2013

Provisional Budget Implemention Report - 1st Quarter 2013

Budget Office of the Federation
Federal Ministry of Finance

FOREWORD

It is with pleasure that I present to you the First Quarter Budget Implementation Report which is the first in the series for 2013. This Report presents information on the implementation of the 2013 Budget in the first quarter and gives information by which Government's performance in the management of public resources, as planned in the Budget, may be measured. In our continuing effort to improve on transparency and accountability in the public sector, the Government is committed to updating Nigerians on the nation's Public Finances.

This year's Budget, as in 2012, is designed to further promote the goals of the Government's *Transformation Agenda*, aimed at enhancing the macroeconomic gains of the preceding years, while creating the relevant atmosphere for economic empowerment and improved standard of living. The 2013 Budget therefore strives to create a better business-friendly environment by reducing the cost of doing business through on-going structural reforms which will assist in attracting and sustaining private sector investments nation-wide.

Key highlights of the 2013 Budget are: an increased proportion of resources allocated to capital expenditure (when compared to year 2012) meant for development projects and programmes expected to boost the prospects for sustained growth; reinforcing fiscal policies to support the development of local industries such as the production of rice, sugar and solid minerals; making provisions for the empowerment of Women and Youth in the roads and construction sub-sectors as well as boost sports development.

I therefore enjoin all readers of this Report to continue to display an active interest in government's ability to live up to its promises. This will serve as the necessary impetus for the efficient and effective management of government finances.

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

PREFACE

Monitoring and evaluating the implementation of Annual Capital Budget provision is a statutory function of the Budget Office of the Federation, Federal Ministry of Finance. This function requires the Honourable Minister of Finance to oversee the production and eventual dissemination of Quarterly Budget Implementation Reports to the Finance Committees of the National Assembly and the Fiscal Responsibility Commission. This is the first in the series for year 2013 in fulfilling this obligation.

The 2013 Budget was designed with a theme - fiscal consolidation with inclusive growth. To achieve this goal, the Budget was founded on four Pillars – macroeconomic stability, structural reforms, governance & institutions, and investing in priority sectors. By this, Government wishes to ensure prudent management of scarce fiscal resources so as to lay the foundation for rapid and sustainable growth as well as create jobs which are consistent with the objectives of the Transformation Agenda of the government.

The implementation of the 2013 Budget in the first quarter was challenging in several respects. It will be recalled that the 2013 Budget proposal was prepared in record time and submitted to the National Assembly that, for the first time in recent years, passed budget before the new fiscal year. However, this did not come, as reviews indicated, without some fundamental changes which needed to be amended through the 2013 Amended Budget proposal. This, notwithstanding the implementation of the Budget commenced in earnest with Mr. President's assent to the Appropriation Act.

This Report is a product of the collaborative efforts of major financial and statistical agencies of government which provides necessary macro-economic data, and the concerted efforts of various departments of the Budget Office of the Federation, particularly Budget Monitoring and Evaluation Division. I commend their efforts and wish them every success as they continue to perform this important function.

Dr. Bright Okogu
Director General
Budget Office of the Federation

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EXECUTIVE SUMMARY

The 2013 Budget which was designed with the theme "fiscal consolidation with inclusive growth" builds on the 2012 Budget which was anchored on four main pillars of macroeconomic stability, structural reforms, governance & institutions and investing in priority sectors. Data from the National Bureau of Statistics revealed that real Gross Domestic Product (GDP) grew by 6.56% in the first quarter of 2013. This growth was 0.22% higher than the 6.34% achieved in the corresponding quarter of 2012 but fell short by 0.43% when compared with the 6.99% recorded in the fourth quarter of 2012. As expected, the non-oil sector remained the major contributor of growth with a contribution of 7.89%. Output in the oil sector, however, decreased in the first quarter of 2013 relative to the corresponding quarter of 2012. The inflationary trend fell to a four-year low in the first quarter of 2013. Inflation rate was 8.6% as at March 2013 reflecting a decrease of 3.5% below the 12.1% rate recorded within the same period of 2012. Nigeria's gross external reserves posted a considerable increase in the first quarter of 2013. It rose from US$35.2 billion at the end of March 2012 to US$47.88 billion as at 31st March, 2013 depicting an increase of US$12.68 billion (or 36.02%).

