

2012

# **3rd Quarter 2012 - Provisional Budget Implementation Report**

Budget Office of the Federation  
Federal Ministry of Finance



## FOREWORD

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I am pleased to present to you the Provisional Budget Implementation Report for the third quarter of year 2012. As has been the practice, this is in furtherance of Government's resolve to keep citizens informed and facilitate transparency and accountability in the management of our public resources in line with international best practice.

This Provisional Report which is the product of diligent work conducted by the Budget Office of the Federation has been prepared pursuant to the provisions of Sections 30 and 50 of the Fiscal Responsibility Act, 2007. While commending the Budget Office of the Federation for their hard work and dedication, I also wish to recognize the active role the National Assembly's Joint Finance Committee and the Fiscal Responsibility Commission have played in promoting best International practice in public financial management in our country, Nigeria and I look forward to continuing our collaborative work in this regard.

Finally, I enjoin readers of our Budget Implementation Reports to continue to take time to examine their contents and to evaluate the Federal Government's performance towards achieving the objectives set out in the annual Budget.

By doing so, we can all contribute more meaningfully to the preparation and robust implementation of our National Budgets for sustainable economic growth and development of the country and the realization of the transformation agenda of His Excellency Dr. Goodluck Ebele Jonathan, GCFR, President, Commander-In-Chief of the Federal Republic of Nigeria.

**Dr. Ngozi Okonjo-Iweala**

*Coordinating Minister for the Economy and  
Honourable Minister of Finance*

## PREFACE

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This provisional *Budget Implementation Report* for the third quarter of 2012 is the third in our series to keep Nigerians informed of the management of our public finance; and is being published ahead of a consolidated report that will include the outcome of the physical monitoring and evaluation of the implementation of capital projects and programmes in the third quarter.

The Report is being produced and published pursuant to the provisions of Sections 30 and 50 of the *Fiscal Responsibility Act, 2007* which mandates 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 and the general public.

As provisional data from the Office of the Accountant General of the Federation as at September, 2012 indicate, the implementation of the 2012 Budget in the third quarter of 2012 was challenging on several fronts particularly as net revenue receipts had not met the projections. However, due to regular engagements between the Budget Office/Federal Ministry of Finance and MDAs, and Mr. President's personal interventions, the implementation of the capital budget picked up significantly within the period under review and we expect this to improve further in the fourth quarter of the year.

I commend the team of the Budget Office of the Federation (BOF) and various collaborating institutions and the general public that contributed in making the production of this report possible.

**Dr. Bright Okogu**

Director General Budget Office of the Federation

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## EXECUTIVE SUMMARY

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The 2012 Budget was prepared with a focus on consolidating the recent fiscal and macroeconomic gains and achieving real economic growth through the stimulation of entrepreneurial activities. Although economic activities in the year started very slowly due to the partial removal of fuel subsidy and the late passage of the 2012 Budget, data from the National Bureau of Statistics indicate that the economy has consistently grown over the first three quarters of the year. The provisional real GDP growth rate for the third quarter was 6.48% which improved over the 6.17% and 6.28% recorded for the first and second quarters of 2012 respectively. The non-oil sector remained the major driver of growth recording a 7.5% increase as against the oil sector which decreased by 0.73% during the period. Gross external reserves also grew from US\$36.72 billion in June to US\$41.19 billion in September, 2012.

Data from the Office of the Accountant-General of the Federation (OAGF) indicate that a net distributable sum of N1,535.77 billion accrued for distribution to the three tiers of government in the third quarter of 2012. This amount was lower than the N1,561.98 billion projected for the quarter. A total of N4,220.5 billion was shared among the three tiers of government as at September 2012 as against the estimate of N4,685.95 prorated for the period thereby depicting a shortfall of N465.45 billion (or 9.93%). A total of N2,420.65 billion, including revenue from other sources was received to fund the Federal budget as at the end of the period presenting a shortfall of N250.11 billion (or 9.36%). This posed significant challenge to implementation of the budget over the period to 30 September 2012.

The data also indicate that the implementation of recurrent (non-debt) expenditure remained on track at about 98.7% as at September 2012. The sum of N710.9 billion out of the N1,004.99 billion projected for capital budget implementation for the period had been released to MDAs. Of this, N561.74 billion (or 79.02%) was cash-backed while N341.72 billion (or

60.83%) of the cash-backed sum had been utilized by the MDAs as at end of the quarter.

An analysis of forty-nine (49) MDAs reported upon by the OAGF shows a varied level of utilization of the capital funds. Twenty five of the MDAs including - Agriculture, Federal Capital Territory Administration, Trade & Investment, Interior, Science & Technology, Transport, Housing & Urban Development, Aviation, Mines & Steel, and Environment - had utilized more than the overall average utilization rate of 60.83%. Thirteen out of these, including - Federal Capital Territory Administration; Interior; Housing & Urban Development; and Mines & Steel development had utilized over 80% of their respective cash-backed releases. However, the data also shows that 13 MDAs (or 26.53%) had utilized less than 50% of their cash-backed funds.

The Budget Office of the Federation and the Federal Ministry of Finance will continue to engage with MDAs, lend necessary support, and evolve policies towards ensuring the delivery of promises inherent in the Federal budgets. We expect the pace of budget implementation to further increase in the fourth quarter particularly with the release of the fourth quarter capital warrant to MDAs. The usual field visits to inspect selected projects are being concluded so as to assess and report on the physical implementation of projects and programmes.

## 1.0 INTRODUCTION

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The 2012 Budget was crafted to translate the developmental plans of the Government as encapsulated in the *Transformation Agenda* into concrete actions. It focuses on achieving the dual goals of consolidating the fiscal gains of the recent years, and engendering inclusive growth of the economy through the achievement of macroeconomic stability, good governance, structural and institutional reforms as well as focused spending on key priority sectors of the economy as its broad policy thrust<sup>1</sup>.

2. The Budget was formulated against the backdrop of evolving global economic developments which guided the assumptions in the 2012-2014 Fiscal Framework. As such, deliberate policy measures including focusing of expenditure on key developmental projects, the completion of viable ongoing capital projects and programmes, among others, while blocking revenue leakages were taken to protect the domestic economy from the impact of the declining trend in global economy.

3. Implementation of the Budget in the first three quarters of the year has however been challenging due to late passage in April 2012; MDAs having to implement the 2011 capital budget and that of 2012 concurrently up to March 31, 2012; the flood disasters and the poor performance of some revenue categories. To forestall the impact of these factors on the implementation of projects and programmes, the Government through its cash management mechanism ensured effective management of the available funds towards achieving the economic transformation goals of the Administration.

4. In our recognition of the Citizen's stake in the budget cycle, this Report is designed to present comprehensive information on the implementation of the 2012 Budget as at the third quarter of 2012. The rest of this Report is

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<sup>1</sup> Please see 2012's First and Second Quarter Budget Implementation Reports.

structured to present: a brief review of the macroeconomic environment under which the Budget was implemented in the period; a detailed analysis of government's revenue receipts and expenditure in the third quarter of 2012; and a 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 once the analysis of the field visits is completed.



## 2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS

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### *Global economy*

In the third quarter of 2012, the global economy showed signs of further weakness following continued economic uncertainties in the euro-zone, poor macroeconomic performance in some advanced economies, and rising food and energy prices among others. The International Monetary Fund (IMF) World Economic Outlook (WEO) as of July, 2012 projected that global output would moderate to 3.5% in 2012 down from 3.6% forecast earlier made in April 2012. Growth in advanced economies was projected to decline from 1.6% in 2011 to 1.4% in 2012, with the slowdown being most severe in the peripheral economies where the dampening effects and uncertainty from tighter financial conditions are strongest.

6. It is expected that improving economic activities in the Middle East and North Africa (MENA) and Sub-Saharan Africa regions would partly offset the declining growth in the advanced and emerging markets in 2012. Real GDP growth was projected at 5% in each of the regions, with the driving factors including: rising natural resources prices, new natural resources exploration and production, recovery from drought in the Sahel and parts of East Africa, robust post-conflict recovery, and improving governance practices.

