2012

4th Quarter 2012 - Provisional Budget Implementation Report

Budget Office of the Federation
Federal Ministry of Finance

FOREWORD

This is the 4th Quarter and Consolidated Provisional Budget Implementation Report for the year 2012. Like other previous reports it is in line with government's resolve to engender transparency and accountability, harmonize and evaluate the economic growth rates witnessed in the first three Quarters of the year, maintain macroeconomic stability and channel resources to key sectors of the economy as contained in the Transformation Agenda of government.

Fiscal consolidation with inclusive economic growth was the major focus all year round. This policy has strengthened our macroeconomic thrust which in turn improved our finances culminating into a GDP growth rate of 7.09% recorded as at the end of the 4th Quarter this year with an overall average of 6.61% for the full consolidated year.

For the whole year, the non-oil sector has continued to be the main driver of growth recording an 8.23% increase as against the oil sector which shrank by 0.17% due to low production. This underscores the need to further boost the non-oil sector of our economy. Government will therefore continue to use the instrumentality of the Budget to improve the welfare of the citizenry through its policy of inclusive growth.

In line with Sections 30 and 50 of the *Fiscal Responsibility Act, 2007*, this reporting has contributed to improving fiscal management and MDAs performance by providing the Fiscal Responsibility Commission, the Joint Finance Committee of the National Assembly, the general public and other stakeholders with periodic information and analysis on the implementation of the federal budget. The publication is also part of government's resolution to keep Nigerians informed on its finances and promote transparency and accountability in the public sector.

Like the previous reports, this report is the product of a painstaking effort by the Budget Office of the Federation and I commend the team for their hard work and commitment.

This report is a collaborative effort between various MDAs and the Budget Office of the Federation. You are hereby enjoined to read and make useful suggestions to further improve the content and quality of subsequent reports.

Dr. Ngozi Okonjo-Iweala
Coordinating Minister for the Economy and
Honourable Minister of Finance

PREFACE

This Provisional Report is the fourth in the series for the 2012 fiscal year. It is presented ahead of the actual physical monitoring and evaluation exercise of capital projects implementation as contained in the Appropriation Act for 2012. This is in line with the provisions of Sections 30 and 50 of the FRC Act 2007 which mandate the Honourable Minister of Finance to render quarterly returns of annual Budget implementation to the Joint Finance Committees of the National Assembly, Fiscal Responsibility Commission (FRC) and the general public.

While the 1st and 2nd Quarter Reports showed that there was relative stability in oil production and receipts with its attendant macroeconomic improvements, the 3rd and 4th Quarters had major challenges on several fronts particularly as net revenue was unable to meet projections.

Key challenges of the Budget implementation in the year under review include the late Budget passage in April 2012; the flood disaster that ravaged parts of the country; and the poor performance of some revenue categories. In spite of these challenges emphasis continued to be placed on productive sectors like power, infrastructure, youth development, education and agriculture.

In preparing this report, the Budget Office of the Federation (BOF) benefitted from the collaboration from MDA's that have provided various types of data. I also commend CSO groups and the media that have traditionally joined our team in conducting field visits to inspect capital projects. Finally I commend staff of Fiscal/BME and that of other departments of BOF for their effort in producing this report.

Dr. Bright Okogu
Director General
Budget Office of the Federation

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EXECUTIVE SUMMARY

The 2012 Budget had a broad policy thrust of consolidating the economic growth witnessed in recent years and maintaining macroeconomic stability, structural and institutional reforms as well as targeting spending on growth-enhancing sectors of the economy. Provisional data from the National Bureau of Statistics reveal an estimated Gross Domestic Product (GDP) growth rate of 7.09% for fourth quarter of 2012 and an overall average of 6.61% for 2012.The estimate in the fourth quarter was 0.61% higher than the 6.48% recorded in the third quarter of 2012 and 0.59% lower than the 7.68% recorded in the corresponding fourth quarter of 2011. Similarly, the overall 2012 GDP growth rate was 0.84% lower than the 7.45% level recorded in 2011. In 2012, the non-oil sector remained the major driver of growth recording 8.23% increase as against the oil sector which contracted by 0.17% due to lower production. Inflation rate was 12% as at December 2012 reflecting an increase of 1.7% over the 10.3% rate recorded within the same period of 2011. Nigeria's gross external reserves stood at US$43.85 billion as at 31st December 2012. Relative to the end of December 2011, of US$32.92 billion, the external reserves at the end of December 2012 had risen by US$10.93 billion (or 33.2%).

Data from the Office of the Accountant General of the Federation (OAGF) show that a net sum of N1, 356.08 billion was available for sharing in the fourth quarter of 2012. This implies a shortfall of N205.91 billion (or 13.18%) in the fourth quarter. For the whole year, a total of N5, 576.57 billion was shared among the three tiers of government as against the annual projected estimate of N6, 247.94, thereby depicting a shortfall of N671.37 billion (or 10.75%). The sum of N3, 131.09 billion, including revenue from other sources was received to fund the Federal budget in 2012 thereby presenting a shortfall of N429.93 billion (or 12.07%). This posed a significant challenge to the implementation of the annual budget.

The data also indicated that the implementation of recurrent (non-debt) expenditure was 98.98% as at December 2012. The sum of N1, 017.46 billion out of the N1, 339.99 billion projected for capital budget implementation for the year was released to MDAs. Of this, N739.3 billion (or 72.66%) was cash-backed while N686.3 billion (or 92.83%) of the cash-backed sum was utilized by the MDAs as at end of December 2012.

A breakdown of the forty-nine (49) MDAs reported upon by the Office of the Accountant-General of the Federation (OAGF) showed varying levels of utilization among the MDAs. Thirty-one (or 63.27%) of the MDAs including: Presidency, Youth Development, Police Affairs, Women Affairs, Agriculture, Water Resources, Education, Federal Capital Territory Administration, Foreign & Intergovernmental Affairs, Interior, Power, science & Technology, Works, Mines & Steel and Aviation had utilized more than the overall average utilization rate of 92.83% out of the amount cash-backed. Twenty one out of these, including Youth Development, Police Affairs, Agriculture, Women Affairs, Federal Capital Territory Administration (FCTA), Interior, Head of Service, Works, Science & Technology and Aviation had utilized over 99% of their respective cash-backed funds.

In addition to the regular budget, an extra provision of N180 billion was made for major capital and social programmes under the SURE-P window, and this greatly assisted in the significant of progress made in the area of infrastructure in 2012.

The usual field visits to inspect selected projects are being concluded so as to assess and report the physical implementation of projects and programmes.

1.0 INTRODUCTION

The 2012 Budget was the focal instrument used for translating the developmental plans of the Government into tangible projects and programmes towards achieving the V-2020. The Budget had a broad policy thrust of attaining macroeconomic stability, good governance, structural and institutional reforms as well as targeting spending on key sectors of the economy.

2. The 2012-2014 Fiscal Framework was the bedrock on which the Budget was formulated. The assumptions in the framework were based on the developments in the global economy. As such, policy measures were taken to protect the domestic economy from the declining trend in the global economy. Among such measures taken are focusing more of the expenditure on developmental projects, completion of viable ongoing capital projects and programmes as well as expansion in the revenue base and blocking of revenue leakages.

3. The 2012 Budget gave priority to key sectors such as Agriculture, Water Resources, Education, Health, Power, Transport, Works, Aviation, Niger Delta, F.C.T. and Security. These sectors received a total of N805.89 billion (or 60.14%), N602.19 billion (or 59.19%) and N539.19 billion (or 72.93%) of the capital appropriation, releases and cash-backed sum respectively in the year with a cumulative utilization rate of N523.32 billion (or 76.25%) of the total utilized sum for those sectors.

4. However, the implementation of the Budget in the year had been very challenging due to some unforeseen situations such as the late passage of the Budget in April, MDAs having to implement the 2011 capital budget and that of 2012 concurrently to 31st March 2012, the flood disaster that ravaged a large part of the country and the poor performance of some revenue categories. Government however addressed the negative impacts of these factors on the implementation of projects and programmes, through its cash management

practice that ensured that priority sectors received a greater share of the available resources.

5. This Report is designed to present comprehensive information on the implementation of the 2012 Budget. The rest of the Report is structured as follows: a brief review of the macroeconomic environment under which the Budget was implemented is presented, followed by a detailed analysis of government's revenue receipts and expenditure in the year. Finally, we present brief conclusion to the Report. A chapter on the outcome of the physical monitoring and evaluation of capital projects and programmes would be included in the final report for the year.

2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS

Global economy

The global economic growth in 2012 remained largely uneven and subdued in most economies. Data from the International Monetary Fund (IMF) World Economic Outlook show that global output was weaker than previously assumed due to continued contraction in the Euro Zone and Japan as well as the less-than-anticipated growth in Brazil and India. The fragility in the global economy was further compounded by the uncertainties surrounding the “fiscal cliff” and debt ceiling challenges in the United States and the difficulties associated with China’s attempts to rebalance its growth. These developments among others adversely affected private sector confidence, worsened the unemployment situation and further tightened financing conditions in both the periphery and core economies. Overall, global output was estimated to have expanded by 3.2% in 2012 as against the earlier projection of 3.3% made in October 2012.