Data from the Office of the Accountant General of the Federation (OAGF) showed that a net sum of N1,395.07 billion was available for sharing among the three tiers of government in the first quarter of 2013. This implies a shortfall of N495.80 billion (or 26.22%) in the first quarter. The sum of N826.74 billion, including revenue from other sources was received to fund the Federal budget in first quarter of 2013 thereby representing a shortfall of N198.32 billion (or 19.32%). This significantly affected the smooth take-off of the implementation of the 2013 Budget in the first Quarter.

The data also indicated that the implementation of recurrent (non-debt) expenditure was 90.12% as at March 2013. The sum of N335.94 billion out of the N405.37 billion projected for capital budget implementation in the quarter was released to MDAs. Of this, N335.63 billion (or 99.9%) was cash-backed but no utilization by any MDA was recorded before 31st March, 2013.

The first quarter of 2013 Capital Development Warrant was released around the middle of March 2013 and the cash backing was done almost immediately. However, due to the public holiday for the 2013 Easter celebration, MDAs could not access and utilize their allocations on or before 31st March, 2013 which was the end of the first quarter. As such no capital utilization was made within the first quarter of 2013.

In addition to the regular budget, a total of N137.55 billion (or 50.29%) of the N273.5 billion appropriated for SURE-P in the 2013 Budget was released as at 31st March, 2013 while N38.3 billion (or 27.84%) of the released amount was utilized for major capital and social programmes under the SURE-P window, and this assisted in the area of infrastructure in the first quarter of 2013.

1.0 INTRODUCTION

The 2013 Budget which was designed with the theme "fiscal consolidation with inclusive growth" is designed along the principles of the 2012 Budget which was anchored on four main pillars of macroeconomic stability, structural reforms, governance & institutions and investing in priority sectors. The budget is also fashioned to ensure prudent management of scarce fiscal resources so as to lay the foundation for rapid and sustainable growth as well as create jobs which are consistent with the objectives of the Transformation Agenda of the government.

2. The Budget follows from the 2013-2015 Medium Term Fiscal Framework (MTFF) which was formulated after due consultations with all relevant agencies and other stakeholders. The assumptions in the framework were based on the events in both the domestic and global economies. As such, measures were taken to build up necessary savings to cushion the economy against a possible global recession or collapse of oil prices. Similarly, the government has sustained its policy of re-balancing its expenditure in favour of capital investments over the medium term.

3. Like the 2012 Budget, the 2013 Budget is focused on transforming critical economic and social sectors. While some of these sectors are largely driven by private sector activities, others require a great deal of public sector support. As such, some key allocations were made as follows: Critical Infrastructure (including Power, Works, Transport, Aviation, Gas Pipelines and Federal Capital Territory) – N497 billion; Human Capital Development (i.e. Education and Health) – N705 billion; Agriculture & Water Resources – N175 billion; and National Security (comprising Police, Armed Forces, Office of the National Security Adviser and the Ministry of Interior) – N953 billion.

4. With a view to breaking with the practice of late commencement of the implementation of our annual budgets, the 2013 Budget proposal was

presented to the National Assembly on 10 October 2013 and was passed on 20 December 2012. However, reviews later in January indicated some fundamental changes in allocations to MDAs' personnel costs, and some critical projects which needed to be amended. An amendment proposal was subsequently transmitted to the National Assembly sequel to Mr. President's assent to the 2013 Appropriation Act while its implementation commenced in earnest.

5. This Report is designed to present detailed information on 2013 first quarter Budget implementation. 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 quarter. Finally, we present a brief conclusion to this Report.

