS by Mr. President in December 2010. This was a budget of fiscal consolidation as the total level of spending implied a deficit of 3.62 percent of GDP, a significant reduction from the 6.06 percent of GDP in 2010.

NASS passed a budget of N4.972 tr in March 2011, which was deemed too large and the resultant deficit of 4.23 percent of GDP. On this basis, the Executive and the Legislature collaborated to reduce the level of spending while still accommodating critical expenditure. Discussions on

reducing the level of spending were prolonged by the 2011 Elections and were not finalised until May 2011. The outcome of the negotiations between the Executive and NASS was an Amended Budget with Aggregate Expenditure of N4.485 tr which comprises Statutory Transfers of N417.82 bn (this now includes the total allocations to NASS and INEC as per S.81 of 1999 Constitution, as amended), Debt Service of N495.1bn, Personnel Costs of N1.503 tr, Overheads of N288.05 tr, Capital Expenditure of N1.148 tr, Pensions of N154.75 bn, MYTO of N37 bn and other Service-Wide Vote items of N439.16 bn.

Implementation of the 2011 Budget is still ongoing. Reports from the OAGF indicate that FGN revenue fell below target by N231bn as of August 2011, mainly due to shortfalls in non-oil revenue as oil revenue receipts were on target. Expenditure releases are largely on track.

Fig 4.1: Distribution of Aggregate Spending for 2011 Amended Budget



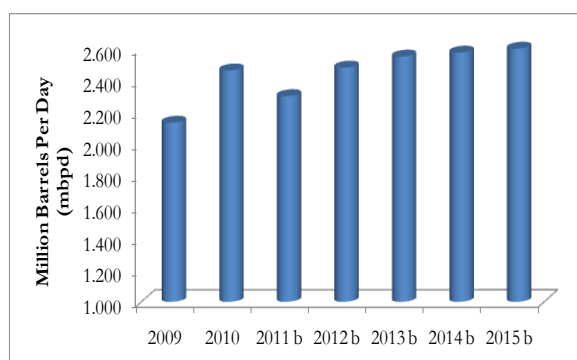
Source: BOF

5. Assumptions Underlying Projections of Oil and Non-Oil Revenue

5.1 Oil Production & Market Price of Oil

Projected oil production for 2011 is 2.3 mbpd. Data from NNPC indicates that average production recorded in the first quarter of 2011 was 2.43 mbpd, or 5.65% over the budget benchmark oil production. On this basis and after consultations with NNPC, average oil production is estimated at 2.480 mbpd, 2.550 mbpd, 2.575 mbpd and 2.600 mbpd in 2012, 2013, 2014 and 2015 respectively.

Fig. 5.1: Oil Production (2009 – 2015)



Source: NNPC

5.2 Benchmark Price of Oil

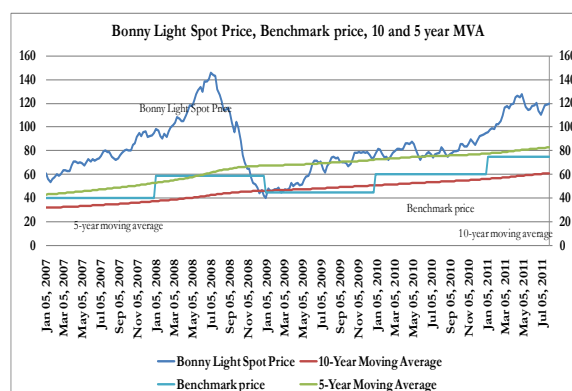
In continuation of the adoption of an oil-price based fiscal rule, oil benchmark prices significantly below the current market prices will be adopted for the 2012-2015 period. Revenue in excess of the benchmark price will continue to be set aside in the Sovereign Wealth Fund (SWF)

The SWF, which formalises the ECA, was designed to guarantee savings for future generations, to promote the development of critical infrastructure thus promoting growth

and diversifying the economy and to protect the budget against negative oil price shocks.

Based on a combination of a 5-year and 10-year moving average, an oil benchmark price of US\$75 per barrel has been adopted for 2012-2015 as baseline scenario. Less optimistic scenarios of US\$65 and US\$70 per barrel have also been prepared in recognition of potential volatilities in the international oil market.