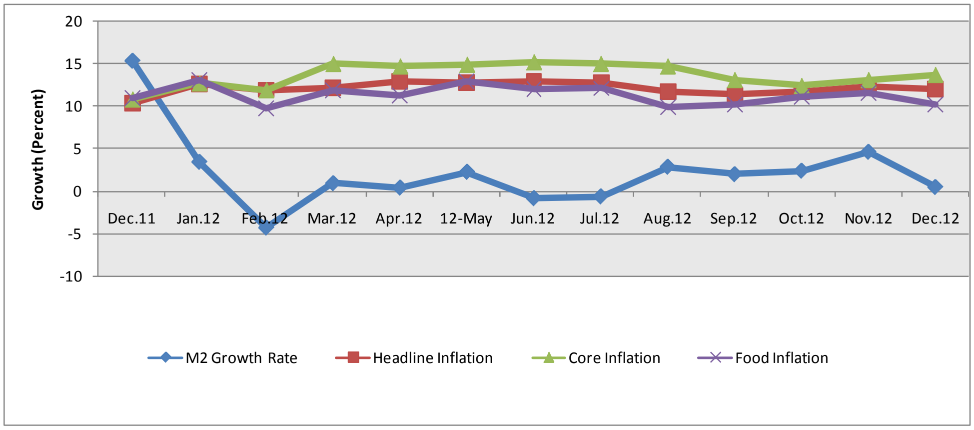
7. In the euro area, economic and financial conditions remained severely weak despite the intervention scheme by the European Central Bank (ECB). Data from the Asian economies revealed that a gradual recovery may be underway. China and Indonesia witnessed an improved economic activity in the fourth quarter of 2012 while the sub-optimal performance of the Japanese and Indian economies became a major drag on recovery in the region. The Middle East and North Africa (MENA) region continued to record mixed performance. The oil importing countries in the zone experienced subdued economic performance of 2% while the oil exporting countries grew at an average of 6.6%. Economic conditions in sub-Saharan Africa remained generally robust despite the sluggish growth in the global economy. The growth in this zone was as a result of increased economic activities which can also be attributed to prudent policies and improved fundamentals.

Domestic Economy

8. Data from the National Bureau of Statistics reveal an estimated Gross Domestic Product (GDP) growth rate of 7.09% for the fourth quarter of 2012 and an overall average of 6.61% for 2012. The 2012 GDP growth was 0.84% lower than the 7.45% level recorded in 2011. In 2012, the non-oil sector remained the major driver of growth recording 8.23% increase as against the oil sector which contracted by 0.17% due to lower production. The relatively robust growth projections reflected the relatively favourable performance of wholesale and retail trade, the services sector, outcome of the banking sector reforms, recent improvement in the power supply and the initiatives by the government to stimulate the real economy.

9. The inflationary trend was high in 2012. The year-on-year headline inflation increased from 11.3% in September to 12% in December 2012. Similarly, year-on-year food inflation rose from 10.2% in September to 11.1% and 11.6% in October and November respectively before falling back to 10.2% in December 2012. On the other hand, year-on-year core inflation declined from 13.1% in September to 12.4% in October, remained the same at 13.1% in November before rising again to 13.7% in December 2012. The year-on-year average headline inflation rate in 2012 stood at 12.24%, while the average core and food inflation year-on-year stood at 13.87% and 11.32% respectively. The major drivers of headline inflation in 2012 included food, non-alcoholic beverages, housing, water, electricity and transport. *Chart 1* below shows the trend of inflation in the last 12 months.

Chart1: Inflation and M2 Growth Rate (December 2011 – December 2012)



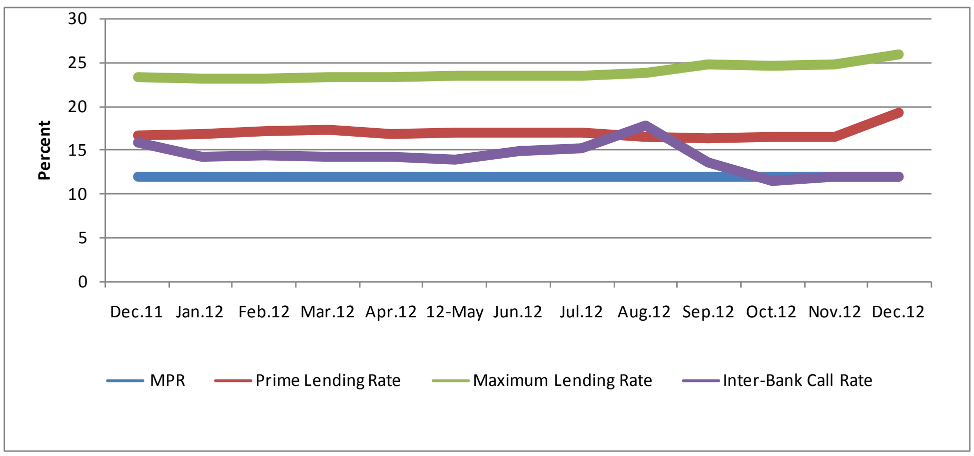
Source: Central Bank of Nigeria, 2012 & National Bureau of Statistics, 2012

10. Broad money supply (M2) grew by 7.57% in December over the level in September 2012, that is, from N14.06 trillion in September to N15.13 trillion in December 2012. On year-on-year basis, M2 grew by N1.83 trillion (or 13.72%) in December 2012 over the level at the end of December 2011. The net aggregate domestic credit rose by 4.38% from N13.37 trillion in September to N13.96 trillion in December 2012. Overall, credit to the private sector increased by 2.34% between September and December 2012, while credit to government contracted by 15.1% between September and December 2012. The decline in credit to government was occasioned by the sustenance of government as a net creditor to the banking system, reflecting more prudent fiscal measures, including the introduction of the Treasury Single Account. The average prime lending rate rose to 19.23% in December from 16.37%, 16.48% and 16.51% in September, October and November 2012, respectively. Similarly, the average maximum lending rate also rose to 25.91% in December from 24.67%, 24.65% and 24.7% respectively in September, October and November respectively.

11. The Central Bank of Nigeria (CBN) maintained the Monetary Policy Rate (MPR) at 12% throughout the year in view of the conflicting price signals,

global uncertainties and the need to preserve the stability of the system. The average interbank call rate, on the other hand fell from 13.5% in September to 11.42%, 11.86% and 11.88% in October, November and December 2012 respectively. This reflected an increased liquidity in the banking system including repayments of matured CBN Bills and banks' desire to maintain optimum liquidity position on their balance sheets at the end of their common financial year. The trends in interest rates in the past 12 months are presented below in *Chart 2.*

Chart 2: Interest Rates Trend (December 2011 – December 2012)

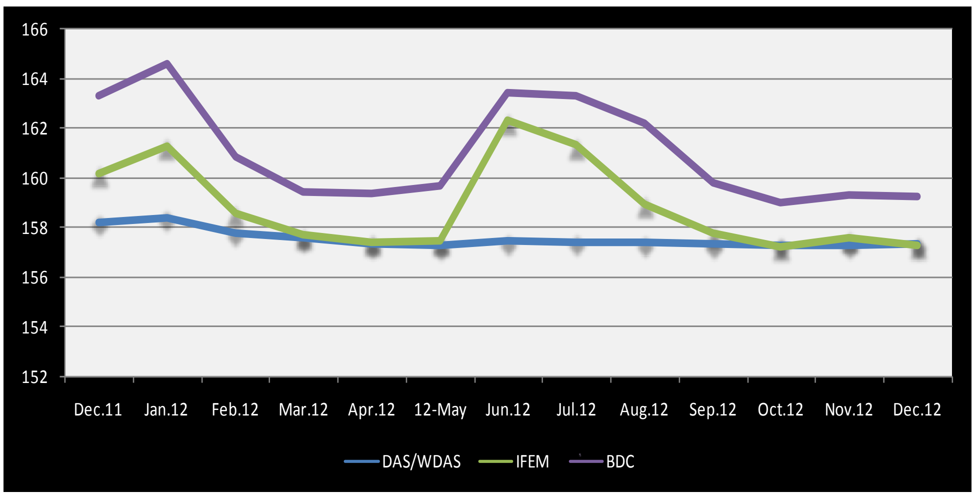


Source: Central Bank of Nigeria, 2012

12. The average official Wholesale Dutch Auction System (WDAS) Naira/Dollar exchange rate appreciated slightly from N157.34/$ in September to N157.32/$ in December 2012 representing an appreciation of N0.02 (or 0.01%). Similarly, the average Inter-bank exchange rate appreciated from N157.78/$ in September to N157.33/$ in December 2012. Likewise, the average Bureau de Change rate also appreciated from N159.80/$ in September to N159.26/$ in December 2012. The appreciations recorded in the foreign exchange market could be attributed to the combined effects of improved supply of foreign exchange by oil companies and enhanced capital

inflows from portfolio investors during the period under review. The premium between the WDAS and the interbank rate narrowed towards the end of the review period. On the other hand, the premium between the WDAS and BDCs widened during the review period suggesting the need to sustain and further complement existing measures to discourage speculative activities in the foreign exchange market.