2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS

Global Economy

In 2012 global growth remained subdued due to the less than expected level of activities in the Euro area and the slipping of Japan into recession during the second half of the year. Weak and incoherent growth was also witnessed across major economies and regions including the United States. The emerging market economies, however, showed a fair degree of resilience. The growth outlook for 2013 looks promising as the data from the International Monetary Fund (IMF) World Economic Outlook projected a global output growth of 3.5% as against the 3.2% recorded in 2012. In advanced economies, output was estimated to grow at 1.4 % in 2013 as against 1.3% achieved in 2012. Recession is expected to continue in the Euro area, contracting at 0.2% in 2013 as against 0.4% contraction of 2012. A contraction of 2.0% is also expected in the United States in 2013 as against 2.3% slowdown recorded in 2012.

7. The emerging Asian economies were projected to post a gradual recovery that would propel global output growth in 2013. China which previously recorded slowdown in over seven successive quarters witnessed improved activity in the fourth quarter of 2012 which was a signal that upswing growth was underway. The recent fiscal and monetary easing operations of the Peoples Bank of China led to increased pace of investment in infrastructure with indication of further public spending in 2013. Thus, the economy is expected to grow strongly in 2013 amid gradual improvements in the external environment. Japan which had been on a 15-year deflation returned to growth in the last quarter of 2012, a sign of better performance in 2013. The major setback in the Asian region is expected from India with a real GDP growth of 5.4% in 2012 on account of the poor performance of its manufacturing, agriculture and service sectors. Growth in the Sub-Saharan

Africa was still robust although real output dropped to 4.8% in 2012 from 5.3% in 2011. The performance of Sub-Saharan Africa during 2013 would partly depend on developments in the Euro area as well as the extent of recovery in China.