### *Domestic economy*

7. Data from the National Bureau of Statistics buttress the resilience of the domestic economy in spite of the global economic conditions. The data show a real GDP growth of 6.48% in the third quarter which is an improvement over the 6.17% and 6.28% achieved for first and second quarters of 2012 respectively. The non-oil sector remained the major driver of growth recording a 7.5% growth compared to the oil sector which fell by 0.73% in the third

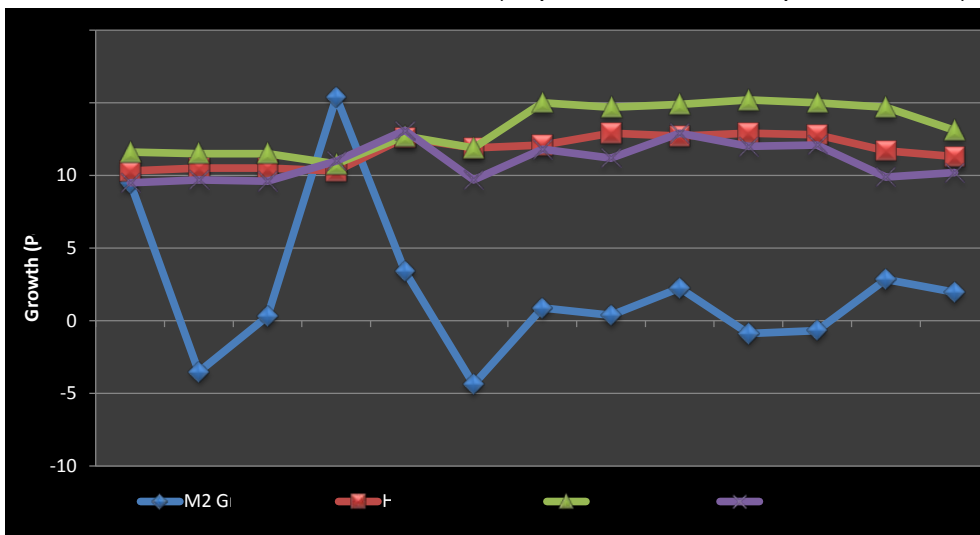
quarter. The growth drivers within the non-oil sector remained agriculture, wholesale and retail trade, and services which contributed 1.94, 1.69 and 3.16 percent respectively. The relatively robust growth projections reflected the continuing resilience of the sectors, complemented by improving power supply.

8. The inflationary pressures experienced during the first half of 2012 appear to have moderated in the third quarter. The year-on-year headline inflation declined from 12.9% in June to 12.8%, 11.7% and 11.3% in July, August and September, 2012 respectively. However, year-on-year food inflation rose from 12% in June to 12.1% in July but later fell to 9.9% in August and rose to 10.2% September 2012. The year-on-year core inflation also declined from 15.2% in June to 15%, 14.7% and 13.1% in July, August and September 2012 respectively. The significant decline in year-on-year food inflation was attributable to the decrease in prices of both processed foods and farm produce in the period. The inflationary pressures following the partial removal of petroleum subsidy in January 2012 appeared to have waned in the third quarter of the year. Furthermore, the relatively stable exchange rate regime in the period meant a positive impact on domestic prices. *Chart 1* below shows the trend of inflation in the last 12 months.

9. Broad money supply (M2) declined from N13.48 trillion in June to N13.39 trillion in July but later rose to N13.77 trillion and N14.04 trillion in August and September 2012 respectively, reflecting movement in net aggregate domestic credit which rose by 0.3% from N13.31 trillion in June to N13.35 trillion in September 2012. Overall, credit to the private sector increased by 1.63% between June and September 2012. Similarly, credit to government also rose by 14.49% within the third quarter of 2012. However, on an annual basis, credit to government during the quarter showed a decline when compared to the figures recorded during the same period of 2011. This development reflected the combined effects of the significant growth in Federal Government deposits with the banking system and contraction on claims against government. The introduction of the Treasury Single Account (TSA) appears to have had the desired effect of reducing government borrowing. In the

quarter, maximum lending rate rose from 23.44% in June to 24.67% in September 2012, indicating continued risk aversion by banks, while the prime lending rate declined from 16.93% in June to 16.37% in September 2012.

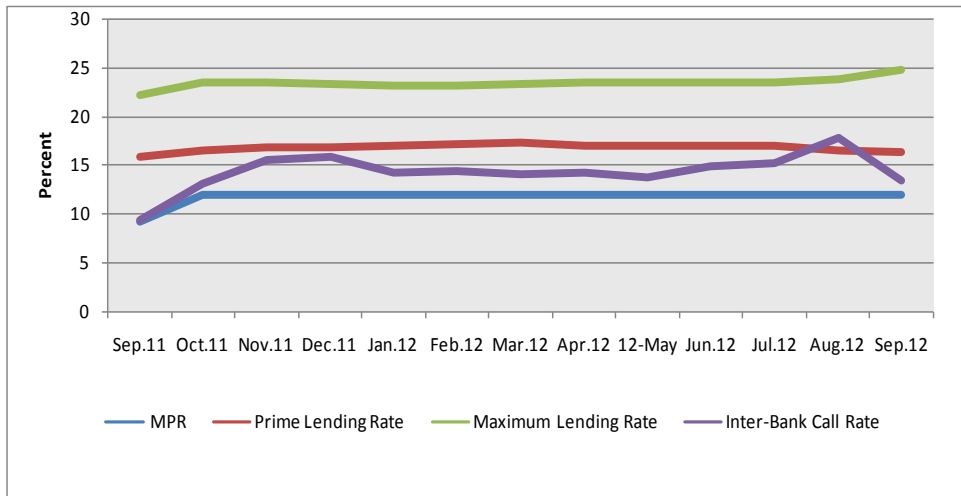
**Chart1:** Inflation and M2 Growth Rate (September 2011 – September 2012)



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

10. The Central Bank of Nigeria (CBN) has maintained the Monetary Policy Rate (MPR) at 12% so far in 2012. The interbank call rate, on the other hand, fluctuated from 14.92% in June to 15.19%, 17.81% and 13.5% in July, August and September 2012 respectively. The movement in the rate was a reflection of the liquidity situation in the banking system which can be traced to the aggressive Open Market Operations (OMO) given that the MPR remained unchanged during the period. The trends in interest rates in the past 12 months are presented below in *Chart 2*.

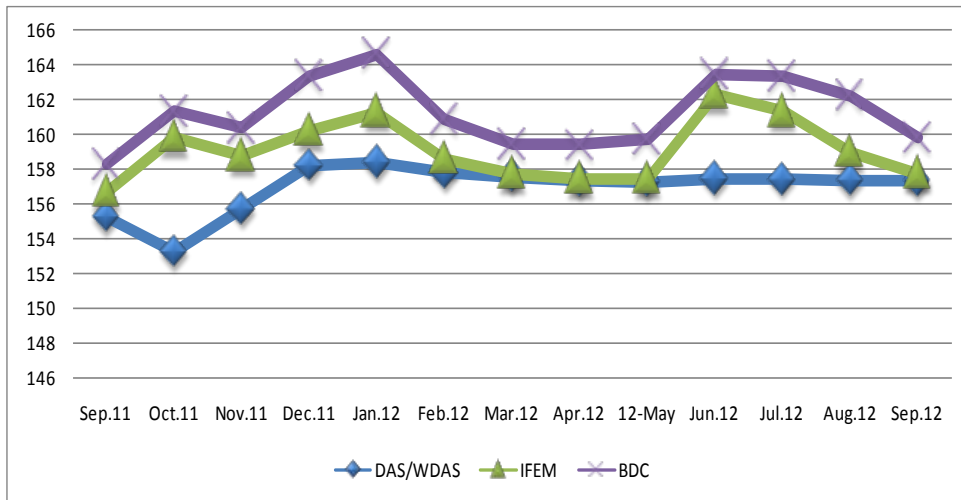
**Chart 2: Interest Rates Trend (September 2011 – September 2012)**



**Source:** Central Bank of Nigeria, 2012

11. The average official Wholesale Dutch Auction System (WDAS) Naira/Dollar exchange rate appreciated slightly from N157.44/\$ in June to N157.34/\$ in September 2012. Similarly, the average Inter-bank exchange rate appreciated from N162.33/\$ in June to N157.78/\$ in September 2012. Likewise, the average Bureau de Change rate also appreciated from N163.43/\$ in June to N159.80/\$ in September 2012. These appreciations were due to the combined effects of the increase in cash reserve requirement, increased supply of foreign exchange by oil companies to the interbank market and the relatively low demand for foreign exchange by end users during the period. The difference between the rates at the WDAS and the interbank; and between the WDAS and the BDCs narrowed during the quarter. This development indicates payoff of measures to discourage speculative demand in the foreign exchange market.