Chart 3: Naira/US$ Exchange Rates Trend (Dec. 2011 – Dec. 2012)

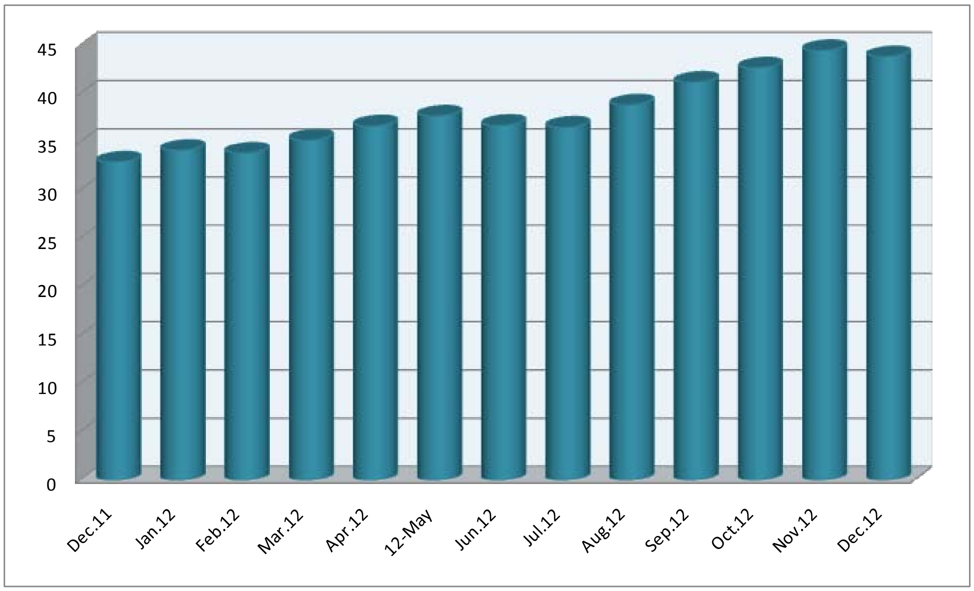


Source: Central Bank of Nigeria, 2012

13. Nigeria's gross external reserves stood at US$43.85 billion as at 31st December 2012, representing an increase of 6.46% above the level recorded at the end of September 2012. Relative to the end of December 2011level of US$32.92 billion, the external reserves at the end of December 2012 had risen by US$10.93 billion (or 33.2%). The increase in the level of foreign reserves was due mainly to tighter fiscal policy; higher proceeds from crude oil and gas exports and crude-oil related taxes as well as the clean-up of the oil subsidy regime, reduced funding of the WDAS on account of the huge inflow of foreign portfolio investments. Based on the CBN report, the foreign reserves level as at the end of December 2012 could finance about nine months of imports. This

is well over the globally recommended minimum threshold of 3-months import cover.

Chart 4: Level of External Reserves in Billion Dollars (December 2011 – December 2012)



Source: Central Bank of Nigeria, 2012

3.0 FINANCIAL ANALYSIS OF THE 2012 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections:

The 2012 Budget was based on the 2012-2014 Medium Term Fiscal Framework (MTFF) which was prepared after a series of wide ranging discussions with relevant stakeholders in both the public and private sectors of the economy and against the backdrop of a global economic developments.

Table 1: Key Assumptions and Targets for the 2012 Budget

KEY ASSUMPTIONS & TARGETS	2012
Projected Production (in mbpd)	2.48
Budget Benchmark price (per barrel in US)	72
Technical Cost of JV Pbl to Oil Companies	
Operating expenses (T1) in US $	10.24
Capital expenses (T2) in US $	10.18
Technical Cost of PSC Pbl to Oil Companies	
Operating expenses (T1) in US $	8.3
Capital expenses (T2) in US $	19.68
Investment Tax Credit	5.22
Technical Costs of SC Pbl to Oil Company	
Operating expenses (T1) in US $	22.26
Capital expenses (T2) in US $	43.3
Investment Allowances	22.43
Weighted Average Contributrion rates	
Weighted average rate of PPT-JV/AF/Independent/Margina	85%
Weighted average rate of PPT-PSC Oil	51.65%
Weighted average rate of PPT-SC Oil	51.65%
Weighted average rate Royalties-JV/AF/Independent/Margir	19.25%
Weighted average rate of Royalties -PSC Oil	2.34%
Weighted average rate of Royalties SC Oil	2.34%
Average exchange rate (NGN/US$)	155
VAT Rate	5%
CIT Rate	30%

Source: BOF, NNPC, FIRS and NCS

Budget Benchmark Oil Price and Production

15. In view of the volatile nature of the price of oil at the international market, the government in recent times has adopted a cautious system of determining the benchmark price of oil for its annual budget. In so doing, budget expenditures are de-linked from fluctuations in world oil price. With this in mind, the oil benchmark price for the 2012 Budget was set at US$72/barrel while oil production was fixed at 2.48 million barrels per day (mbpd), indicating a marginal increase of 0.18 mbpd above the 2.3 mbpd projected for 2011 budget.

16. A breakdown of the projected contributions of oil production by business arrangement, is presented in *Chart 5* below while the details of the contributions and rates for the major oil taxes accruing to the Federal Government are also presented in *Table 2* below.

Chart 5: Budget Oil Production by Business Arrangements 2009 – 2012

	2009 Actual	2010 Actual	2011 Actual	2012 Budget
Joint Ventures	0.91	0.995	0.955	1
Alternative Funding	0.36	0.455	0.474	0.5
Prod. Sharing Contracts	0.736	0.868	0.793	0.843
Independents	0.113	0.115	0.122	0.11
Service Contracts	0.009	0.007	0.008	0.005
Marginal Fields	0.011	0.01	0.022	0.02

Source: NAPIMS/NNPC

Table 2: Detailed Assumptions for Oil Production and Taxes (2012)

Share of Oil Production	Percentage
Joint Ventures	40.39%
Alternative Funding	20.16%
Production Sharing Contracts	33.99%
Independents	4.43%
Service Contracts	0.21%
Marginal	0.81%
Total Production	100.00%
PPT Rates	
Weighted Average-JV/AF/Independent/Marginal	85.00%
Weighted Average -PSC	51.44%
Weighted Average -SC	85.00%
Royalties Rates	
Weighted Average-JV/AF/Independent/Marginal	19.25%
Weighted Average-PSC	2.24%
Weighted Average-SC Oil	18.50%

Source: NNPC and BOF

3.2 Analysis of Revenue Performance:

Overview Oil Revenue Parameters:

17. The price of crude oil in the international market averaged US$110.03 per barrel in the fourth quarter of 2012, an increase of US$0.32 over the US$109.71 per barrel recorded in the third quarter of 2012. The higher crude oil price in the international market could be attributed to the recent intervention scheme to halt downward trend in economic activities by the European Central Bank and the US Federal Reserve System which aided investments in commodities and stocks.

18. Provisional data from the Nigerian National Petroleum Corporation (NNPC) show that the average oil lifting (including Condensates) in the fourth quarter of 2012 was 2.2 million barrels per day (mbpd) resulting in a shortfall of 0.26mbpd below the 2.46mbpd recorded in the third quarter of 2012 and 0.28mbpd lower than the 2.48mbpd projected for the year. The decrease in oil

lifting during the quarter can be traced to an increase in oil theft, illegal bunkering and pipeline vandalization experienced in the Niger Delta region.

19. The 2012 Fiscal Framework presents a gross federally collectible revenue estimate of N9,692.5 billion, made up of N6,636.51 billion (or 68.47%) oil revenue and N3,055.99 billion (or 31.53%) non-oil revenue. Below is an analysis of the actual performance of the oil and non-oil revenue receipts in the fourth quarter.

Oil Revenue Performance

20. An appraisal of the oil revenue in the fourth quarter of 2012 shows that Gas Sales of N95.26 billion, Royalties (Oil & Gas) of N274.14 billion, Gas Flared Penalty of N1.09 billion and Petroleum Profit & Gas Taxes of N829.82 billion exceeded their respective quarterly expected estimates of N85.12 billion, N182.78 billion, N0.8 billion and N466.36 billion by N10.14 billion (or 11.91%), N91.35 billion (or 49.98%), N0.29 billion (or 36.58%) and N363.47 billion (or 77.94%). On the other hand, Crude Oil Sales of N600.27 billion, Rent of N0.01 billion and Other Oil & Gas Revenue of N0.15 billion were lower than their quarterly projections of N923.26 billion, N0.19 billion and N0.62 billion by N322.98 billion (or 34.98%), N0.19 billion (or 95.71%) and N0.47 billion (or 76.09%) respectively. Please see *Table 3.1*.

Net Oil revenue:

21. In the fourth quarter of 2012, the actual net oil revenue received into the Federation Account was N905.69 billion indicating a shortfall of N96.31 billion (or 9.61%) below the projected quarterly estimate of N1, 002 billion. On the other hand, the net oil revenue in the fourth quarter of 2012 was higher than the N868.39 billion net oil revenue recorded in the third quarter of 2012 by N37.31 billion (or 4.3%). In spite of the favourable oil prices at the international market, the below-than-projected performance of the net oil revenue in the

fourth quarter of 2012 was due to the fall in oil lifting figure during the period. These data are presented in *Table 3.1*.

Year-to-date:

22. As at December 2012, the cumulative Gas Sales of N350.02 billion, Royalties (Oil & Gas) of N1, 086.69 billion, Gas Flared Penalty of N3.70 billion and Petroleum Profit & Gas Taxes of N3, 278.7 billion surpassed their respective projections of N340.49 billion, N731.12 billion, N3.2 billion and N1, 865.42 billion by N9.53 billion (or 2.8%), N355.56 billion (or 48.63%), N0.5 billion (or 15.59%) and N1, 413.28 billion (or 75.76%). For reasons earlier adduced, lower-than-projected revenue was received from Crude Oil Sales, Rent and other Oil and Gas Revenue.

Non-Oil Revenue Performance

23. The Government in recent times through the Budget Office of the Federation and the Federal Ministry of Finance has continued to pursue measures to boost non-oil revenue collection and remittances to the treasury. The implementation of these measures added to the Budget Office's regular engagement with the Agencies has resulted in continued growth in targets and actual revenues from the non-oil sector. This trend, as presented in *Table* 3.2 and *Table* 3.3, is expected to continue over the 2012 - 2015 period.