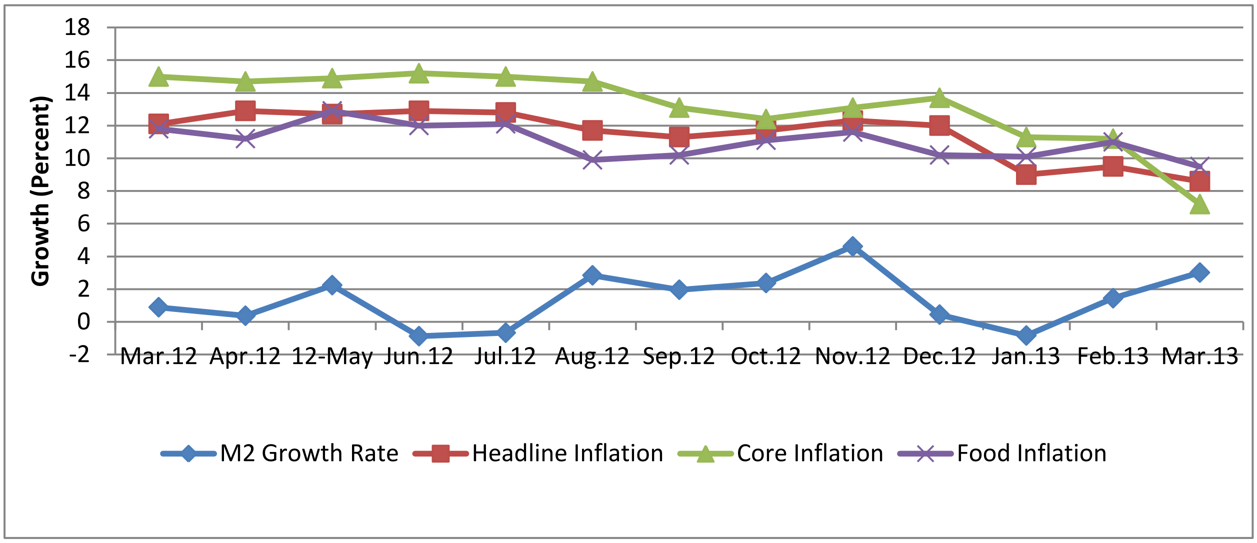
Domestic Economy

8. Data from the National Bureau of Statistics revealed that real Gross Domestic Product (GDP) grew by 6.56% in the first quarter of 2013. This growth was 0.22% higher than the 6.34% achieved in the corresponding quarter of 2012, but fell short by 0.43% when compared with the 6.99% recorded in the fourth quarter of 2012. The real GDP growth was aided by growth in the non-oil sector which was enhanced by growth in building and construction, hotels, real estate, services, finance and insurance, manufacturing and solid mineral among others. Relative to the corresponding quarter of 2012, the growth in non-oil sector was discovered to have declined following the relative decline in agriculture, telecommunication, wholesale and retail trade. On the other hand, the oil sector, which had contributed about 14.75% to real GDP in the first quarter of 2013 when compared to the associated gas component, reflected a decline of 0.54%.

9. The inflationary trend fell to a four-year low in the first quarter of 2013. The year-on-year headline inflation decreased from 12% in December 2012 to 9% in January 2013, inched up to 9.5% in February before falling to 8.6% in March. Similarly, year-on-year core inflation declined from 13.7% in December 2012 to 11.3% in January 2013, moderated slightly to 11.2% in February and later dropped to 7.2% in March. The year-on-year food inflation also followed the same trend, declining from 10.2% in December 2012 to 10.1% in January 2013, increased to 11% in February and later declined to 9.5% in March. The sharp drop in inflation in the first quarter of 2013 compared with the first quarter of 2012 was as a result of the base effect of the partial removal of fuel subsidy in January 2012. With the tapering off of the first and second round effects of the increase, the prudent monetary policy stance and stable

exchange rates had also contributed to the low inflation figures. *Chart 1* below shows the trend of inflation in the last 12 months.

Chart 1: Inflation and M2 Growth Rate (March 2012 – March 2013)