Fig 5.2: Market Price, 10-year and 5-year moving average and the benchmark price



Source: EIA & BOF

5.3 Non-Oil Revenue Baseline Assumptions

Estimates of non-oil revenue are the result of changes in the relevant components of GDP. 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.

It is important to note that our projections also take into account the impact of ongoing reforms and include efficiency factors accounting for operational improvements in the various tax administration agencies.

Projected gross revenue figures for CIT, VAT and Customs duties for 2012 are presented below:

Table 5.1: Sectoral Composition of GDP

Sectoral Contribution to GDP (%)	2010 b	2011 b	2012 f	2013 f	2014 f	2015 f
	100%	100%	100.0%	100.0%	100.0%	100.0%
Agriculture (%)	37.9%	40.6%	37.9%	37.9%	33.0%	30.0%
Solid Minerals (%)	0.4%	0.4%	0.4%	0.5%	0.7%	0.8%
Crude Petroleum & Natural Gas	29.1%	26.4%	29.1%	32.0%	36.8%	38.6%
Manufacturing (%)	3.0%	4.5%	3.0%	3.3%	3.8%	4.6%
Telecommunication & Post (%)	8.2%	7.6%	8.2%	8.6%	9.0%	9.5%
Finance & Insurance (%)	4.0%	2.5%	4.0%	4.4%	4.9%	5.4%
Wholesale & Retail Trade	13.9%	14.4%	13.9%	10.0%	8.5%	7.4%
Building & Construction	1.2%	1.2%	1.2%	1.3%	1.5%	1.8%
Others (%)	2.3%	2.3%	2.3%	2.0%	1.8%	2.0%

Source: NBS

Table 5.2: CIT Collection Assumptions

CIT Collection						
	2010 a	2011 b	2012 f	2013 f	2014 f	2015 f
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Collection	657.3	716.3	844.7	930.7	1121.2	1220.4
% Ratio (revenue/non-oil GDP)	3.18%	2.9%	3.2%	3.2%	3.3%	3.3%
2% Discounted Arrears of Collection			16.6	18.2	22.0	23.9
Net Tax Collection			828.2	912.4	1099.3	1196.5

Source: FIRS & NBS

Table 5.3: VAT Collection Assumptions

VAT Estimate						
	2010 a	2011 b	2012 f	2013 f	2014 f	2015 f
Tax Rate	5%	5%	5%	5%	5%	5%
Aggregate Consumption	28,572.0	19,454.6	26,716.2	32,115.7	38,994.7	47,565.4
VAT Collection	562.9	770.1	818.9	984.4	1,271.7	1,397.5
% ratio (revenue/consumption)	2.0%	4.0%	3.1%	3.1%	3.3%	2.9%
VAT Collection (2% discounted arrears of collection)			802.9	965.1	1,246.7	1,370.1

Source: FIRS & NBS

Table 5.4: Customs Duty Assumptions

Customs Duty Estimate						
	2010 a	2011 b	2012 f	2013 f	2014 f	2015 f
Import c.i.f. (=N=bns)	5,492.2	6,014.5	10,160.1	11,416.6	12,673.0	12,650.8
Non-Oil GDP	20,651.4	24,466.3	25,796.4	29,839.0	34,900.8	41,247.6
Customs @14% CIF (=N=bns)	768.9	842.0	1,422.4	1,598.3	1,774.2	1,771.1
Real Customs Duty after Adjustment Factor (=N=bns)	309.2	450.0	600.6	809.8	988.8	1,085.8
Lost due to Exemption, Zero Rating, Evasion, Inefficiency etc) (=N=bns)	(459.7)	(392.0)	(821.8)	(788.5)	(785.4)	(685.3)
Lost/Non-Oil GDP	-2.2%	-1.6%	-3.2%	-2.6%	-2.3%	-1.7%

Source: NCS

6. Fiscal Strategy for 2012-2015

6.1 The Fiscal Strategy & Economic Objectives of Government

Over the 2012-2015 period, Government will focus a large portion of its spending on key sectors which include Security, Infrastructure (including Power), Agriculture, Manufacturing, Housing and Construction, Entertainment, Education, Health and ICT. By investing funds in these sectors, Government intends to support job-creating

opportunities which will in turn foster greater and diversified economic growth.