24. In the fourth quarter of 2012, the actual gross non-oil revenue of N472.93 billion was received. This depicts a shortfall of N114 billion (or 19.42%) below the quarterly estimate of N586.92 billion. A breakdown of the non-oil revenue items show that all the items fell below their quarterly projected estimates. Value Added Tax of N183.83 billion, Company Income Tax of N168.09 billion and Customs & Excise Duties of N121.01 billion were below their quarterly estimates of N200.72 billion, N207.05 billion and N150.15 billion by N16.88 billion (or 8.41%), N38.96 billion (or 18.81%) and N29.14 billion (or 19.41%) respectively. Compared to their respective third quarter outcomes, Value Added Tax grew by 10.27 billion (or 5.91%) while Company

Income Tax and Customs & Excise Duties fell by N230.56 billion (or 57.84%) and N5.93 billion (or 4.67%) respectively.

Year-to-date

25. The aggregate non-oil receipts as at December 2012 amounted to N2, 033.63 billion implying a shortfall of N314.07 billion (or 13.38%) below the annual estimate of N2, 347.7 billion. The data also reveal that apart from Company Income Tax, all the other non-oil revenue receipts were lower than their respective annual estimates. Company Income Tax of N848.57 billion grew by N20.38 billion (or 2.46%) over its annual estimate of N828.18 billion. On the other hand, Value Added Tax of N710.15 billion and Customs & Excise Duties of N474.92 billion were lower by N92.72 billion (or 11.55%) and N125.66 billion (or 20.92%) when compared with their respective annual projections of N802.86 billion and N600.58 billion. In line with the recent trend, the revenue collections in these categories are expected to improve further since a significant proportion of these revenue receipts matures at the tail end of the year.

Table 3.1: Net Distributable Revenue as at December, 2012 (Oil Revenue at Benchmark Assumptions)

S/N	DESCRIPTION	BUDGET		2012 ACTUAL					2011 Annual Actual	VARIANCE							
		Annual	Quarterly	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual		4th Quarter Actual Vs Quarterly		4th Quarter Vs 3rd Quarter (Actual)		Actual Vs Budget (Annual)		2012 Vs 2011 (Actual)	
A	OIL REVENUE	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%	N'bn	%
1	Crude Oil Sales	3,693.02	923.26	1,060.17	902.70	741.92	600.27	3,305.06	4,607.24	(322.98)	-34.98	(141.64)	-19.09	(387.96)	-10.51	(1,302.18)	-28.26
2	Gas Sales (NLNG Feedstock Slaes & Upstream Liquid Gas)	340.49	85.12	98.16	88.61	68.00	95.26	350.02	258.85	10.14	11.91	27.27	40.10	9.53	2.80	91.17	35.22
3	Royalties Oil & Gas	731.12	182.78	250.56	285.55	276.45	274.14	1,086.69	1,061.36	91.35	49.98	(2.31)	-0.84	355.56	48.63	25.33	2.39
4	Rent	0.78	0.19	0.13	0.03	0.29	0.01	0.45	0.37	(0.19)	-95.71	(0.28)	-97.12	(0.32)	-41.38	0.08	22.79
5	Gas Flared Penalty	3.20	0.80	0.49	0.69	1.43	1.09	3.70	3.44	0.29	36.58	(0.33)	-23.30	0.50	15.59	0.26	7.56
6	PPT & Gas Tax @CITA	1,865.42	466.36	943.48	680.58	824.82	829.82	3,278.70	2,915.24	363.47	77.94	5.00	0.61	1,413.28	75.76	363.46	12.47
7	Other Oil and Gas Revenue	2.48	0.62	0.18	0.60	0.40	0.15	1.32	2.11	(0.47)	-76.09	(0.26)	-63.30	(1.16)	-46.60	(0.79)	-37.24
8	Sub-Total	6,636.51	1,659.13	2,353.17	1,958.74	1,913.30	1,800.74	8,025.95	8,848.61	141.61	8.54	(112.55)	-5.88	1,389.43	20.94	(822.66)	-9.30
9	Joint Venture Cash Calls	1,141.51	285.38	261.06	301.59	285.06	284.91	1,132.62	1,008.81	(0.46)	-0.16	(0.14)	-0.05	(8.89)	-0.78	123.81	12.27
10	Domestic Fuel Subsidy (NNPC)	888.10	222.03	210.00	50.00	-	-	260.00	785.91	(222.03)	-100.00	-		(628.10)	-70.72	(525.91)	-66.92
11	Under Remittance of Funds by NNPC	-	-	31.15	-	-	-	31.15	(30.47)	-		-		31.15		61.62	-202.22
12	Oil Excess Revenue	-	-	-	26.19	85.01	-	111.21		-		(85.01)	-100.00	111.21		111.21	
13	Sub-Total	4,606.91	1,151.73	1,850.97	1,580.96	1,543.23	1,515.83	6,490.98	7,084.37	364.10	31.61	(27.40)	-1.78	1,884.07	40.90	(593.39)	-8.38
14	Transfer to Excess Crude Account	-	-	847.91	440.96	545.08	474.80	2,308.75	3,068.84	474.80		(70.28)	-12.89	2,308.75		(760.09)	-24.77
15	Balance Oil Revenue	4,606.91	1,151.73	1,003.05	1,140.00	998.15	1,041.03	4,182.23	4,015.53	(110.70)	-9.61	42.88	4.30	(424.68)	-9.22	166.70	4.15
16	13% Derivation of Net Oil Revenue	598.90	149.72	130.40	148.20	129.76	135.33	543.69	522.02	(14.39)	-9.61	5.57	4.30	(55.21)	-9.22	21.67	4.15
17	TO FEDERATION ACCOUNT	4,008.01	1,002.00	872.66	991.80	868.39	905.69	3,638.54	3,493.51	(96.31)	-9.61	37.31	4.30	(369.47)	-9.22	145.03	4.15
B	NON-OIL REVENUE		-	-	-	-	-	-	-	-		-		-		-	
18	Value Added Tax (VAT)	802.86	200.72	170.98	181.77	173.57	183.83	710.15	649.50	(16.88)	-8.41	10.27	5.91	(92.72)	-11.55	60.65	9.34
19	Corporate Tax,CIT, CGT, Stamp Duties	828.18	207.05	124.41	157.41	398.65	168.09	848.57	716.92	(38.96)	-18.81	(230.56)	-57.84	20.38	2.46	131.65	18.36
20	Customs: Import, Excise & Fees	600.58	150.15	109.28	117.69	126.94	121.01	474.92	422.09	(29.14)	-19.41	(5.93)	-4.67	(125.66)	-20.92	52.83	12.52
21	Special Levies	116.07	29.02	-	-	-	-	-	-	(29.02)	-100.00	-		(116.07)	-100.00	-	
22	Sub-Total	2,347.70	586.92	404.67	456.88	699.16	472.93	2,033.63	1,788.51	(114.00)	-19.42	(226.23)	-32.36	(314.07)	-13.38	245.12	13.71
23	Cost of Collection and Other Deductions	120.21	30.05	19.47	21.81	31.77	22.55	95.59	84.19	(7.50)	-24.97	(9.23)	-29.04	(24.61)	-20.48	11.40	13.54
24	Cost of Collection (VAT)	32.11	8.03	6.84	7.27	6.94	7.35	28.41	25.98	(0.68)	-8.41	0.41	5.91	(3.71)	-11.55	2.43	9.34
25	4% Cost of Collection (CIT)	32.93	8.23	4.98	6.30	15.95	6.72	33.94	28.67	(1.51)	-18.32	(9.22)	-57.84	1.02	3.08	5.27	18.39
26	7% Cost of Collection (Customs)	50.17	12.54	7.65	8.24	8.89	8.47	33.24	29.55	(4.07)	-32.46	(0.42)	-4.67	(16.92)	-33.73	3.69	12.50
27	FIRS Tax Refunds	5.00	1.25	-	-	-	-	-	-	(1.25)	-100.00	-		(5.00)	-100.00	-	
28	TO FEDERATION ACCOUNT (NON-OIL)	1,456.74	364.19	221.06	260.57	500.76	273.90	1,256.30	1,080.80	(90.28)	-24.79	(226.86)	-45.30	(200.45)	-13.76	175.50	16.24
29	Total VAT Pool	770.75	192.69	164.14	174.50	166.62	176.48	681.74	623.52	(16.21)	-8.41	9.85	5.91	(89.01)	-11.55	58.22	9.34
30	Net Non-Oil Revenue	2,227.49	556.87	385.20	435.07	667.39	450.38	1,938.04	1,704.32	(106.49)	-19.12	(217.00)	-32.52	(289.45)	-12.99	233.72	13.71
31	Sub-Total: FEDERATION ACCOUNT	5,464.75	1,366.19	1,093.72	1,252.37	1,369.15	1,179.60	4,894.83	4,574.31	(186.59)	-13.66	(189.55)	-13.84	(569.92)	-10.43	320.52	7.01
32	Balance in Special Acct. End of Previous Y2011	12.44	3.11	-	-	-	-	-	-	(3.11)		-		(12.44)	-100.00	-	
33	TOTAL FEDERATION ACCOUNT	5,477.19	1,369.30	1,093.72	1,252.37	1,369.15	1,179.60	4,894.83	4,574.31	(189.70)	-13.85	(189.55)	-13.84	(582.36)	-10.63	320.52	7.01
C	TOTAL DISTRIBUTION		-	-	-	-	-	-	-	-		-		-		-	
1	Federation Account	5,477.19	1,369.30	1,093.72	1,252.37	1,369.15	1,179.60	4,894.83	4,574.31	(189.70)	-13.85	(189.55)	-13.84	(582.36)	-10.63	320.52	7.01
2	VAT Pool Account	770.75	192.69	164.14	174.50	166.62	176.48	681.74	623.52	(16.21)	-8.41	9.85	5.91	(89.01)	-11.55	58.22	9.34
3	GRAND TOTAL	6,247.94	1,561.98	1,257.86	1,426.87	1,535.77	1,356.08	5,576.57	5,197.83	(205.91)	-13.18	(179.70)	-11.70	(671.37)	-10.75	378.74	7.29