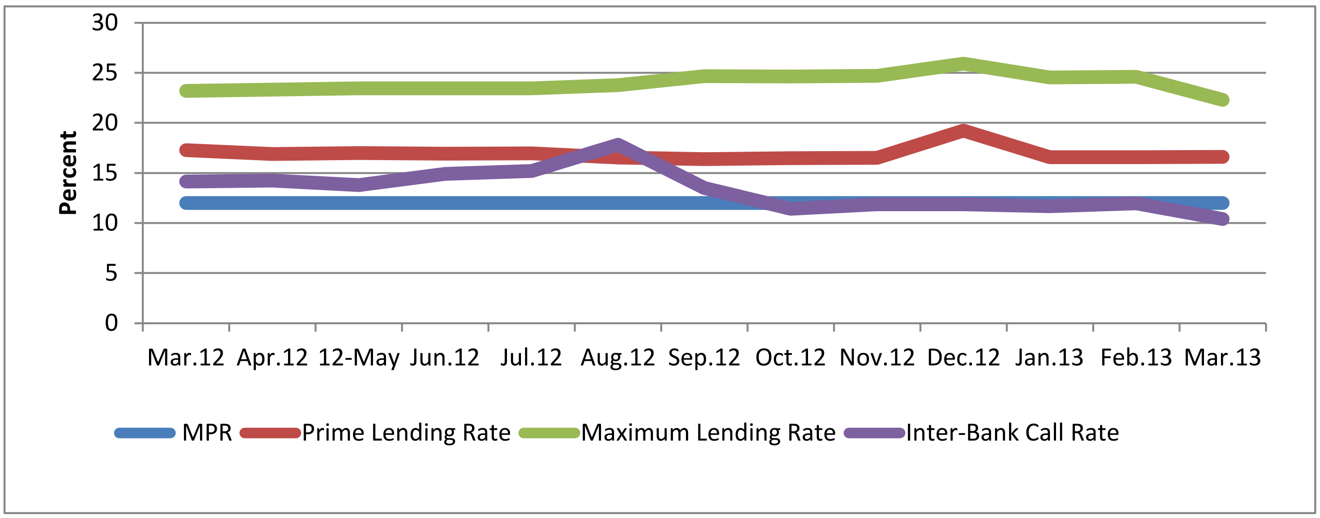


Source: Central Bank of Nigeria, 2013 & National Bureau of Statistics, 2013

10. Broad money supply (M2) declined by N127.03 billion (or 0.84%) in January 2013 below the level in December 2012, that is, from N15.13 trillion in December to N15 trillion in January. However, broad money grew by 1.44% and 3.01% in February and March 2013 respectively. The net aggregate domestic credit rose by 10.5% from N13.96 trillion in December 2012 to N15.42 trillion in March 2013.The significant growth in net credit in the period was due to the huge increase in credit to government which rose by 87.58% between December 2012 and March 2013. On the other hand, credit to the private sector decreased by 0.18% between December 2012 and January 2013. The average prime lending rate declined from 19.23% in December 2012 to 16.57%, 16.56% and 16.61% in January, February and March 2013 respectively. Similarly, the average maximum lending rate fell from 25.91% in December 2012 to 24.54%, 24.6% and 22.31% in January, February and March 2013 respectively.

11. Like the previous quarters, the Central Bank of Nigeria (CBN) continued with a fixed Monetary Policy Rate (MPR) of 12% in the first quarter of 2013 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 declined from 11.88% in December 2012 to 11.67% in January 2013, rose slightly to 11.98% in February before declining again to 10.39% in March. This trend reflected the liquidity surplus in the banking system including repayments of matured CBN Bills. The trends in interest rates in the first quarter of 2013 are presented below in *Chart 2.*

Chart 2: Interest Rates Trend (March 2012 – March 2013)