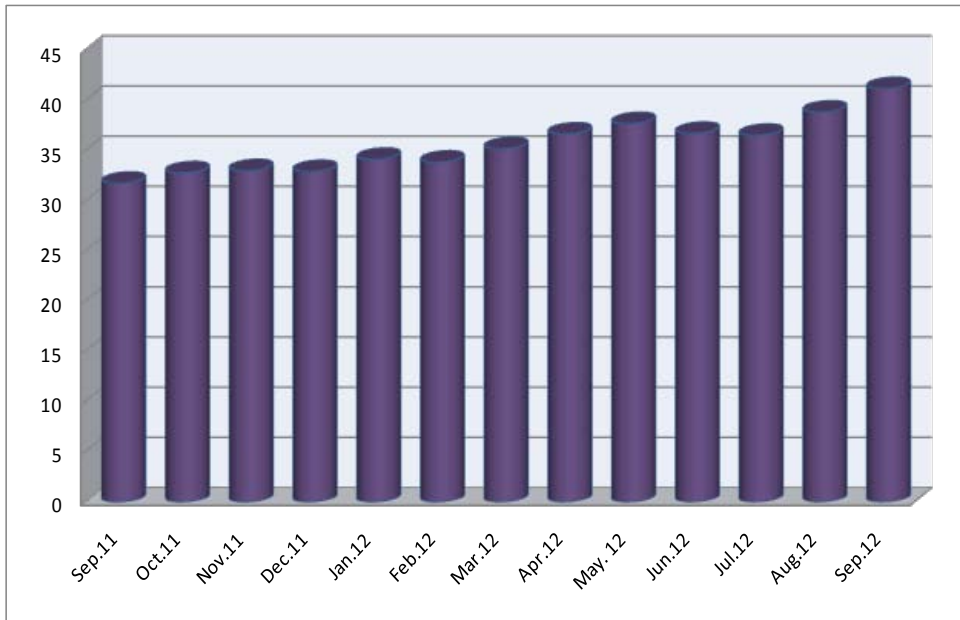
**Chart 3: Naira/US\$ Exchange Rates Trend (Sept. 2011 – Sept. 2012)**



**Source:** Central Bank of Nigeria, 2012

12. Nigeria's gross external reserves as at 28 September was \$41.19 billion, representing an increase of US\$4.47 billion or 12.17% over the US\$36.72 billion recorded at the end of June 2012 and a year-on-year increase by US\$9.45 billion (or 29.77%) compared with \$31.74 billion at end September 2011. The increase in reserve level in the third quarter of 2012 was driven mainly by proceeds from crude oil and gas sales and crude oil related taxes. According to the CBN, the level of external reserves as at the end of September 2012 could finance over seven months of imports. This is well over the globally recommended threshold of 3-months import cover.

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



**Source:** Central Bank of Nigeria, 2012

## 3.0 FINANCIAL ANALYSIS OF THE 2012 BUDGET IMPLEMENTATION

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### 3.1 Key Assumptions and Projections:

The 2012 Budget was derived from the 2012-2014 Medium Term Fiscal Framework (MTFF) which was crafted following extensive consultations with key stakeholders in both the public and private sectors of the economy. The framework was also based on some important macroeconomic variables and assumptions<sup>2</sup> made in consonance with developments in the global and domestic economic environments.

### 3.2 Analysis of Revenue Performance:

#### Overview Oil Revenue Parameters:

11. The price of crude oil in the international market averaged US\$109.71 per barrel in the third quarter of 2012. This represents an increase of US\$1.52 over US\$108.19 per barrel recorded in the second quarter of 2012. The higher crude oil price in the international market is attributable to the recent quantitative easing measures by the European Central Bank and the US Federal Reserve System which boosted investments in commodities and stocks.

12. Provisional data from the Nigerian National Petroleum Corporation revealed that the average oil lifting (including Condensates) in the third quarter of 2012 was 2.46 million barrels per day (mbpd) depicting an increase of 0.04mbpd over 2.42mbpd recorded in the second quarter of 2012 though still lower than the 2.48mbpd projected for the year. The increase in oil lifting during the quarter over that of the second quarter can be attributable to the results of the various measures taken by the Government to checkmate the activities of oil theft and illegal bunkering, which was very pronounced in the

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<sup>2</sup> Please see *Table 1, 2012 1<sup>st</sup> Quarter Budget Implementation Report*

early part of the year. It is hoped that this positive situation would continue in the final quarter of the year.

13. 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 third quarter.

### **Oil Revenue Performance**

14. A breakdown of the oil revenue in the third quarter of 2012 shows that Royalties (Oil & Gas) of N276.45 billion, Rent of N0.29 billion, Gas Flared Penalty of N1.43 billion and Petroleum Profit & Gas Taxes of N824.82 billion exceeded their respective quarterly expected estimates of N182.78 billion, N0.19 billion, N0.8 billion and N466.36 billion by N93.67 billion (or 51.24%), N0.1 billion (or 49.16%), N0.62 billion (or 78.07%) and N358.47 billion (or 76.87%). On the other hand, Crude Oil Sales of N741.92 billion, Gas Sales of N68 billion and Other Oil & Gas Revenue of N0.4 billion were lower than their quarterly projections of N923.26 billion, N85.12 billion and N0.62 billion by N181.34 billion (or 19.64%), N17.13 billion (or 20.12%) and N0.22 billion (or 34.84%) respectively. Please see *Table 3.1*.

#### *Net Oil revenue:*

15. In the third quarter of 2012, the actual net oil revenue received into the Federation Account was N868.39 billion indicating a shortfall of N133.61 billion (or 13.33%) below the projected quarterly estimate of N1,002 billion. The net oil revenue in the third quarter of 2012 was also below the N991.8 billion net oil revenue recorded in the second quarter of 2012 by N123.41 billion (or 112.44%). This situation, in spite of improved lifting figures and international oil prices, comes as a result of the lower-than-projected lifting from the Joint-



Venture production fields which yield a higher take for the Government compared to the Production Sharing Contract and other arrangements. These data are presented in *Table 3.1*.

*Year-to-date:*

16. As at September 2012, the cumulative Royalties (Oil & Gas) of N812.55 billion, Gas Flared Penalty of N2.61 billion and Petroleum Profit & Gas Taxes of N2,448.88 billion surpassed their respective projections of N548.34 billion, N2.4 billion and N1,399.07 billion by N264.21 billion (or 48.18%), N0.21 billion (or 8.59%) and N1,049.81 billion (or 75.04%). For reasons earlier adduced, lower than projected revenue was received from crude oil sales, gas sales and rent.

**Non-Oil Revenue Performance**

17. Over the recent years, the Government through the Budget Office and the Federal Ministry of Finance has continued to institute measures to boost non-oil revenue collection and remittance to treasury. The implementation of these measures added to the Budget Office's regular engagement with the Agencies has generated 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.