Source: OAGF and Budget Office of the Federation

Table 3.2: Actual performance of Non-Oil Revenue category (2005-2011)

Description	2005	2006	2007	2008	2009	2010	2011	7 - Year Average
	N' m	N' m	N' m	N' m	N' m	N' m	N' m	N' m
Customs Duties & Excise	228,645.20	176,297.90	248,941.30	274,407.60	278,940.00	309,193.00	422,090.00	276,930.71
Company Income Tax	162,166.30	244,807.80	327,040.20	416,825.50	564,950.00	657,278.00	716,920.00	441,426.83
Value Added Tax	189,969.40	230,370.30	301,709.60	404,527.80	468,388.90	562,857.00	649,500.00	401,046.14
Education Tax	21,849.00	23,950.00	50,650.00	59,387.00	61,058.20	-	-	30,984.89
FGN Independent Revenue	52,483.20	106,600.00	152,290.00	198,234.20	64,114.70	153,551.90	182,490.00	129,966.29

Source: OAGF and BOF

Table 3.3: Percentage Growth in Non-Oil Revenues (2006-2011)

Description	2006	2007	2008	2009	2010	2011	6-Year Avergae
Customs Duties & Excise	-22.89%	41.20%	10.23%	1.65%	10.85%	36.51%	12.93%
Company Income Tax	50.96%	33.59%	27.45%	35.54%	16.34%	9.07%	28.83%
Value Added Tax	21.27%	30.97%	34.08%	15.79%	20.17%	15.39%	22.95%
FGN Independent Revenue	103.11%	42.86%	30.17%	-67.66%	139.50%	18.85%	44.47%

Source: OAGF and BOF

Comparative Revenue Performance Analysis

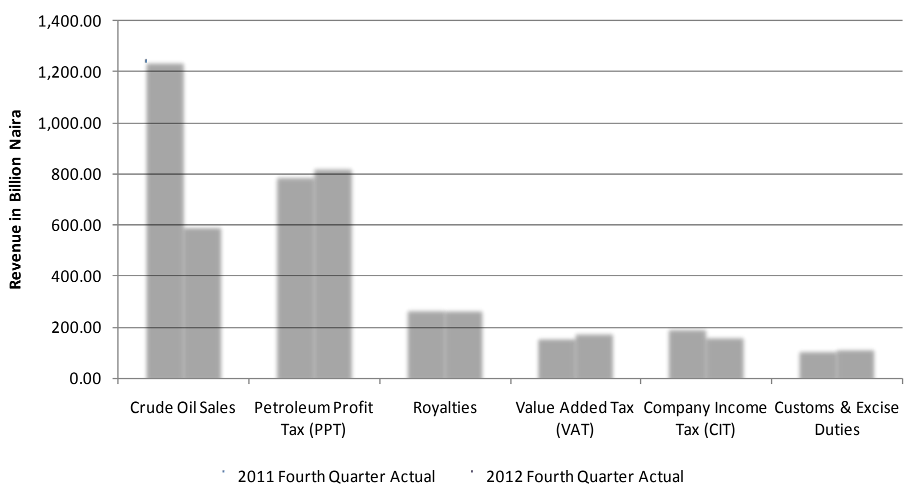
26. A comparative analysis of the data further indicates that the aggregate oil revenue receipts in the fourth quarter of 2012 were not only lower than their respective projections for the period, but were also short of the corresponding levels in the same period of 2011. The low performance can be attributed to the activities of pipeline vandals and crude oil theft in the period. Similarly, the aggregate non-oil revenues for the same period exhibited the same pattern of underperformance against corresponding figures recorded in 2011. Please see data below in *Table 3.4*.

Table 3.4: Performance of Revenue in the Fourth Quarter of 2012 Vs 2011

Revenue Items	2011 4th Quarter Actual	2012 4th Quarter Actual	Variance 4th Quarter 2012 Vs 4th Quarter 2011	
Oil Revenue	N bns	N bns	N bns	%
Crude Oil Sales	1,245.34	600.27	-645.07	-51.80
Petroleum Profit Tax (PPT)	797.6	829.82	32.22	4.04
Royalties	274.87	274.14	-0.73	-0.27
Gross Oil Revenue	2,377.66	1,800.74	-576.92	-24.26
Net Oil Receipts	968.26	905.69	-62.57	-6.46
Non-Oil Revenue				
Value Added Tax (VAT)	164.69	183.83	19.14	11.62
Company Income Tax (CIT)	200.47	168.09	-32.38	-16.15
Customs & Excise Duties	114.88	121.01	6.13	5.34
Gross Non-Oil Revenue	480.04	472.93	-7.11	-1.48
Net Non-Oil Receipts	457.41	450.38	-7.03	-1.54

Source: OAGF and Budget Office of the Federation

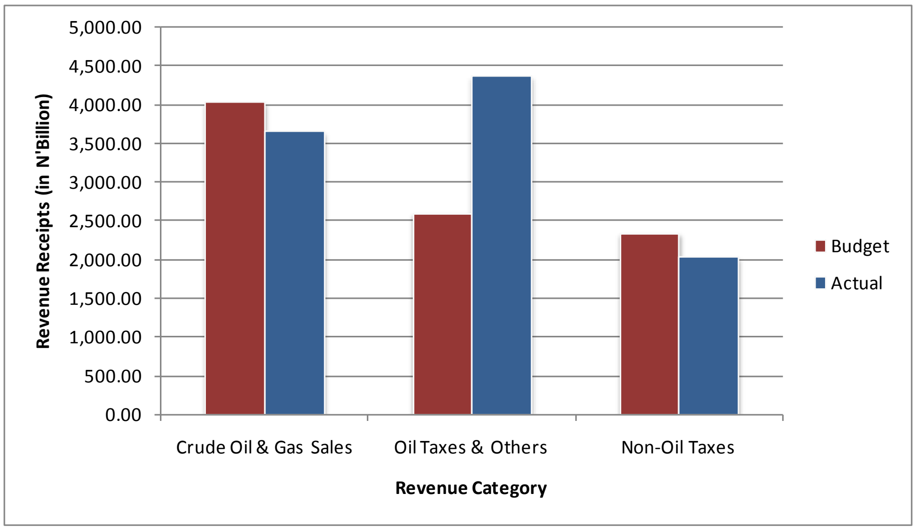
Chart 3.1: 2011 Vs 2012 Revenue Performance (Fourth Quarter)



Source: OAGF and Budget Office of the Federation

27. *Chart 3.2* below is a graphical illustration of the actual performance of revenue categories compared to their budgeted estimates as at December 2012.

Chart 3.2: Projected Vs Actual FAAC Revenue Receipts (as at December 2012)



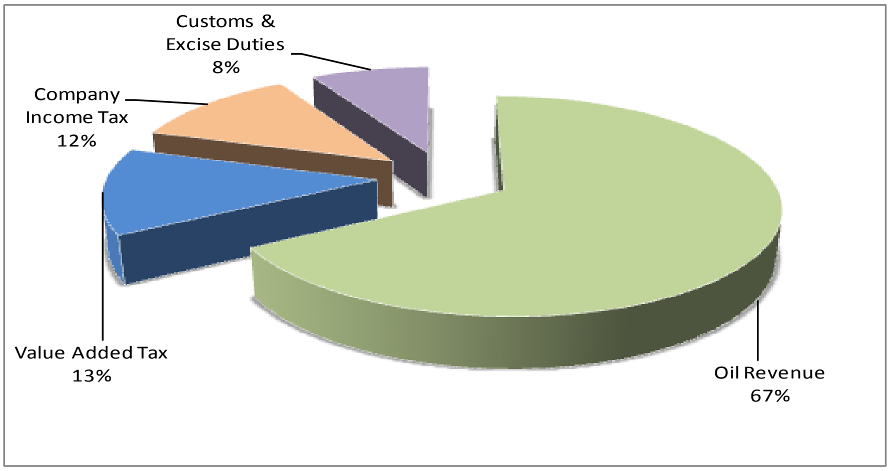
Source: Budget Office of the Federation

Distributable Revenue

28. The net distributable revenue is the balance of funds in the Federation Account available for distribution among the three tiers of government after taking out all costs. A net sum of N1, 356.08 billion was available for sharing in the fourth quarter of 2012. This implies a shortfall of N205.91 billion (or 13.18%) in the fourth quarter, and a cumulative shortfall of N671.37 billion (or 10.75%) for the year.

29. *Chart 3.3* below presents the percentage contribution of the various revenue categories to distributable revenue in the fourth quarter of 2012.