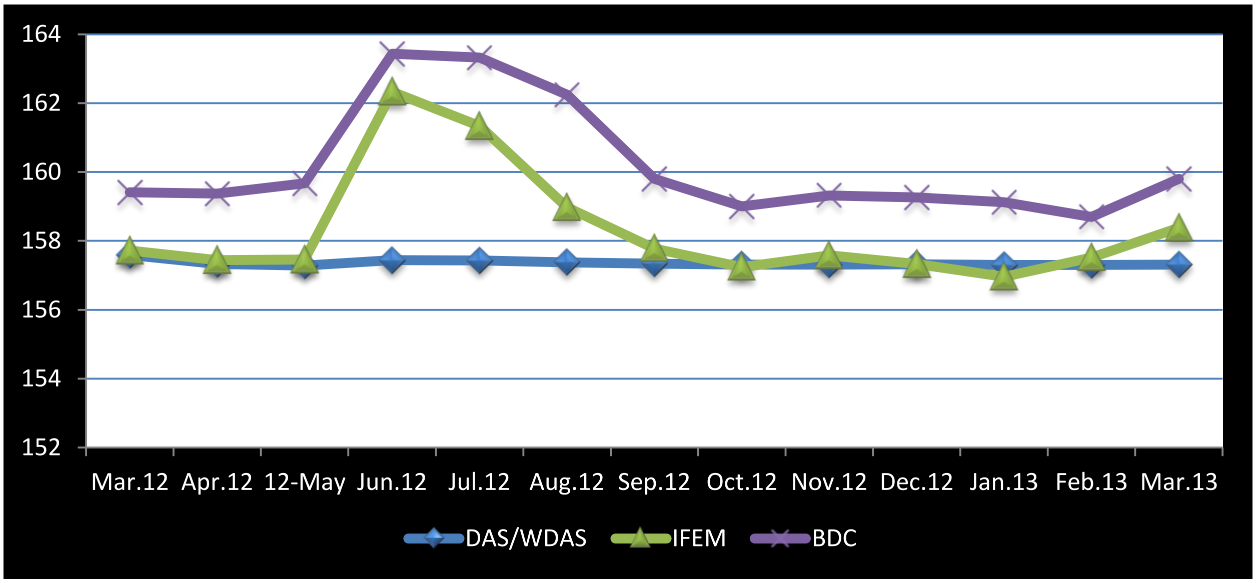


Source: Central Bank of Nigeria, 2013

12. The average official Wholesale Dutch Auction System (WDAS) Naira/Dollar exchange rate appreciated slightly from N157.32/$ in December 2012 to N157.31/$ in March 2013 representing an appreciation of N0.01 (or 0.01%). The slight appreciation of the Naira/Dollar in WDAS was due to the low patronage by speculators on account of improved supply of foreign exchange by oil companies and increased inflow from portfolio investors. On the other hand, the average Inter-bank exchange rate depreciated from N157.33/$ in December 2012 to N157.62/$ in March 2013. Likewise, the average Bureau de Change rate also depreciated from N159.26/$ in December to N159.80/$ in March 2013. The premium between the WDAS and

the interbank rate narrowed in the period under review. 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.

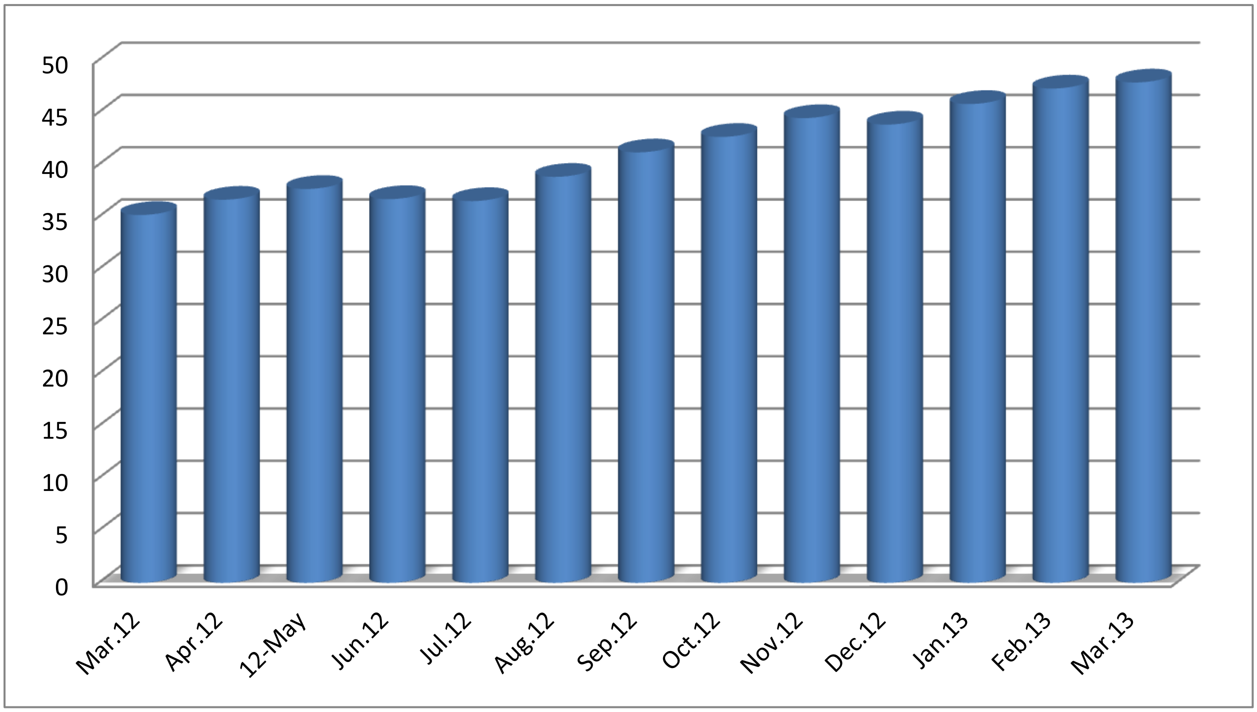
Chart 3: Naira/US$ Exchange Rates Trend (March 2012 – March 2013)