Government will also continue its strategy of fiscal consolidation by which expenditure, particularly on recurrent spending, will be reined in and directed to its most productive and growth-enhancing use while efforts will be intensified to increase revenue. This strategy is guided by Government's long-term development objectives as provided by the Vision 20:2020 framework, the need to maintain macroeconomic stability and the effect of contemporary global events on the activities of the public and private sectors. The highlights of Government's fiscal strategy include:

6.1.1 Fiscal Consolidation:

The reduced size of the 2011 Amended Appropriation Act relative to the 2010 Budgets signals Government's intent to scale down its spending from the highs reached in recent times, largely due to the fiscal stimulus extended during the peak of the global economic crisis and the recent increase in the wage bill. This scaled back spending will also create space for greater private sector participation in financial markets. The need for fiscal consolidation is made more apparent by the recent sovereign downgrade of Nigeria from a stable outlook to negative by Fitch Ratings.

Although aggregate expenditure is expected to increase from N4.8tr in 2012 to N5.18tr in 2015, concerted efforts are being made to make savings from overheads as allocations will be frozen till 2015. Capital spending will increase marginally from

N1.32tr in 2012 to N1.64tr in 2015 as Government intends to leverage on PPP-type arrangements to supplement capital allocations from the Budget.

A major component of the policy of fiscal consolidation is Government's intent to phase out the fuel subsidy beginning from the 2012 fiscal year. This will free up about N1.2tr in savings, part of which can be deployed into providing safety nets for poor segments of the society to ameliorate the effects of the subsidy removal. The accrual to the SWF as a result of the withdrawal of the fuel subsidy will also augment funds for critical infrastructure through the infrastructure window of the SWF.

The fiscal deficit is expected to follow a declining and sustainable path from 2.69% of GDP in 2012. This is within the threshold indicated by the FRA, 2007 and more importantly implies that the deficit will be financeable as domestic borrowing will also follow a declining path over the period. The macroeconomic benefits expected to accrue from a reduction in the fiscal deficit include a reduction in the crowding out of private investors and a positive impact on interest rates.

6.1.2 Rebalancing the distribution of Government spending

In recent times, the outlay on recurrent spending has outstripped the growth of spending on capital projects. This increase can be attributed largely to the rising wage bill, an outcome of the increase awarded to civil servants, medical personnel, ASUU staff etc. The 2012-2015 period will focus on

correcting this structural imbalance in our expenditure profile thus ensuring that more funds are allocated to critical infrastructure projects. The report of the Expenditure Review Committee, which concluded its work in April 2011, will provide a starting point for this key initiative. PPP funding for infrastructure projects will also be pursued aggressively. The share of recurrent spending in aggregate expenditure is set to decline from 74.4% in 2011 to 72.5% in 2012 while capital expenditure as a share of aggregate spending is set to increase from 25.6% in 2011 to 27.5% in 2012.

6.1.3 Diversification of the economy

The diversification of the Nigerian economy has been a critical objective of Government for some time as our over-reliance on oil revenue proceeds has hampered the growth of the non-oil segment of the economy. Government has recorded much success and goodwill in the creation of the ECA and now its successor, the SWF, application of the oil-price-based fiscal rule and adherence to the provisions of FRA, 2007; however, in the medium-term, it will be essential to consolidate on this success through targeted interventions to boost the non-oil economy.

During the 2012-2015 period, oil revenue is expected to increase marginally from N2.37tr in 2012 to N2.47tr in 2015 as the benchmark price of US\$75 will be maintained throughout the period and oil production is projected to rise from 2.48mbpd to 2.6mbpd. The drive for increased receipts from non-oil revenue will be intensified and this is expected through

better management and intensification of IGR, CIT and Customs collections.

6.1.4 Four-Year Capital Budget Planning

Government is adopting a four year capital budget plan commencing in the 2012 fiscal year. The focus is the completion and exit from the portfolio of ongoing capital projects and programs which are being re-prioritized in line with the developmental objectives of the First National Implementation Plan (1st NIP) of the Nigeria Vision 20:2020.

Capital budget allocation will reflect Government priorities and there will need to be serious trade-offs in order to ensure flagship projects in key sectors of the economy are adequately funded.

Fiscal tables for the 2012-2015 period are provided in the Annex.