Chart 3.3: Contributions to Distributable Revenue (in the 4th Quarter of 2012)

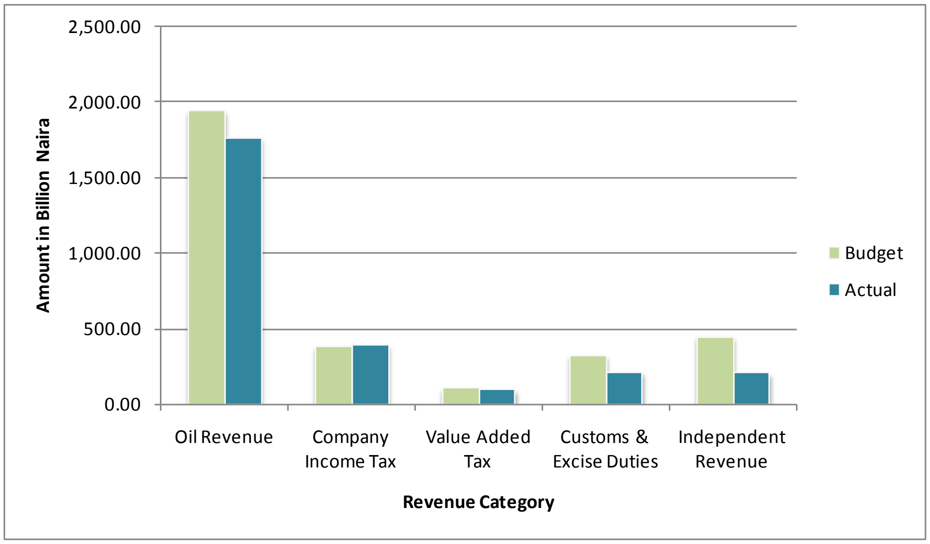


Source: Budget Office of the Federation

3.3 FGN Budget Revenue

30. Based on the approved 2012 Budget framework, the sum of N3, 561.02 billion was projected to fund the Federal Budget implying a quarterly share of N890.25 billion. In the fourth quarter of 2012, the sum of N439.26 billion received from oil sources was lower than the quarterly estimate of N485.97 billion by N46.71 billion (or 9.61%); as indicated earlier. Similarly, the FGN share of VAT of N24.71 billion, Customs & Excise Duties of N54.58 billion and Company Income Tax of N78.26 billion were short of their respective quarterly projection of N26.98 billion, N80.81 billion and N95.82 billion by N2.27 billion (or 8.41%), N26.23 billion (or 32.46%) and N17.56 billion (or 18.32%). The foregoing followed the same pattern of their respective performances at the Federation Account level. The data are presented below in *Table 3.5.*

Chart 3.4: FGN Revenue (Budget Vs Actual as at December 2012)



Source: The OAGF and Budget Office of the Federation

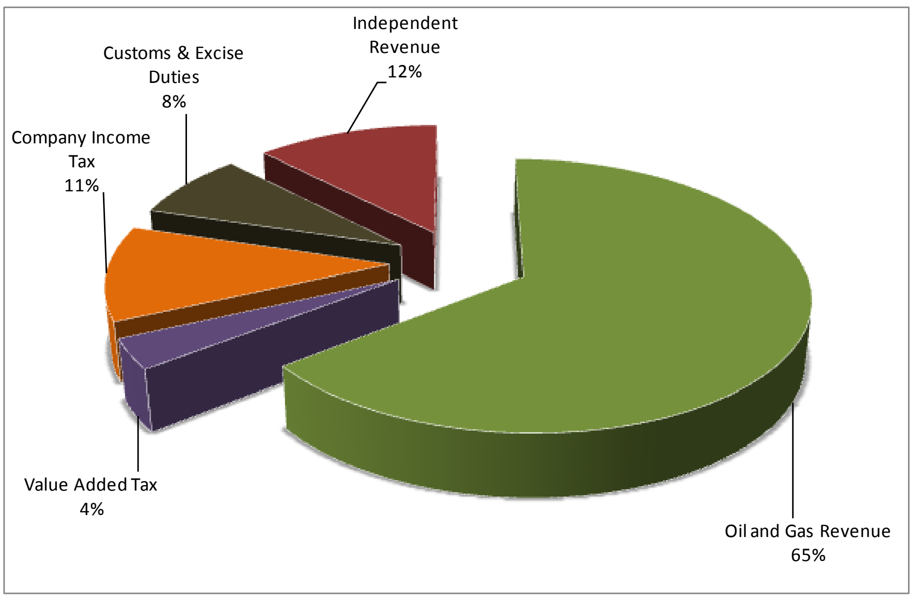
Table 3.5: Inflows to the 2012 Federal Budget as at December 2012

ITEMS	BUDGET		ACTUAL						VARIANCE							
	Annual	Quarterly	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual	2011 Annual Actual	4th Quarter Actual Vs Quarterly Budget		4th Quarter Vs 3rd Quarter (Actual)		Actual Vs Budget (Annual)		2012 Vs 2011 (Actual)	
Inflow for the Federal Budget (CRF)	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%	N'bn	%
FGN Share of Oil Revenue	1,943.88	485.97	423.24	481.02	421.17	439.26	1,764.69	1,694.35	(46.71)	(9.61)	18.09	4.30	(179.19)	(9.22)	70.34	4.15
FGN Share of Non-Oil Revenue	820.46	205.11	130.20	150.81	266.20	157.55	704.75	793.97	(47.57)	(23.19)	(108.65)	(40.81)	(115.71)	(14.10)	(89.22)	(11.24)
FGN Share of Value Added Tax (VAT)	107.90	26.98	22.98	24.43	23.33	24.71	95.44	87.29	(2.27)	(8.41)	1.38	5.91	(12.46)	(11.55)	8.15	9.34
FGN Share of Customs	323.25	80.81	49.29	53.09	57.26	54.58	214.21	190.39	(26.23)	(32.46)	(2.68)	(4.67)	(109.04)	(33.73)	23.82	12.51
FGN Share of CIT	383.27	95.82	57.93	73.29	185.61	78.26	395.09	333.80	(17.56)	(18.32)	(107.35)	(57.84)	11.82	3.08	61.29	18.36
FGN Share of Actual Balances in Special Accounts	6.03	1.51	-	-	-	-	-	-	(1.51)	(100.00)	-		(6.03)	(100.00)	-	
FGN Independent Revenue	446.78	111.70	99.78	28.78	(5.33)	83.54	206.77	182.49	(28.15)	(25.21)	88.88	(1,666.22)	(240.01)	(53.72)	24.28	13.30
FGN Bal of Special Accts as at 31/12/11:	43.11	10.78	-	-	40.93	-	40.93	8.23	(10.78)	(100.00)	(40.93)	(100.00)	(2.18)	(5.05)	32.70	397.33
Unspent Balance from Previous FY	306.79	76.70	4.73	21.10	1.56	29.23	56.61	19.76	(47.47)	(61.90)	27.67	1,779.42	(250.17)	(81.55)	36.85	186.51
Sub-Total	3,561.02	890.25	657.95	681.71	724.52	709.58	2,773.75	2,516.31	(180.68)	(20.29)	(14.94)	(2.06)	(787.27)	(22.11)	257.44	10.23
Other Financing Sources	-	-	282.96	9.06	65.32	-	357.34	50.36	-		(65.32)	(100.00)	357.34		306.98	609.57
Savings (Augumentation)	-	-	185.89	9.06	-	-	194.95	-	-		-		194.95		194.95	
Excess Crude Proceeds	-	-	97.07	-	65.32	-	162.39	-	-		(65.32)	(100.00)	162.39		162.39	
External Creditor Funding	-	-	-	-	-	-	-	41.66	-		-		-		(41.66)	(100.00)
Plea Bargaining	-	-	-	-	-	-	-	8.70	-		-		-		(8.70)	(100.00)
Total Revenue Available for Implementation	3,561.02	890.25	940.91	690.77	789.84	709.58	3,131.09	2,566.67	(180.68)	(20.29)	(80.26)	(10.16)	(429.93)	(12.07)	564.42	21.99

Source: Budget Office of the Federation and the OAGF

31. A total of N709.58 billion, excluding other funding sources, was received in the fourth quarter of 2012. This amount was N180.68 billion (or 20.29%) lower than the quarterly projection of N890.25 billion and N14.94 billion (or 2.06%) lower than the actual receipt of N724.52 billion recorded in the third quarter of 2012. However, the aggregate revenue in the fourth quarter of 2012 was N19.4 billion (or 2.81%) higher than the N690.18 billion recorded in the fourth quarter of 2011.

Chart 3.5: Contribution to the FGN Budget Revenue in the Fourth Quarter of 2012 (*Excluding FGN's Unspent Balances and FGN's Balances in Special Accounts*)



Source: The OAGF and Budget Office of the Federation

3.4 Excess Crude Account

32. The Excess Crude Account (ECA) was initiated to serve as a stabilization and savings account. Inflows into the ECA in the fourth quarter of 2012 amounted to N474.8 billion while the total inflow for the year was N2, 308.75 billion. The inflow in the fourth quarter was N70.28 billion (or 12.89 %) and

Comment [MSOffice1]: At the end of December 2010, the inflow to the ECA showed a huge difference when compared with what happened in 2009. In this 2010 Full year report, the ECA in more comprehensive compared to the 2009 Full year report. Though the auditing that is FRC recommended is not mentioned on this report

N314.52 billion (or 39.85%) lower than the N545.08 billion and N789.32 billion recorded in the third quarter of 2012 and fourth quarter of 2011 respectively. Similarly, the total inflow for 2012 was N760.09 billion (or 24.77%) below the N3,068.84 billion received in 2011 reflective of the higher crude oil price and increased output in the period. The sum of N828.39 billion was withdrawn from the account in the fourth quarter of 2012 making the total drawdown from the account as at 31st December 2012 to N2, 066.69 billion. These data are presented in *Table 3.6.*

Table 3.6: Inflows to the Excess Crude Account

Description	2011 Actual (N' bns)					2012 Actual (N' bns)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Jan -Dec.	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Jan - Dec.
Inflows										
Transfer to Excess Crude Oil Account	739.40	628.71	911.41	789.32	3,068.84	847.91	440.96	545.08	474.8	2,308.75
Outflows										
Payment for Petroleum Product Subsidy	41.4	35.1	542.34	42	660.84	149	29	21	284	483
Augmentation: Distribution among tiers of govt.	8.01	265.99	134.27	707.07	1,115.34	674.11	165.15	154.87	398.98	1,393.11
Transfer for Special Intervention Fund		4.5			4.5	8.29		36.88	145.41	190.58
Transfers Int. trf - SWF				0.14	0.14					
Total Outflow	49.41	305.59	676.61	749.21	1,780.82	831.4	194.15	212.75	828.39	2,066.69

Source: Office of the Accountant General of the Federation

3.5 Expenditure Developments

33. A total of N4, 877.21 billion made up of the regular budget of N4, 697.21 billion, and N180 billion for the Subsidy Reinvestment Programme (SURE-P) was appropriated[1] in 2012.