Source: Central Bank of Nigeria, 2013

13. Figures from the CBN revealed a significant accretion in Nigeria's gross external reserves in the first quarter of 2013 which stood at US$47.88 billion as at 31st March 2012. This represented an increase of US$4.03 billion (or 9.19%) above the US$43.85 billion recorded at the end of December 2012. Relative to the end of first quarter of 2012 level of US$35.2 billion, the external reserves at the end of first quarter of 2013 had risen by US$12.68 billion (or 36.02%). The increase in the level of foreign reserves was driven largely by a tighter fiscal policy measures, proceeds from crude oil and gas sales and crude oil-related taxes as well as 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 March 2013 could finance over thirteen months of imports. This is well over the globally recommended minimum threshold of 3-months import cover.

Chart 4: Level of External Reserves (in US$ Bns) Mar. 2012 – Mar 2013



Source: Central Bank of Nigeria, 2013

3.0 FINANCIAL ANALYSIS OF THE 2013 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2013 Budget was an outcome of the 2013-2015 Medium Term Fiscal Framework (MTFF) which was prepared after series of wide range discussions and consultations with MDAs and other relevant stakeholders in both the Public and Private Sectors. Developments in the global economic activities also formed a major input in the formulation of this framework.

Table 1: Key Assumptions and Targets for the 2013 Budget

KEY ASSUMPTION & TARGETS	2013
Projected Production (in mbpd)	2.52
Budget Benchmark Price (per barrel in US)	79
Technical Cost of JVC Pbl to Oil Companies	
Operating Expenses (T1) in US $	9.84
Capital Expenses (T2) in US $	11.07
Technical Cost of PSC Pbl to Oil Companies	
Operating Expenses (T1) in US $	8.36
Capital Expenses (T2) in US $	16.28
Investment Tax Credit	5.27
Technical Costs of SC pbl to Oil Company	
Operating Expenses (T1) in US $	9.06
Capital Expenses (T2) in US $	36.18
Investment Allowances	7.8
Weighted Average Contribution Rates	
Weighted Average Rate of PPT-JV/AF/Independent/Marginal Oil	85%
Weighted Average Rate of PPT-PSC Oil	51.35%
Weighted Average Rate of PPT-SC Oil	85%
Weighted Average Rate of Royalties-JV/AF/Independent/Marginal Oil	18.67%
Weighted Average Rate of Royalties -PSC Oil	2.81%
Weighted Average Rate of Royalties SC Oil	18.5%
Average Exchange Rate (NGN/US$)	160
VAT Rate	5%
CIT Rate	30%