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

S/N	ITEMS	BUDGET			ACTUAL					VARIANCE				
		Annual	Quarterly	3QTRS	First Quarter	Second Quarter	Third Quarter	3QTRS	3RD Quarter Actual Vs Quarterly Budget	3RD Quarter Vs 2ND Quarter (Actual)	Actual Vs Budget (3QTRS)			
A	OIL REVENUE	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	=N=b	%
1	Crude Oil Sales	3,693.02	923.26	2,769.77	1,060.17	902.70	741.92	2,704.78	(181.34)	(19.64)	(160.78)	(17.81)	(64.98)	(2.35)
2	Gas Sales (NLNG Feedstock sales & Upstream Liquid Gas)	340.49	85.12	255.37	98.16	88.61	68.00	254.76	(17.13)	(20.12)	(20.61)	(23.26)	(0.61)	(0.24)
3	Royalties Oil & Gas	731.12	182.78	548.34	250.56	285.55	276.45	812.55	93.67	51.24	(9.10)	(3.19)	264.21	48.18
4	Rent	0.78	0.19	0.58	0.13	0.03	0.29	0.45	0.10	49.16	0.26	970.37	(0.14)	(23.27)
5	Gas Flared Penalty	3.20	0.80	2.40	0.49	0.69	1.43	2.61	0.62	78.07	0.74	107.12	0.21	8.59
6	PPT & Gas Tax @CITA	1,865.42	466.36	1,399.07	943.48	680.58	824.82	2,448.88	358.47	76.87	144.25	21.19	1,049.81	75.04
7	Other Oil and Gas Revenue	2.48	0.62	1.86	0.18	0.60	0.40	1.18	(0.22)	(34.84)	(0.19)	(32.21)	(0.68)	(36.77)
8	Sub-Total	6,636.51	1,659.13	4,977.38	2,353.17	1,958.74	1,913.30	6,225.20	254.17	15.32	(45.44)	(2.32)	1,247.82	25.07
9	Joint Venture Cash calls	1,141.51	285.38	856.13	261.06	301.59	285.06	847.70	(0.32)	(0.11)	(16.53)	(5.48)	(8.43)	(0.98)
10	Domestic Fuel Subsidy (NNPC)	888.10	222.03	666.08	210.00	50.00	-	260.00	(222.03)	(100.00)	(50.00)	(100.00)	(406.08)	(60.97)
11	Under Remittance of Funds by NNPC	-	-	-	31.15	-	-	31.15	-	-	-	-	31.15	-
12	Oil Excess Revenue	-	-	-	-	26.19	85.01	111.21	85.01	-	58.82	224.56	111.21	-
13	Sub-Total	4,606.91	1,151.73	3,455.18	1,850.97	1,580.96	1,543.23	4,975.15	391.50	33.99	(37.73)	(2.39)	1,519.97	43.99
14	Transfer to Excess Crude Account	-	-	-	847.91	440.96	545.08	1,833.95	545.08	-	104.12	23.61	1,833.95	-
15	Balance of Oil Revenue	4,606.91	1,151.73	3,455.18	1,003.05	1,140.00	998.15	3,141.20	(153.58)	(13.33)	(141.85)	(12.44)	(313.98)	(9.09)
16	13% Derivation of Net Oil Revenue	598.90	149.72	449.17	130.40	148.20	129.76	408.36	(19.97)	(13.33)	(18.44)	(12.44)	(40.82)	(9.09)
17	TO FEDERATION ACCOUNT	4,008.01	1,002.00	3,006.01	872.66	991.80	868.39	2,732.84	(133.61)	(13.33)	(123.41)	(12.44)	(273.16)	(9.09)
B	NON-OIL REVENUE													
18	Value Added Tax (VAT)	802.86	200.72	602.15	170.98	181.77	173.57	526.31	(27.15)	(13.53)	(8.20)	(4.51)	(75.83)	(12.59)
19	Corporate Tax, CIT, CGT, Stamp Duties	828.18	207.05	621.14	124.41	157.41	398.65	680.48	191.61	92.54	241.24	153.25	59.34	9.55
20	Customs: Import, Excise & Fees	600.58	150.15	450.44	109.28	117.69	126.94	353.91	(23.21)	(15.46)	9.25	7.86	(96.52)	(21.43)
21	Special Levies	116.07	29.02	87.05	-	-	-	-	(29.02)	(100.00)	-	-	(87.05)	(100.00)
22	Sub-Total	2,347.70	586.92	1,760.77	404.67	456.88	699.16	1,560.70	112.24	19.12	242.29	53.03	(200.07)	(11.36)
23	Cost of Collection and Other Deductions	120.21	30.05	90.16	19.46	21.81	31.77	73.04	1.72	5.73	9.97	45.72	(17.11)	(18.98)
24	Cost of Collection (VAT)	32.11	8.03	24.09	6.84	7.27	6.94	21.05	(1.09)	(13.53)	(0.33)	(4.51)	(3.03)	(12.60)
25	4% Cost of Collection (CIT)	32.93	8.23	24.70	4.98	6.30	15.95	27.22	7.71	93.71	9.65	153.27	2.52	10.22
26	7% Cost of Collection (Customs)	50.17	12.54	37.62	7.65	8.24	8.89	24.77	(3.66)	(29.15)	0.65	7.85	(12.85)	(34.15)
27	FIRS Tax Refunds	5.00	1.25	3.75	-	-	-	-	(1.25)	(100.00)	-	-	(3.75)	(100.00)
28	TO FEDERATION ACCOUNT (NON-OIL)	1,456.74	364.19	1,092.56	221.06	260.57	500.76	982.40	136.58	37.50	240.19	92.18	(110.16)	(10.08)
29	Total VAT Pool	770.75	192.69	578.06	164.14	174.50	166.63	505.26	(26.06)	(13.53)	(7.88)	(4.51)	(72.80)	(12.59)
30	Net Non-Oil Revenue	2,227.49	556.87	1,670.62	385.20	435.07	667.39	1,487.66	110.51	19.85	232.32	53.40	(182.96)	(10.95)
31	Sub-Total: FEDERATION ACCOUNT	5,464.75	1,366.19	4,098.56	1,093.72	1,252.37	1,369.15	3,715.24	2.96	0.22	116.78	9.32	(383.33)	(9.35)
32	Balances In Special Acct End of Previous Y2011	12.44	3.11	9.33	-	-	-	-	(3.11)	(100.00)	-	-	(9.33)	(100.00)
33	TOTAL FEDERATION ACCOUNT	5,477.19	1,369.30	4,107.89	1,093.72	1,252.37	1,369.15	3,715.24	(0.15)	(0.01)	116.78	9.32	(392.66)	(9.56)
C	TOTAL DISTRIBUTION													
1	Federation Account	5,477.19	1,369.30	4,107.89	1,093.72	1,252.37	1,369.15	3,715.24	(0.15)	(0.01)	116.78	9.32	(392.66)	(9.56)
2	VAT Pool Account	770.75	192.69	578.06	164.14	174.50	166.63	505.26	(26.06)	(13.53)	(7.88)	(4.51)	(72.80)	(12.59)
3	GRAND TOTAL	6,247.94	1,561.98	4,685.95	1,257.86	1,426.87	1,535.77	4,220.50	(26.21)	(1.68)	108.91	7.63	(465.45)	(9.93)

Source: OAGF and Budget Office of the Federation

**Table 3.2: Actual performance of Non-Oil Revenue by 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 Average
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%	22.94%
FGN Independent Revenue	103.11%	42.86%	30.17%	-67.66%	139.50%	18.85%	44.47%

**Source:** OAGF and BOF

18. In the third quarter of 2012, the actual gross non-oil revenue of N699.16 billion was received. This depicts an increase of N112.24 billion (or 19.12%) over the quarterly estimate of N586.92 billion. A breakdown of the non-oil revenue items shows that Company Income Tax of N398.65 billion was higher than its quarterly estimate of N207.05 billion by N191.61 billion (or 92.54%) while Value Added Tax of N173.57 billion and Customs & Excise Duties of N126.94 billion were respectively lower than their quarterly estimates of

N200.72 billion and N150.15 billion by N27.15 billion (or 13.53%) and N23.21 billion (or 15.46%). Compared to their respective second quarter outcomes, the Company Income Tax and Customs & Excise Duties grew by N241.24 billion (or 153.25%) and N9.25 billion (or 7.86%) respectively while Value Added Tax was lower by N8.2 billion (or 4.51%). These are reflective of economic and commercial activities in the periods.

#### *Year-to-date*

19. The aggregate non-oil receipts as at September 2012 amounted to N1,560.7 billion depicting a shortfall of N200.07 billion (or 11.36%) below the estimate of N1, 760.77 billion. The data also indicates that apart from Company Income Tax, all the other non-oil revenue receipts were lower than their respective estimates. Company Income Tax of N680.48 billion grew by N59.34 billion (or 9.55%) over the estimate of N621.14 billion. On the other hand, Value Added Tax of N526.31 billion and Customs & Excise Duties of N353.91 billion were lower by N75.83 billion (or 12.59%) and N96.52 billion (or 21.43%) when compared with their respective projections of N602.15 billion and N450.44 billion. In line with the recent trend, the revenue collections in these categories are expected to improve further in the fourth quarter of 2012.

#### *Comparative Revenue Performance Analysis*

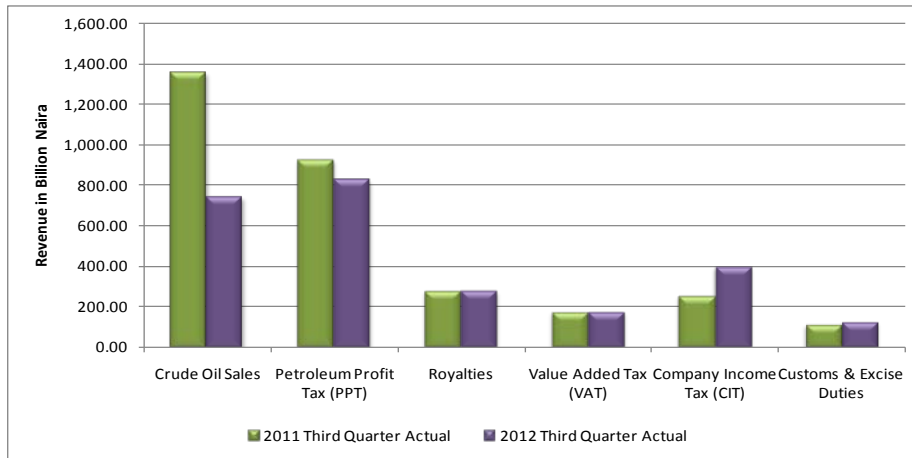
20. A comparative analysis of the data further indicated that the aggregate oil revenue receipts in the third quarter of 2012 were not only lower than their respective projections for the period, but were also short of their corresponding levels in the same period of 2011. This is largely attributable to the activities of pipeline vandals and oil theft in the period. The aggregate non-oil revenues however showed some improvement over the earlier periods. Please see data below in *Table 3.4*.