[1] See 2012 First Quarter Budget Implementation Report

3.5.1 Non-Debt Recurrent Expenditure

34. As indicated in the *2012 First Quarter Budget Implementation Report,* Government has been evolving policy measures[2] aimed at gradually reversing the skewness of budgetary allocations towards the recurrent category. A breakdown of the data from the OAGF shows that a total of N609.12 billion was expended on non-debt recurrent expenditure in the fourth quarter of 2012. Cumulatively, an aggregate of N2, 400.3 billion had been committed to recurrent (non-debt) expenditure representing a variance of N24.75 billion (or 1.02%) when compared to the annual budget of N2, 425.05 billion.

Comment [MSOffice2]: Personal cost and overheads have also gone lower than 2009.Though the ratio relative to capital expenditure of 52.86% still exceeds the international accepted benchmark of 40%.

3.5.2 Debt Service

35. Provisional data from the Debt Management Office indicate that as at 31st December the Federal Government domestic debt stock stood at N6,537.54 billion, an increase of N914.7 billion over the N5,622.84 billion and N6,346.04 billion recorded at the end of 2011 and the third quarter of 2012 respectively. A breakdown of the domestic debt stock as at 31st December reveals that N4,080.05 billion (or 62.41%) is for FGN Bonds, N2,122.93 billion (or 32.47%) is for NTBs and N334.56 billion (or 5.12%) is for Treasury Bonds.

36. The sum of N176.24 billion was released for domestic debt servicing in the fourth quarter of 2012. The actual domestic debt service payment for the fourth quarter of 2012 amounted to N182.24 billion. This consists of N68.0 billion for NTBs, N106.81 billion for FGN Bonds and N7.43 billion for Treasury bonds. The actual total domestic debt payment for 2012 was N720.55 billion while the budgeted estimate was N511.98 billion. The difference of N208.57 billion (or 40.74%) between the budgeted and actual payments for the year was due mainly to higher cost of funds in the market during the period.

Comment [MSOffice3]: The total recurrent debt service in the fourth quarter of 2010 was also higher than 2009 fourth quarter

[2] See 2012 First Quarter Budget Implementation Report

37. Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 31st December, 2012, stood at US$6,527.07 million indicating an increase of US$860.49 million (or 15.19%) and US$230.9 million (or 3.67%) over the US$5,666.58 million and US$6,296.17 million recorded at the end of 2011 and third quarter of 2012 respectively. The rise in the external debt stock in 2012 over that of 2011 was as a result of the net effect of additional disbursements in the sum of US$803.6 million from January to December 2012 in respect to some of the existing loans, taking into account the principal repayment of US$158.65 million as well as cross exchange rate movements between the different currencies in the loan portfolio.

38. A breakdown of the external debt stock in the fourth quarter of 2012 shows that Multilateral Debts amounted to US$5,267.42 million (or 80.7%), Non-Paris Club Bilateral and Commercial debts amounted to US$759.66 million (or 11.64%) while ICM (Euro-Bond) accounted for the balance of US$500million (or 7.66%).

39. The sum of US$293 million was the actual debt service payment from January to December 2012, while the budgeted external debt service payment for the same period was US$388.1 million. A breakdown of the external debt service payments for 2012 show that US$126.92 million (or 43.32%) was to Multilateral Creditors, US$45.28 million (or 15.45%) was to Non-Paris Bilateral Creditors, US$45.32 million (or 15.47%) was to Non-Paris Commercial Creditors, US$33.75 million (or 11.52%) was to ICM (Euro-Bond) and US$41.73 million (or 14.24) was to other Creditors.

Table 3.7: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at December 2012

ITEMS	BUDGET		2012 ACTUAL					2011	VARIANCE							
	Annual	Quarterly	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual	Annual Actual	4th Quarter Actual Vs Quarterly Budget		4th Quarter Vs 3rd Quarter (Actual)		Actual Vs Budget (Annual)		2012 Vs 2011 (Actual)	
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%	N'bn	%
TOTAL INFLOW	3,561.02	890.25	940.91	690.77	789.84	709.58	3,131.09	2,566.67	(180.68)	(20.29)	(80.26)	(10.16)	(429.93)	(12.07)	564.42	21.99
EXPENDITURE:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RECURRENT EXPENDITURE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personnel Cost, Pension & Gratuities	1,799.60	449.90	422.37	524.34	435.72	428.24	1,810.66	1,853.96	(21.66)	(4.81)	(7.48)	(1.72)	11.06	0.61	(43.30)	(2.34)
Overhead Cost & Service Wide Vote	625.45	156.36	96.03	66.95	245.78	180.88	589.64	673.30	24.52	15.68	(64.91)	(26.41)	(35.81)	(5.72)	(83.66)	(12.42)
Sub Total (Non-Debt)	2,425.05	606.26	518.40	591.28	681.50	609.12	2,400.30	2,527.26	2.85	0.47	(72.38)	(10.62)	(24.75)	(1.02)	(126.96)	(5.02)
Domestic Debts & Int. on Ways	511.98	128.00	95.94	190.96	169.72	176.24	632.86	485.42	48.24	37.69	6.51	3.84	120.88	23.61	147.44	30.37
Foreign Debts	47.60	11.90	10.28	11.67	12.10	12.37	46.42	41.66	0.47	3.92	0.27	2.23	(1.18)	(2.48)	4.76	11.42
Sub-Total (Debt)	559.58	139.90	106.22	202.63	181.82	188.61	679.28	527.08	48.71	34.82	6.78	3.73	119.70	21.39	152.20	28.88
CAPITAL EXPENDITURE:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
*Capital Releases 2012	1,339.99	335.00	155.38	103.87	186.31	298.86	744.42	918.55	(36.13)	(10.79)	112.56	60.42	(595.57)	(44.45)	(174.13)	(18.96)
Sub-Total (Capital)	1,339.99	335.00	155.38	103.87	186.31	298.86	744.42	918.55	(36.13)	(10.79)	112.56	60.42	(595.57)	(44.45)	(174.13)	(18.96)
TRANSFER:		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NDDC	48.67	12.17	-	-	25.83	12.91	38.74	56.08	0.74	6.11	(12.91)	(50.00)	(9.94)	(20.41)	(17.34)	(30.93)
National Judicial Council	75.00	18.75	21.25	17.92	-	17.92	57.08	95.00	(0.83)	(4.45)	17.92		(17.92)	(23.89)	(37.92)	(39.91)
Universal Basic Education	63.12	15.78	16.14	15.66	15.66	15.66	63.12	64.57	(0.12)	(0.77)	-	-	(0.00)	(0.00)	(1.45)	(2.25)
Ind. Nat. Elect. Comm.	35.00	8.75	10.00	-	-	25.00	35.00	9.50	16.25	185.71	25.00		-	-	25.50	268.42
Natioal Human Rights Comm.	0.80	0.20	-	-	0.43	0.22	0.65	-	0.02	8.23	(0.22)	(50.00)	(0.15)	(18.83)	0.65	
National Assembly	150.00	37.50	37.65	37.50	37.50	-	112.65	69.43	(37.50)	(100.00)	(37.50)	(100.00)	(37.35)	(24.90)	43.22	62.25
STF Retention Fee	-	-	-	-	-	-	-	0.22	-	-	-	-	-	-	(0.22)	(100.00)
FCTA	-	-	-	-	-	-	-	2.91	-	-	-	-	-	-	(2.91)	(100.00)
FCT/FIRS	-	-	-	-	-	-	-	31.49	-	-	-	-	-	-	(31.49)	(100.00)
Sub-Total (Transfers)	372.59	93.15	85.04	71.07	79.42	71.70	307.23	329.20	(21.45)	(23.02)	(7.71)	(9.71)	(65.36)	(17.54)	(21.97)	(6.67)
TOTAL EXPENDITURE	4,697.21	1,174.30	865.04	968.86	1,129.04	1,168.29	4,131.23	4,302.09	(6.01)	(0.51)	39.25	3.48	(565.98)	(12.05)	(170.86)	(3.97)
Fiscal Deficit	(1,136.19)	(284.05)	75.87	(278.10)	(339.21)	(458.71)	(1,000.14)	(1,735.42)	(174.66)	61.49	(119.50)	35.23	136.05	(11.97)	735.28	(42.37)
FINANCING ITEMS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Privitization Proceeds	10.00	2.50	3.50	-	4.00	-	7.50	3.03	(2.50)	(100.00)	(4.00)	(100.00)	(2.50)	(25.00)	4.47	147.52
Signature Bonus	75.00	18.75	-	-	-	-	-	20.66	(18.75)	(100.00)	-		(75.00)	(100.00)	(20.66)	(100.00)
FGN Sharefrom Stabilisation	306.76	76.69	98.28	-	65.32	-	163.59		(76.69)	(100.00)	(65.32)	(100.00)	(143.16)	(46.67)	163.59	
Domestic borrowing (FGN	744.44	186.11	200.00	117.00	377.29	50.15	744.44	852.27	(135.96)	(73.06)	(327.14)	(86.71)	-	-	(107.83)	(12.65)
Borrowing from Dev. Of Natural Resources Account	-	-	-	-	74.00	-	74.00	-	-	-	(74.00)	(100.00)	74.00	-	74.00	-
International Bond($500m)	-	-	-	-	-	-	-	73.33	-	-	-	-	-	-	(73.33)	(100.00)
Borrowing from Special Account	-	-	-	-	-	-	-	(40.00)	-	-	-	-	-	-	40.00	(100.00)
Sub-Total	1,136.19	284.05	301.78	117.00	520.61	50.15	989.53	909.29	(233.90)	(82.35)	(470.46)	(90.37)	(146.66)	(12.91)	80.24	8.82
Net Deficit/Surplus	0.00	0.00	377.65	(161.10)	181.40	(408.56)	(10.61)	(826.13)	(408.56)		(589.96)	(325.23)	(10.62)		815.52	(98.72)

Source: OAGF and Budget Office

40. The total public debt stock as at 31st December 2012 stood at US$48.5 billion (or N7.55 trillion). The breakdown consists of US$6.53 billion (or N1.02 trillion or 13.51%) for external debt while the balance of US$41.97 billion (or 86.62%) was for domestic debt stock. The total net present value of Debt/GDP (external and domestic) ratio as December 2012 was 19.4%. This is significantly below the global threshold of 40%.