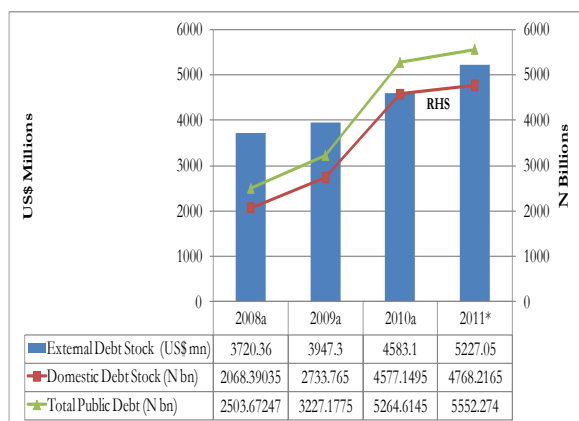
7. Analysis and Statement on Consolidated Debt and Contingent Liabilities

Recent events worldwide, particularly in the United States and Euro-zone area, have highlighted the importance of sustainable debt in maintaining economic stability. During the first few years of the global economic crisis, many developed countries had limited fiscal space to accommodate additional spending by Government and had to resort to the debt markets to raise funds to keep their economies running. Emerging and developing countries have fared much better in this regard given that many, including Nigeria, had embarked on

successful macroeconomic reforms prior to the start of the crisis.

Nigeria was able to enjoy fiscal space owing to the successful Paris Club debt relief arrangement and on the back of ongoing macroeconomic reform. The reforms have resulted in lower inflation levels, higher GDP growth and lower debt levels; however, in recent times, the rising domestic debt profile has become a source of concern.

Fig. 7.1: Total Public Debt Stock Showing Domestic and External Debt (2008-2011)

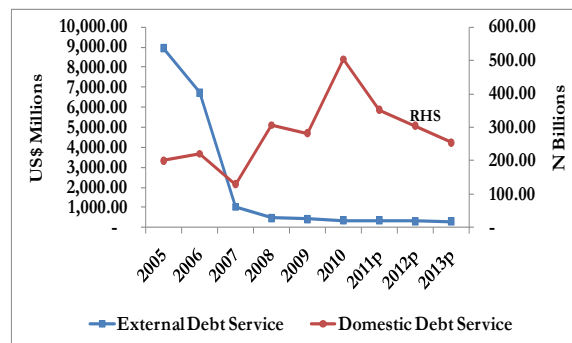


Source: DMO

7.1 Debt Service

Debt service payments are made to service our obligations to foreign and domestic creditors. Although the domestic debt stock had been on the rise in recent years, with our current policy of fiscal consolidation and its positive impact on the size of the fiscal impact and thus domestic borrowing, a reduction in the domestic debt stock is expected.

Figure 7.2: Total Public Debt Service Payments (2005-2010)



Source: DMO

7.2 Debt Sustainability

Nigeria conducts a Debt Sustainability Analysis on a yearly basis in conjunction with the World Bank and IMF. The DSA utilises macroeconomic data to assess a country's debt sustainability in relation to current debt burden thresholds and projects its future ability to service its debt.

The results from the DSA indicate that Nigeria is well within the debt sustainability threshold for all the years covered up to 2030 and is still at a low level of debt distress. According to DMO, the current Net Present Value (NPV) of Debt to GDP ratio is about 18 percent (domestic debt to GDP ratio of 16.4 percent) while the recommended threshold for countries similar to Nigeria is 40 percent.

7.3 Nature & Fiscal Implication of Contingent Liabilities

Contingent liabilities are potential obligations which crystallise at the occurrence of a future event. 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, crystallise 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.

8. Fiscal Risk

8.1 Global Economic Trends

The global economy has witnessed a number of upheavals since 2010 that have posed a challenge to global GDP growth and recovery from the global economic crisis. The unfolding Euro zone debt crisis particularly is having a huge impact on global financial markets. The crisis is sending shockwaves through the markets as commodity and stock prices are exhibiting greater volatility on concerns about the risk of default by the affected countries. The bailouts of Greece, Ireland and Portugal introduced greater stability in the markets but current developments indicate that uncertainty persists.

The recent debt ceiling negotiations in the United States and downgrade of the US economy to AA+ from AAA have also contributed to market tensions. Japan's recovery from the recent nuclear, tsunami and earthquake disasters has also led to a downgrade of its credit ratings. As a result, uncertainty on global economic recovery in the medium-term is highly uncertain.