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

Revenue Items	2011	2012	Variance	
	3rd Quarter Actual	3rd Quarter Actual	3rd Quarter 2012 Vs 3rd Quarter 2011	
Oil Revenue	N bns	N bns	N bns	%
Crude Oil Sales	1,356.91	741.92	-614.99	-82.89
Petroleum Profit Tax (PPT)	926.66	824.82	-101.84	-12.35
Royalties	279.81	276.45	-3.36	-1.22
<b>Gross Oil Revenue</b>	<b>2,642.76</b>	<b>1,913.30</b>	<b>-729.46</b>	<b>-38.13</b>
<b>Net Oil Receipts</b>	<b>1,053.49</b>	<b>868.39</b>	<b>-185.10</b>	<b>-21.32</b>
<b>Non-Oil Revenue</b>				
Value Added Tax (VAT)	177.7	173.57	-4.13	-2.38
Company Income Tax (CIT)	256.96	398.65	141.69	35.54
Customs & Excise Duties	112.87	126.94	14.07	11.08
<b>Gross Non-Oil Revenue</b>	<b>547.52</b>	<b>699.16</b>	<b>151.64</b>	<b>21.69</b>
<b>Net Non-Oil Receipts</b>	<b>519.35</b>	<b>667.39</b>	<b>148.04</b>	<b>22.18</b>

**Source:** OAGF and Budget Office of the Federation

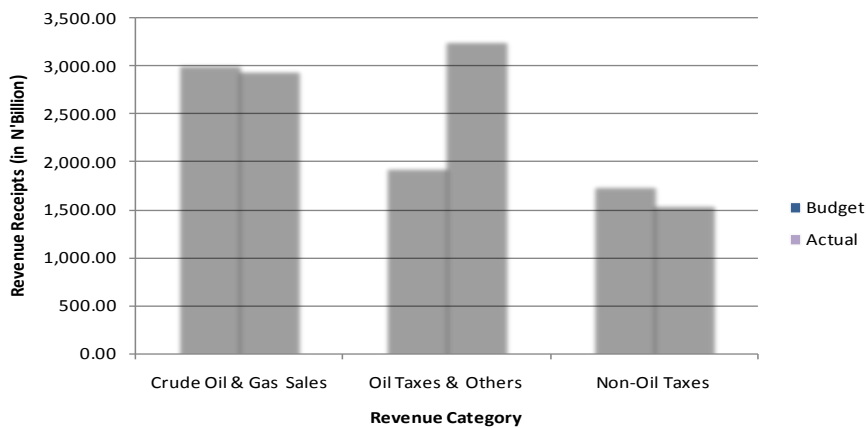
**Chart 3.1: 2011 Vs 2012 Revenue Performance (Third Quarter)**



**Source:** OAGF and Budget Office of the Federation

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

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



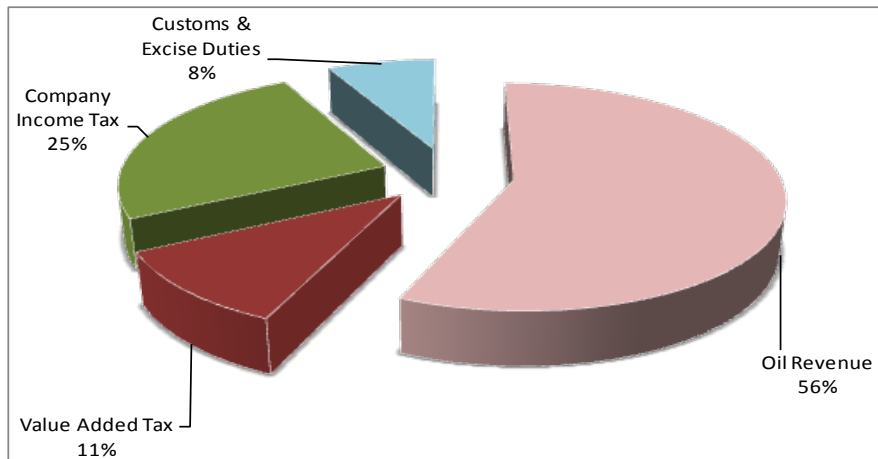
**Source:** Budget Office of the Federation

### *Distributable Revenue*

22. The net distributable revenue is the balance of funds in the Federation Account available for distribution among the tiers of government after taking out all costs. A net sum of N1,535.77 billion was available for sharing in the third quarter of 2012. This implies a shortfall of N26.21 billion (or 1.68%) in the third quarter, and a cumulative shortfall of N465.45 billion (or 9.93%) as at September 2012.

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

**Chart 3.3:** Contributions to Distributable Revenue (in the 3<sup>rd</sup> Qtr. of 2012)



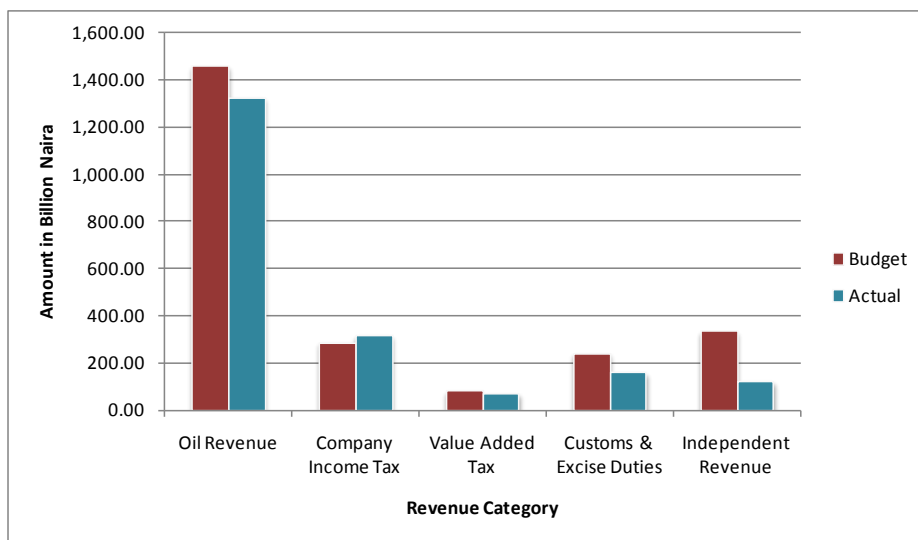
**Source:** Budget Office of the Federation

### **3.3 FGN Budget Revenue**

24. As approved in the 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 third quarter of 2012, the sum of N421.17 billion received from oil sources was lower than the quarterly estimate of N485.97 billion by N64.8 billion (or 13.33%). Similarly, the FGN share of VAT of N23.33

billion and Customs & Excise of N57.26 billion were short of their respective quarterly projections of N26.98 billion and N80.81 billion by N3.65 billion (or 13.53%), and N23.56 billion (or 29.15%). On the other hand, Company Income Tax of N185.61 billion surpassed its quarterly projection of N95.82 billion by N89.79 billion (or 93.71%). The foregoing follow from the 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 September 2012)**



**Source:** The OAGF and Budget Office of the Federation



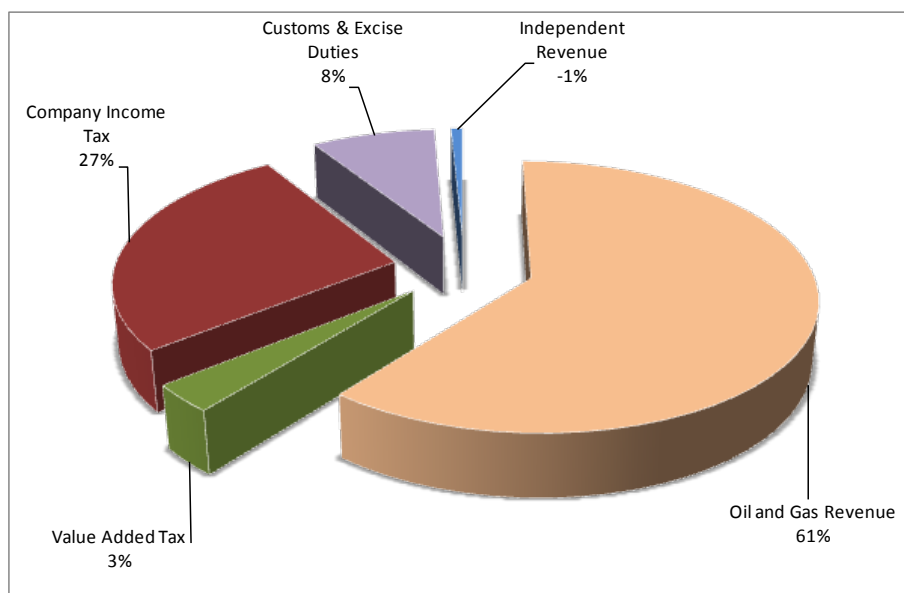
**Table 3.5: Inflows to the 2012 Federal Budget as at September 2012**