3.5.3 Capital Expenditure Performance

MDAs' Capital Vote Utilization:

41. Data from the Office of the Accountant General of the Federation (OAGF) reveal that as at 31st December, 2012 a cumulative total of N1,017.46 billion had been released for the implementation of MDAs' approved capital projects/programmes. Of this amount, the sum of N739.30 billion of the total releases had been cash-backed. It is necessary to note that the implementation of the 2012 Capital Budget actually started in April 2012 when the Budget was signed into law.

Performance as at 31st December, 2012

42. The data also shows that N686.3 billion (or 92.83%) of the total amount cash-backed had been utilized by MDAs as at 31st December 2012. *Appendix 1* to this Report shows the funds released to and utilized by MDAs in the period. An analysis of forty-nine (49) MDAs reported upon by the Office of the Accountant-General of the Federation (OAGF) reveals different levels of utilization among the MDAs. Thirty one (or 63.27%) of the MDAs including: Presidency, Youth Development, Police Affairs, Women Affairs, Agriculture, Water Resources, Education, Federal Capital Territory Administration, Foreign & Intergovernmental Affairs, Interior, Power, Science & Technology, Works, Mines & Steel and Aviation had utilized more than the overall average utilization rate of 92.83% of the amount cash-backed. Twenty-one out of these, including Youth Development, Police Affairs, Agriculture, Women Affairs, Federal Capital

Territory Administration (FCTA), Interior, Head of Service, Works, Science & Technology and Aviation had utilized over 99% of their respective cash-backed funds.

43. The utilization report also shows that 8 MDAs (or 16.33%), which include OSGF, Police Formations, ICPC, Petroleum, National Salaries & Wages, Fiscal Responsibility Commission, National Population and Revenue Mobilization Allocation & Fiscal Commission had utilized less than 80% of their cash-backed funds. Only four (or 8.16%) of MDAs including ICPC, Petroleum, Fiscal Responsibility Commission and Revenue Mobilization Allocation & Fiscal Commission had a utilization rate of less than 50% during the period. *Table 3.8* below is an extract from *Appendix 1* highlighting the utilization rates of ten MDAs considered to be crucial to the actualization of the Government's Transformation agenda.

Table 3.8: A Sample of MDAs' Capital Budget Utilization (as at 31st December, 2012)

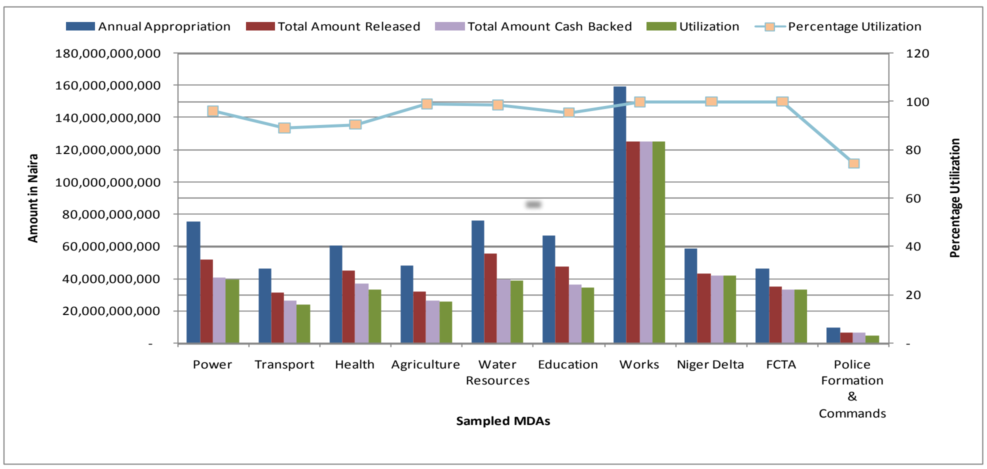
MDA	Annual Appropriation	Total Amount Released	Total Amount Cash Backed	Utilization			
	N	N	N	N	As % of Annual Capital Appropriation	As % of Cash Backed Funds	As % of Budgetary Releases
Power	75,464,688,374	52,031,992,739	41,102,440,127	39,550,991,519	52.41	96.23	76.01
Transport	46,859,372,512	31,511,843,588	26,943,674,037	24,022,722,274	51.27	89.16	76.23
Health	60,920,219,702	45,000,074,681	37,171,222,269	33,682,405,609	55.29	90.61	74.85
Agriculture	48,191,750,279	32,471,753,574	26,388,224,297	26,142,756,927	54.25	99.07	80.51
Water Resources	76,388,411,863	55,560,589,210	39,756,812,454	39,219,360,804	51.34	98.65	70.59
Education	66,833,018,506	47,593,955,920	36,457,191,146	34,832,452,634	52.12	95.54	73.19
Works	159,463,529,702	125,570,823,762	125,428,520,792	125,287,700,950	78.57	99.89	99.77
Niger Delta	59,222,134,484	43,653,599,579	41,987,049,359	41,984,427,601	70.89	99.99	96.18
FCTA	46,257,784,097	35,532,693,519	33,372,542,221	33,357,910,641	72.11	99.96	93.88
Police Formation & Commands	9,656,295,375	7,035,558,743	7,035,558,743	5,246,891,639	54.34	74.58	74.58
Total Average Utilization (by all MDAs)					51.23	92.83	67.45

Source: OAGF and BOF

3.5.4 Performance of the Financing Items:

44. The 2012 Fiscal Framework portrays a quarterly deficit of N284.05 billion to be financed through privatization proceeds of N2.5 billion, signature bonus of N18.75 billion, FGN's share from the Stabilization Fund Account of N76.69 billion and domestic borrowing (FGN Bond) of N186.11 billion. Some of the financing items, such as signature bonus did not materialize, thus resulting in a shortfall in this category.

Chart 3.9: Pictorial Representation of Selected MDAs Utilization



Source: BOF and OAGF

45. The chapter on the physical inspection of capital projects and programmes by personnel of the Budget Office of the Federation, in collaboration with relevant MDAs, Civil Society groups and the media is still under preparation and will be released shortly.

4.0 CONCLUSION

Macroeconomic indicators for the domestic economy in the fourth quarter show that the economy is performing well. GDP growth rate was 7.09% for the fourth quarter of 2012 with an overall average of 6.61% for 2012, which was slightly lower than the 7.45% level recorded in 2011. The non-oil sector remained the major driver of growth, recording an 8.23% increase as against the oil sector which contracted by 0.17%. In spite of the exigencies experienced in the year, the country's external and fiscal buffers have continued to rise with the external reserves climbing from US$41.19 billion in September to US$43.85 billion at the end of December. Relative to the end of December 2011 level of US$32.92 billion, the external reserves at the end of December 2012 had risen by US$10.93 billion (or 33.2%).

47. Provisional data indicate that a net distributable sum of N1, 356.08 billion accrued to the Federation Account for distribution among the three tiers of government in the fourth quarter of 2012 which was lower than the N1, 561.98 billion projected for the quarter. Cumulatively, as at December, an aggregate of N5, 576.57 billion was shared among the three tiers of government presenting a shortfall of N671.37 billion (or 10.75%). This follows from the shortfalls in oil revenue by N369.47 billion - arising mainly from lower oil lifting from Joint Venture oil production arrangements which usually yield higher takes to government than other production arrangements – and non-oil revenues by N289.45 billion due largely to lower-than-projected receipts from value added tax and customs & excise duties. Following from this situation, the aggregate revenue projected to fund the Federal budget was lower than N890.25 billion and N3,561.02 billion projected for the fourth quarter and the year by N180.68 billion and N787.27 billion respectively.

48. The implementation of recurrent expenditures in the fourth quarter remained largely on track. In aggregate, a total of N1, 017.46 billion out of the N1, 339.99 billion projected for capital budget implementation in 2012 had been released to MDAs as at December 2012. Of this, N739.3 billion had been

cash-backed while N686.3 billion was utilized by MDAs as at 31st December 2012.

49. An analysis of forty-nine (49) MDAs reported upon reveals varying levels of utilization among the MDAs, with most of them having utilized over 93% of their cash-backed releases.

50. This provisional report is focused on the macroeconomic environment and financial analysis of the implementation of the Budget. The Budget Office of the Federation, in collaboration with MDAs, Civil Society Organizations and media representatives are in the process of conducting physical monitoring and evaluation of selected capital projects for

the year. Their findings will be put together and consolidated with this interim report and published in due course.