8.2 Global Oil Trends

Global oil demand projections for 2011 have been lowered due to the slowdown in global economic growth. The demand outlook for 2012, although initially more positive due to post-construction efforts in Japan and demand from emerging countries like China and India, has also been revised downwards. The downside risk from persistently high oil prices has become more pronounced in recent times; however, China, India and the United States will continue to remain major drivers of oil demand growth.

The unfolding events in the MENA region, particularly the ongoing conflict in Libya, will have an impact on oil supply as well as the future trajectory of international oil prices. The supply outlook for 2011 is cautious considering the uprising in the MENA region is still unfolding.

8.3 Risks to Oil Production & Price

Oil production in Nigeria has improved considerably as the Niger Delta Amnesty Initiative has resulted in peace and stability in the region. According to data from the NNPC, actual production figures in 2010 were higher than projected; however, caution will be exercised in making projections for 2012.

International oil prices have been relatively high since late 2009 although greater volatilities have been exhibited in recent times due to global events such as the uprisings in the MENA region, the earthquake, tsunami and nuclear crisis in Japan and the Euro-zone debt crisis. In line

with our efforts at fiscal discipline we will continue to abide by the oil-price based fiscal rule by setting a prudent budget benchmark price for the 2012-2015 period. Recent world events and the uncertainty concerning current events linked to oil price movements also suggest that caution should be applied in setting the benchmark price.

8.4 Risks to Non-Oil Revenue

In 2010, the non-oil economy was the largest contributor to GDP growth with agriculture, wholesale and retail trade in the forefront, in line with the pattern in recent years. As we accelerate the diversification of the economy, we expect non-oil revenue to contribute a greater share of budget revenue compared to the current contribution of about 30%. The performance of non-oil revenue in 2010 was below expectations as Customs and VAT collections were below target although Corporate Tax performed above target for the 2010 fiscal year.

With the acceleration of recent reform efforts by Government and the implementation of initiatives to boost key non-oil sectors, this performance should improve. Government is actively engaging with revenue generation and collection agencies to improve collections. In addition, moves are being made to harmonise the establishing acts of MDAs to ensure consistency with provisions of the 1999 Constitution (as amended) and FRA, 2007, thereby increasing receipts.

9. Conclusion

The 2012-2015 FSP and MTEF have been prepared against a backdrop of heightened global economic uncertainty. The debt crisis in the Euro Area, its possible contagion effects, the downgrade of the US economy by S&P and the possible downgrade of major EU economies is having a dampening effect on financial markets and potential for global economic recovery in the medium-term.

The downside risks to economic growth have been taken into consideration in the preparation of the MTEF & FSP. The priority sectors identified by Government will receive the bulk of capital allocations over the period. Government intends to continue to implement a fiscal consolidation policy especially in view of the structure of expenditure which has increasingly tilted towards recurrent expenditure in recent times. To correct this bias, Government is implementing a 4-year capital project plan commencing in 2012, which will ensure that we exit from the current portfolio of ongoing projects. In addition, measures to rationalise recurrent expenditure as identified by the Expenditure Review Committee will be fully implemented.

On the revenue side, the strategy of adopting an oil price-based fiscal rule and the accrual of windfall oil savings will continue. A baseline Benchmark oil price of US\$75 per barrel is proposed for the 2012-2015 period while oil production of 2.480mbpd, 2.500mbpd, 2.575mbpd and 2.600 mbpd will be adopted for the 2012,

2013, 2014 and 2015 fiscal years respectively. To increase non-oil revenue receipts, efforts to improve collections will be stepped up, taking off from the recently concluded audits of revenue-generating and collecting agencies. Government will also advance current work to improve IGR remittances by reconciling establishing acts of parastatals and agencies with the provisions of the FRA, 2007.

The policies outlined in the 2012-2015 MTEF & FSP are in line with the 1st National Implementation Plan and Vision 20: 2020. These will continue to serve as the guiding vision of Government's fiscal strategy over the medium term towards the actualisation of the Transformation Agenda of the Administration.