ITEMS	BUDGET			ACTUAL				VARIANCE					
	Annual	Quarterly	3QTRS	First Quarter	Second Quarter	Third Quarter	3QTRS	3RD Quarter Actual Vs Quarterly Budget	%	3RD Quarter Vs 2ND Quarter (Actual)	%	Actual Vs Budget (3QTRS)	%
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	%
FGN Share of Oil Revenue	1,943.88	485.97	1,457.91	423.24	481.02	421.17	1,325.43	(64.80)	(13.33)	(59.85)	(12.44)	(132.48)	(9.09)
FGN Share of Non-Oil Revenue	820.46	205.11	615.34	130.20	150.81	266.20	547.20	61.08	29.78	115.39	76.51	(68.15)	(11.07)
FGN Share of Value Added Tax (VAT)	107.91	26.98	80.93	22.98	24.43	23.33	70.74	(3.65)	(13.53)	(1.10)	(4.52)	(10.19)	(12.59)
FGN Share of Customs	323.25	80.81	242.44	49.29	53.09	57.26	159.63	(23.56)	(29.15)	4.17	7.86	(82.80)	(34.15)
FGN Share of Company Income Tax (CIT)	383.27	95.82	287.46	57.93	73.29	185.61	316.83	89.79	93.71	112.32	153.25	29.37	10.22
FGN Share of Actual Balances in Special Accounts	6.03	1.51	4.53	-	-	-	-	(1.51)	(100.00)	-	-	(4.53)	(100.00)
FGN Independent Revenue	446.78	111.70	335.09	98.93	28.78	(5.33)	122.37	(117.03)	(104.78)	(34.11)	(118.54)	(212.71)	(63.48)
FGN Bal of Special Accts as at 31/12/11:	43.11	10.78	32.33	-	-	40.93	40.93	30.15	279.78	40.93	-	8.60	26.59
Unspent Balance from Previous FY	306.79	76.70	230.09	4.73	21.10	1.56	27.39	(75.14)	(97.97)	(19.55)	(92.63)	(202.70)	(88.10)
<b>Sub-Total</b>	<b>3,561.02</b>	<b>890.25</b>	<b>2,670.76</b>	<b>657.10</b>	<b>681.71</b>	<b>724.52</b>	<b>2,063.32</b>	<b>(165.74)</b>	<b>(18.62)</b>	<b>42.81</b>	<b>6.28</b>	<b>(607.44)</b>	<b>(22.74)</b>
<b>Other Financing Sources</b>	-	-	-	<b>282.96</b>	<b>9.06</b>	<b>65.32</b>	<b>357.33</b>	<b>65.32</b>	-	<b>56.26</b>	<b>621.18</b>	<b>357.33</b>	-
Savings (Augumentation)	-	-	-	185.89	9.06	-	194.95	-	-	(9.06)	(100.00)	194.95	-
Excess Crude Proceeds	-	-	-	97.07	-	65.32	162.39	65.32	-	65.32	-	162.39	-
<b>Total Revenue Available for Implementation</b>	<b>3,561.02</b>	<b>890.25</b>	<b>2,670.76</b>	<b>940.06</b>	<b>690.76</b>	<b>789.83</b>	<b>2,420.65</b>	<b>(100.42)</b>	<b>(11.28)</b>	<b>99.07</b>	<b>14.34</b>	<b>(250.11)</b>	<b>(9.36)</b>

Source: Budget Office of the Federation and the OAGF

25. A total of N724.52 billion, excluding other funding sources, was received in the third quarter of 2012. This amount was N165.74 billion (or 18.62%) lower than the quarterly projection of N890.25 billion and N42.81 billion (or 6.28%) higher than the actual receipt of N681.71 billion recorded in the second quarter of 2012. However, the aggregate revenue in the third quarter of 2012 was N25.5 billion (or 3.4%) lower than the N750.02 billion recorded in the third quarter of 2011.

**Chart 3.5:** Contribution to the FGN Budget Revenue in the Third 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

26. The Excess Crude Account (ECA) serves as a stabilization and savings account. Inflows to the ECA in the third quarter of 2012 amounted to N545.08 billion and this was higher than the N440.96 billion received in the second

**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 is more comprehensive compared to the 2009 Full year report. Though the auditing that is FRC recommended is not mentioned on this report

quarter of 2012 by N104.12 billion (or 23.61%) reflective of the higher crude oil price in the period. The sum of N212.75 billion was withdrawn from the account in the third quarter of 2012 taking the total drawdown from the account as at 30<sup>th</sup> September 2012 to N1,238.3 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	Jan -Sept	First Quarter	Second Quarter	Third Quarter	Jan -Sept
<b>Inflows</b>								
Transfer to Excess Crude Oil Account	739.40	628.71	911.41	2,279.52	847.91	440.96	545.08	1,833.95
<b>Outflows</b>								
Payment for Petroleum Product Subsidy	41.4	35.1	542.34	618.84	149	29	21	199
Augmentation: Distribution among tiers of govt.	8.01	265.99	134.27	408.27	674.11	165.15	154.87	994.13
Transfer for Special Intervention Fund		4.5		4.5	8.29		36.88	45.17
<b>Total Outflow</b>	<b>49.41</b>	<b>305.59</b>	<b>676.61</b>	<b>1,031.61</b>	<b>831.4</b>	<b>194.15</b>	<b>212.75</b>	<b>1,238.30</b>

**Source:** Office of the Accountant General of the Federation

### 3.5 Expenditure Developments and Revision

27. 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<sup>3</sup> in 2012.

**Comment [MSOffice2]:** In the 2009 full year report, it was mentioned that recurrent expenditure was declining relative to the capital expenditure and the FRC had a problem with that because the ratio of Total recurrent expenditure to total net recurrent Revenue was high. In the Current 2010 full year report the ratio came down to 106.91% lower than 125.27% of 2009. The primary deficit came down from N430.647 to 204.46billion, this shows some improvement.

<sup>3</sup> See 2012 First Quarter Budget Implementation Report

### 3.5.1 Non-Debt Recurrent Expenditure

28. As indicated in the 2012 First Quarter Budget Implementation Report, Government has been evolving policy measures<sup>4</sup> aimed at gradually reversing the tilting of budgetary allocations towards the recurrent category. A breakdown of the data from the OAGF showed that a total of N687.96 billion was expended on non-debt recurrent expenditure in the third quarter of 2012. This is higher than the quarterly estimate of N606.26 billion by N81.7 billion (or 13.48%). This is due to the advanced bulk release of personnel and overhead cost to Nigeria's Overseas Mission during the quarter. It is expected that the deficit will balance out by the end of the financial year. Cumulatively, an aggregate of N1,795.11 billion had been committed to recurrent (non-debt) expenditure representing a variance of N23.68 billion (or 1.3%) when compared to the estimate of N1,818.79 billion.

**Comment [MSOffice3]:** 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

29. Data from the Debt Management Office indicate that as at 30<sup>th</sup> September, the Federal Government domestic debt stock stood at N6,346.04 billion. This implies an increase of N193.17 billion (or 3.14%) over N6,152.87 billion recorded in the second quarter of 2012. The rise in aggregate domestic debt stock in the third quarter over that of the second quarter of 2012 was due mainly to the net issuance of additional FGN bonds of N164 billion, Nigerian Treasury Bills (NTBs) of N48.34 billion and the repayment of Treasury Bonds worth N19.17 billion. The FGN bonds and NTBs that matured during the period were refinanced. A breakdown of the domestic debt stock as at 30<sup>th</sup> September showed that N3,878.55 billion (or 61.12%) was for FGN Bonds, N2,132.93 billion (or 33.61%) was for NTBs and N334.56 billion (or 5.27%) was for Treasury Bonds.