Annex: 2012-2015 Medium Term Fiscal Framework (MTFF)

FISCAL ITEMS	2011 Budget Amendment	2012 Projection	2013 Projection	2014 Projection	2015 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
<u>KEY PARAMETERS, ASSUMPTIONS & INDICATORS</u>					
Average Budget price per barrel (in US\$)	75.00	75.00	75.00	75.00	75.00
Average Exchange Rate (NGN/US\$)	150.00	153.00	153.00	153.00	153.00
Oil Production (mbpd)	2.300	2.480	2.550	2.575	2.600
<u>GROSS FEDERALLY COLLECTIBLE REVENUE</u>					
Total Oil & Gas Revenue	6,815.45	6,896.04	7,006.24	6,953.08	7,272.37
Total Non-Oil	2,151.27	2,741.15	3,300.31	3,998.48	4,329.15
Special Levies for Targeted Expenditure	93.62	164.67	187.07	209.06	211.33
Other Non-Federation Account Items - Education Tax	91.91	103.77	110.77	110.66	110.74
<u>SUMMARY OF FAAC & VAT POOL</u>					
FGN	3,241.36	3,462.84	3,671.78	3,851.18	4,088.97
STATES	1,957.46	2,083.13	2,255.15	2,460.74	2,631.55
LGCs	1,482.89	1,578.66	1,705.75	1,854.67	1,982.15
Total	6,681.71	7,124.63	7,632.68	8,166.59	8,702.67
<u>FGN BUDGET REVENUE (INFLOWS)</u>					
Unspent balance from previous FY	120.00	100.00	100.00	100.00	100.00
FGN BUDGET Share of Federation Account (48.5%)	2,882.08	3,081.63	3,252.49	3,380.32	3,582.89
FGN BUDGET Share of VAT (14%)	103.50	107.90	129.71	167.56	184.14
FGN Independent Revenue	228.93	393.46	480.81	515.89	528.04
Estimated FGN's Balances of Special Accounts end Dec.	13.61	10.18	7.13	7.99	8.79
Total	3,348.12	3,693.17	3,970.14	4,171.77	4,403.86

Annex: 2012-2015 Medium Term Fiscal Framework (MTFF) (cont.)

FISCAL ITEMS	2011 Budget Amendment	2012 Projection	2013 Projection	2014 Projection	2015 Projection
	=N= bns	=N= bns	=N= bns	=N= bns	=N= bns
FEDERAL GOVT. OF NIGERIA BUDGET					
FGN REVENUE (INFLOWS)	3,348.12	3,693.17	3,970.14	4,171.77	4,403.86
Less					
Statutory Transfers	417.82	345.72	344.44	341.81	352.28
Debt Service Recurrent	495.10	550.01	522.51	480.70	442.25
MDA Spending	3,571.82	3,901.88	4,054.61	4,209.98	4,323.36
Of which:					
Non-Debt Recurrent	2,425.07	2,581.99	2,623.72	2,670.04	2,679.85
Personnel Costs (MDAs)	1,506.11	1,656.72	1,739.56	1,826.53	1,826.53
Overheads	288.05	268.05	268.05	268.05	268.05
CRF Pensions	154.75	177.96	186.86	196.20	206.01
Multi-Year Tariff Order	37.00	100.00	50.00	0.00	0.00
Other Service Wide Votes	439.16	379.26	379.26	379.26	379.26
Sub-Total	2,425.07	2,581.99	2,623.72	2,670.04	2,679.85
Capital Spending	1,146.75	1,319.89	1,430.89	1,539.93	1,643.51
Aggregate Expenditure	4,484.74	4,797.61	4,921.55	5,032.49	5,117.89
Fiscal Deficit	(1,136.62)	(1,104.44)	(951.41)	(860.72)	(714.03)
GDP	38,427.06	41,101.88	48,116.33	56,432.75	66,309.61
DEFICIT/GDP	-2.96%	-2.69%	-1.98%	-1.53%	-1.08%
Deficit Financing	1,136.62	1,104.44	951.41	860.72	714.03
Sales of Government Property	0.00	0.00	0.00	0.00	0.00
Privatization Proceeds	16.91	10.00	0.00	0.00	0.00
FGN's Share of Signature Bonus	42.44	75.00	50.00	50.00	50.00
Sharing from Stabilisation Fund Account (ECA)	225.00	225.00	150.00	150.00	150.00
New Borrowings	852.27	794.44	751.41	660.72	514.03
Domestic Borrowing	852.27	794.44	751.41	660.72	514.03
Foreign Borrowing	-	0.00	0.00	0.00	0.00
Financing Deficit/Surplus	0.00	0.00	0.00	0.00	0.00