30. The sum of N169.72 billion was released for domestic debt servicing in the third quarter of 2012. The actual domestic debt service payment for the third quarter of 2012 amounted to N189.41 billion. This consists of N69.19 billion for

**Comment [MSOffice4]:** The total recurrent debt service in the fourth quarter of 2010 was also higher than 2009 fourth quarter

<sup>4</sup> See 2012 First Quarter Budget Implementation Report

NTBs, N90.71 billion for FGN Bonds and N29.5 billion for Treasury bonds. The sum of N61.41 billion (or 47.98%) difference between the quarterly budgeted estimate of N128 billion for domestic debt services and the actual domestic debt services was mainly due to additional issues of FGN Bonds and the rising cost of rolling over NTBs.

31. Nigeria's external debt stock as at 30<sup>th</sup> September, 2012, stood at US\$6,296.17 million indicating an increase of US\$260.51 million (or 4.32%) over US\$6,035.66 million recorded in the second quarter of 2012. The net effect of additional disbursements in the sum of US\$123.8 million in the third quarter in respect to some of the existing loans, despite principal repayment in the sum of US\$31.91 million as well as cross exchange rate movements between the different currencies in the loan portfolio accounted for this. This resulted in an increase of US\$166.28 million for Multilateral Debts and US\$94.22 million for Non-Paris Club (Bilateral and Commercial) Debts.

32. A breakdown of the external debt stock in the third quarter of 2012 showed that Multilateral Debts amounted to US\$5,116.94 million (or 81.27%), Non-Paris Club (Bilateral and Commercial) Debts amounted to US\$679.22 million (or 10.79%) while ICM (Euro-Bond) accounted for the balance of US\$500million (or 7.94%).

33. The sum of US\$85.78 million was committed to external debt service in the 3<sup>rd</sup> quarter representing a positive difference of US\$0.65 million (or 0.75%) between the quarterly estimate of US\$86.43 million and the actual external debt service during the period was mainly due to exchange rate fluctuations. A breakdown of the external debt service payments indicated that US\$41.37 million (or 48.23%) was to Multilateral Creditors, US\$17.24 million (or 20.1%) was to Non-Paris Club Bilateral Creditors, US\$10.3 million (or 12.01%) was to Non-Paris Club Commercial Creditors, and US\$16.88 million (or 19.68%) was to ICM (Euro-Bond).

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

ITEMS	BUDGET			ACTUAL				VARIANCE					
	Annual	Quarterly	3QTRS	First Quarter	Second Quarter	Third Quarter	3QTRS	3RD Quarter Actual Vs Quarterly Budget	3RD Quarter Vs 2ND Quarter (Actual)	Actual Vs Budget (3QTRS)			
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
<b>TOTAL INFLOW</b>	<b>3,561.02</b>	<b>890.25</b>	<b>2,670.76</b>	<b>940.06</b>	<b>690.76</b>	<b>789.83</b>	<b>2,420.65</b>	<b>(100.42)</b>	<b>(11.28)</b>	<b>99.07</b>	<b>14.34</b>	<b>(250.11)</b>	<b>(9.36)</b>
<b>EXPENDITURE:</b>													
<b>RECURRENT EXPENDITURE</b>													
Personnel Cost	1,652.90	413.22	1,239.67	422.37	521.80	435.72	1,379.88	22.49	5.44	(86.08)	(16.50)	140.21	11.31
Pension & Gratuities	146.70	36.67	110.02	-	-	-	-	(36.67)	(100.00)	-	-	(110.02)	(100.00)
Overhead Cost	271.63	67.91	203.73	96.03	66.95	252.24	415.23	184.34	271.45	185.30	276.78	211.50	103.82
Service Wide Vote	353.82	88.45	265.36	-	-	-	-	(88.45)	(100.00)	-	-	(265.36)	(100.00)
<b>Sub-Total (Non-Debt)</b>	<b>2,425.05</b>	<b>606.26</b>	<b>1,818.79</b>	<b>518.40</b>	<b>588.75</b>	<b>687.96</b>	<b>1,795.11</b>	<b>81.70</b>	<b>13.48</b>	<b>99.22</b>	<b>16.85</b>	<b>(23.68)</b>	<b>(1.30)</b>
Domestic Debts & Int. on Ways & Means	511.98	128.00	383.99	95.09	193.50	169.72	458.31	41.73	32.60	(23.77)	(12.29)	74.32	19.36
Foreign Debts	47.60	11.90	35.70	10.28	11.67	12.10	34.05	0.20	1.66	0.42	3.63	(1.65)	(4.62)
<b>Sub-Total (Debt)</b>	<b>559.58</b>	<b>139.90</b>	<b>419.69</b>	<b>105.37</b>	<b>205.17</b>	<b>181.82</b>	<b>492.36</b>	<b>41.93</b>	<b>29.97</b>	<b>(23.35)</b>	<b>(11.38)</b>	<b>72.68</b>	<b>17.32</b>
<b>CAPITAL EXPENDITURE:</b>													
*Capital Releases 2012	1,339.99	335.00	1,004.99	155.38	103.87	212.13	471.38	(122.87)	(36.68)	108.26	104.22	(533.61)	(53.10)
<b>Sub Total (Capital)</b>	<b>1,339.99</b>	<b>335.00</b>	<b>1,004.99</b>	<b>155.38</b>	<b>103.87</b>	<b>212.13</b>	<b>471.38</b>	<b>(122.87)</b>	<b>(36.68)</b>	<b>108.26</b>	<b>104.22</b>	<b>(533.61)</b>	<b>(53.10)</b>
<b>TRANSFER:</b>													
NDDC	48.67	12.17	36.50	-	-	-	-	(12.17)	(100.00)	-	-	(36.50)	(100.00)
National Judicial Council	75.00	18.75	56.25	21.25	17.92	-	39.17	(18.75)	(100.00)	(17.92)	(100.00)	(17.08)	(30.37)
Universal Basic Education	63.12	15.78	47.34	16.14	15.66	15.66	47.46	(0.12)	(0.77)	-	-	0.12	0.25
Ind. Nat. Elect. Comm.	35.00	8.75	26.25	10.00	-	-	10.00	(8.75)	(100.00)	-	-	(16.25)	(61.90)
National Human Rights Comm.	0.80	0.20	0.60	-	-	-	-	(0.20)	(100.00)	-	-	(0.60)	(100.00)
National Assembly	150.00	37.50	112.50	37.65	37.50	37.50	112.65	-	-	-	-	0.15	0.13
<b>Sub Total</b>	<b>372.59</b>	<b>93.15</b>	<b>279.44</b>	<b>85.04</b>	<b>71.07</b>	<b>53.16</b>	<b>209.27</b>	<b>(39.99)</b>	<b>(42.93)</b>	<b>(17.92)</b>	<b>(25.21)</b>	<b>(70.17)</b>	<b>(25.11)</b>
<b>TOTAL EXPENDITURE</b>	<b>4,697.21</b>	<b>1,174.30</b>	<b>3,522.90</b>	<b>864.19</b>	<b>968.86</b>	<b>1,135.07</b>	<b>2,968.12</b>	<b>(39.23)</b>	<b>(3.34)</b>	<b>166.21</b>	<b>17.15</b>	<b>(554.79)</b>	<b>(15.75)</b>
Fiscal Deficit	(1,136.19)	(284.05)	(852.14)	75.87	(278.10)	(345.24)	(547.46)	(61.19)	21.54	(67.14)	24.14	304.67	(35.75)
<b>FINANCING ITEMS</b>													
Privitization Proceeds	10.00	2.50	7.50	3.50	-	4.00	7.50	1.50	60.00	4.00	-	-	-
Signature Bonus	75.00	18.75	56.25	-	-	-	-	(18.75)	(100.00)	-	-	(56.25)	(100.00)
FGN Share from Stabilisation Fund Account	306.76	76.69	230.07	98.28	-	65.32	163.59	(11.37)	(14.83)	65.32	-	(66.47)	(28.89)
Domestic borrowing (FGN Bond)	744.44	186.11	558.33	200.00	117.00	377.29	694.29	191.18	102.73	260.29	222.47	135.96	24.35
Borrowing from Dev. of Natural Resources Account	-	-	-	-	-	80.00	80.00	80.00	-	80.00	-	80.00	-
<b>Sub-Total</b>	<b>1,136.19</b>	<b>284.05</b>	<b>852.14</b>	<b>301.78</b>	<b>117.00</b>	<b>526.61</b>	<b>945.38</b>	<b>242.56</b>	<b>85.39</b>	<b>409.61</b>	<b>350.09</b>	<b>93.24</b>	<b>10.94</b>
<b>Net Deficit / Surplus</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>216.08</b>	<b>(75.17)</b>	<b>31.39</b>	<b>172.30</b>	<b>31.39</b>		<b>106.56</b>	<b>(141.76)</b>	<b>172.30</b>	

Source: OAGF and Budget Office

34. The total public debt stock as at the end of September 2012 was US\$47.16 billion (or N7.32 trillion). This consists of US\$6.23 billion (or N977.67 billion or 13.36%) for external debt while the balance of US\$40.87 billion (or N6.35 trillion or 86.75%) was for domestic debt. The total net present value of Debt/GDP (external and domestic) ratio as at the end of September 2012 was 18.87%, which is significantly below the global threshold of 40%.

### **3.5.3 Statutory Transfers:**

35. In the third quarter of 2012, a total of N53.16 billion was released as statutory transfers, indicating a decline of N39.99 billion (or 42.93%) from the quarterly budget of N93.15 billion. A breakdown of the actual transfers in the third quarter revealed that N15.66 billion was to the Universal Basic Education Commission (UBEC) and N37.5 billion was to the National Assembly. It is noteworthy that quarterly releases are made on demand by the beneficiaries subject to budgetary provisions.

### **3.5.4 Capital Expenditure Performance**

#### *MDAs' Capital Vote Utilization:*

36. Data from the Office of the Accountant General of the Federation (OAGF) shows that as at 30<sup>th</sup> September, 2012 a total of N710.9 billion had been released through 1<sup>st</sup> Quarter Development Capital Warrant of N300 billion, 2<sup>nd</sup> Quarter Development Capital Warrant of N110.9 billion (made up of N79.83 billion Regular Warrant and N31.07 billion Authority to Incur Expenditure), 3<sup>rd</sup> Quarter Development Capital Warrant of N300 billion for the implementation of MDAs' approved capital projects/programmes. Of this amount, the sum of N561.74 billion of the total releases had been cash-backed. It is important to note that the implementation of the 2012 Budget actually started in April 2012 when the Budget was signed into law.

#### *Performance as at 30<sup>th</sup> September, 2012*

37. The data also showed that N341.72 billion (or 60.83%) of the total amount cash-backed amount had been utilized by MDAs as at 30<sup>th</sup> September 2012.

*Appendix 1* to this Report indicates 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) shows varied utilization levels among the MDAs. Twenty five (or 51.02%) of the MDAs including: OSGF, Youth Development, Agriculture, Federal Capital Territory Administration, Trade & Investment, Interior, Science & Technology, Transport, Housing & Urban Development, Aviation, Mines & Steel, Environment, National Sports Commission and National Population Commission had utilized more than the overall average utilization rate of 60.83%. Thirteen out of these, including OSGF, Youth Development, Federal Capital Territory Administration (FCTA), Interior, Housing & Urban Development, and Mines & Steel Development had utilized over 80% of their respective cash-backed funds.

38. The utilization report also shows that 13 MDAs (or 26.53%), which include Police Formations and Command, Water Resources, Defence, Foreign Affairs, Information, Communication Technology, Power, Justice, Labour & Productivity and Niger Delta Affairs had utilized less than 50% of their cash-backed funds. On the other hand, Fiscal Responsibility Commission was yet to utilize its capital vote as at the period. *Table 3.8* below is an extract from *Appendix 1* highlighting the utilization rates of ten MDAs considered to be key to the actualization of the Government's Transformation agenda. It should be emphasized that the utilization of funds is just a proxy for the performance of MDAs. The Budget Office also undertakes project monitoring visits to ascertain the level of physical implementation which will be reported on shortly.

### **3.5.5 Performance of the Financing Items:**

39. The 2012 Fiscal Framework portrays a quarterly deficit of N284.05 billion. This was 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.

40. In the third quarter, a total of N526.61 billion was realized from the financing sources implying an increase of N242.56 billion (or 85.39%) above the



quarterly estimate of N284.05 billion. A breakdown of this shows that privatization proceeds of N4 billion, FGN Share from stabilization Fund Account of N65.32 billion, domestic borrowing (FGN Bond) of N377.29 billion had been realized. No funds were realized from signature bonus.

**Table 3.8:** A Sample of MDAs' Capital Budget Utilization (as at 30<sup>th</sup> September, 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	35,092,398,300	32,747,533,319	15,568,147,256	20.63	47.54	44.36
Transport	46,859,372,512	24,659,110,473	24,659,110,473	16,477,048,800	35.16	66.82	66.82
Health	60,920,219,702	33,200,975,526	33,200,975,526	16,747,763,594	27.49	50.44	50.44
Agriculture	48,191,750,279	23,345,822,047	23,345,822,047	18,141,732,409	37.64	77.71	77.71
Water Resources	76,388,411,863	31,823,267,689	31,823,267,689	13,580,339,808	17.78	42.67	42.67
Education	66,833,018,506	30,437,641,530	30,437,641,530	16,113,876,145	24.11	52.94	52.94
Works	159,463,529,702	80,869,974,320	80,869,974,320	45,848,522,468	28.75	56.69	56.69
Niger Delta	59,222,134,484	41,153,599,579	41,153,599,579	17,807,889,372	30.07	43.27	43.27
FCTA	46,257,784,097	32,292,240,167	32,292,240,167	25,888,726,950	55.97	80.17	80.17
Police Formation & Commands	9,656,295,375	5,035,558,743	5,035,558,743	2,479,613,236	25.68	49.24	49.24
Total Average Utilization (by all MDAs)					25.43	60.83	48.07

**Source:** OAGF and BOF

41. 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 not included in this provisional report as the findings were still being put together at the time of writing this report.

## 4.0 CONCLUSION

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The economy continued on its recovery trajectory in the third quarter of 2012. Provisional data from the National Bureau of Statistics (NBS) indicated a real GDP growth rate of 6.48% for the quarter, a marked improvement over the 6.17% and 6.28% recorded for the first and second quarters of 2012 respectively. The non-oil sector remained the major driver of growth recording a 7.5% increase with the oil sector dropping by 0.73% during the period. Coming on the back of improvements in macroeconomic indicators over the period and the partial removal of subsidy on petroleum products in the year, the country's external and fiscal buffers have continued to rise with the external reserves climbing from US\$36.72 billion in June to US\$41.19 billion at the end of the quarter.

43. Provisional data from the Office of the Accountant-General of the Federation (OAGF) indicated that a net distributable sum of N1,535.77 billion accrued to the Federation Account for distribution among the three tiers of government in the third quarter of 2012 was lower than the N1,561.98 billion projected for the quarter. Cumulatively, as at the third quarter, an aggregate of N4,220.5 billion was shared among the tiers of government presenting a shortfall of N465.45 billion (or 9.93%). This follows from the shortfalls in oil revenue by N273.16 billion - arising mainly from lower oil lifting from Joint Venture oil production arrangements which yield higher takes to government than other production arrangements – and in non-oil revenues by N182.96 billion due largely to lower than projected receipts from corporate taxes and Value Added Tax in the first three quarters of 2012. Following from this situation, the aggregate revenue projected to fund the Federal budget was lower than N890.25 billion and N2,670.76 billion projected for the third quarter and the first three quarters by N100.42 billion and N250.11 billion respectively. However, the impact of this shortfall was mitigated by funds from other financing sources, including domestic borrowing and privatization proceeds.

44. The implementation of recurrent expenditures in the third quarter remained on track. The recurrent (non-debt) expenditure and statutory

transfers were respectively at 98.7% and 78.9% of the projection for the three quarters while recurrent (debt) had exceeded the projection of N419.69 billion by N72.68 billion. It is noteworthy that payments on the recurrent (debt) and statutory transfers are made as they fall due and will, as usual, be normalized by the fourth quarter. In aggregate, a total of N710.9 billion out of the N1,004.99 billion prorated for capital budget implementation in the first three quarters of 2012 had been released to MDAs as at September 2012. Of this, N561.74 billion had been cash-backed while N341.72 billion was utilized by MDAs as at 30 September 2012.

45. A further analysis of the data indicated varied levels of utilization of these funds. Of forty-nine MDAs reported upon by the OAGF, twenty-five had utilized more than the overall average utilization rate of 60.83%. Thirteen out of these had utilized more than 80% of their respective cash-backed releases. The utilization report also shows that thirteen MDAs had utilized less than 50% of their cash-backed funds.

46. This provisional report is focused on reporting on the macroeconomic environment and financial analysis of the implementation of the Budget in the quarter. The Budget Office of the Federation, in collaboration with MDAs, Civil Society Organizations and media representatives have conducted physical monitoring and evaluation of selected capital projects for the third quarter of 2012. Their findings are being put together and would be consolidated with the provisional report and published in due course.

47. As MDAs adapt to, and implement the series of intervention policies aimed at instilling best practices in capital projects implementation in the country coupled with Mr. President's personal interest in the optimal implementation of our capital budgets, we anticipate significant improvements in the implementation of the capital budgets in our subsequent reports.