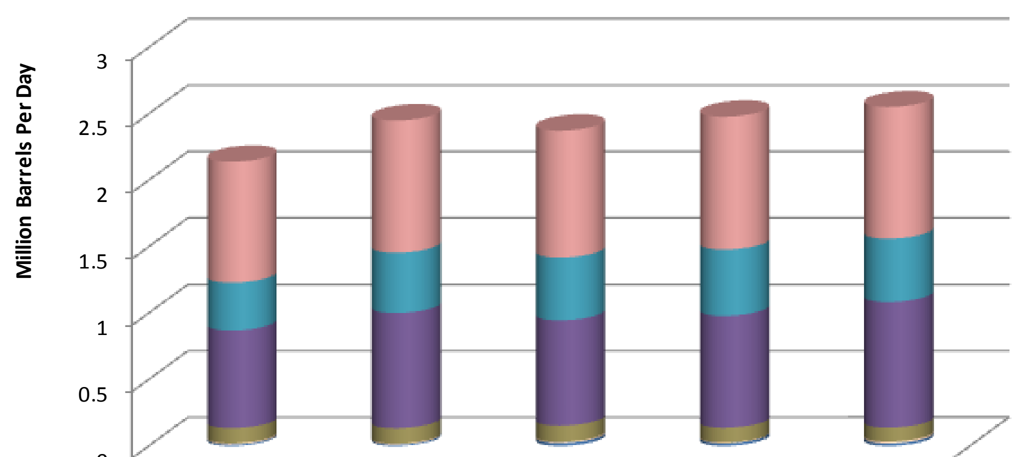
Source: BOF, NNPC, FIRS and NCS

Budget Benchmark Oil Price and Production

15. Due to the unpredictable nature of price of oil at the international market, Government in recent past had devised a cautious system of determining the benchmark price of oil for its annual budgets. As such, budget expenditures are delinked from the unstable world of oil prices. In view of this, the benchmark price of oil for the 2013 Budget was fixed at US$79/barrel while oil production was set at 2.52 million barrels per day (mbpd). The projected oil production for 2013 budget depicts a marginal increase of 0.04 mbpd (or 1.61%) above the 2.48 mbpd estimated for the 2012 Budget.

16. Details of projected contributions of oil production by business arrangements, are presented in *Chart 5* below while the breakdown of contributions and rates for the major oil taxes expected to accrue to the Federal Government are also illustrated in *Table 2* below.

Chart 5: Budget Oil Production by Business Arrangements 2009 – 2013



	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Budget
Joint Ventures	0.91	0.995	0.955	1	0.991
Alternative Funding	0.36	0.455	0.474	0.5	0.477
Prod. Sharing Contracts	0.736	0.868	0.793	0.843	0.947
Independents	0.113	0.115	0.122	0.11	0.104
Service Contracts	0.009	0.007	0.008	0.005	0.013
Marginal Fields	0.011	0.01	0.022	0.02	0.019

Source: NAPIMS/NNPC

Table 2: Detailed Assumptions for Oil Production and Taxes (2013)

Share of Oil Production	***Percentage***
Joint Ventures	40.92%
Alternative Funding	16.96%
Modified Carry Arrangement	1.88%
Production Sharing Contracts	39.71%
Independents	0%
Service Contracts	0.53%
Marginal	0%
Total Production	100%
PPT Rates	
Weigthed Average -JV/AF/Independent/Marginal	85%
Weigthed Average -PSC	51.35%
Weigthed Average -SC	85%
Royalties Rates	
Weighted Average-JV/AF/Independent/Marginal	19.25%
Weigthed Average-PSC	2.81%
Weigthed Average-SC Oil	18.50%

Source: NNPC and BOF

3.2 Analysis of Revenue Performance

Overview of Oil Revenue Parameters

17. The price of crude oil in the international market averaged US$112.55 per barrel in the first quarter of 2013 representing an increase of US$2.52 (or 2.29%) over the US$110.03 per barrel recorded in the fourth quarter of 2012. The higher crude oil price could be attributed to the increase in demand for energy due to the cold weather in Europe and America and the intervention scheme to halt downward trend in economic activities by the European Central Bank and the US Federal Reserve System which had also aided investments in commodities and stocks.

18. Provisional data from the Nigerian National Petroleum Corporation (NNPC) showed that the average oil lifting (including Condensates) in the first quarter of 2013 was 2.3 million barrels per day (mbpd) depicting a shortfall of 0.22 mbpd (or 8.73%) below the 2.52mbpd projected for the 2013 Budget. The oil lifting performance in the first quarter of 2013 was also 0.1 mbpd higher than the 2.2 million barrel per day recorded in the fourth quarter of 2012 and 0.03mbpd (or 1.29%) lower than the 2.33mbpd recorded in the first quarter of 2012. The decrease in oil lifting during the quarter can be attributed to the incessant crude oil theft, illegal bunkering, pipeline vandalizations, which had been on the increase in recent times in the Niger Delta region and the force majeure declared by Agip Oil during the period.

19. The 2013 Budget presents a gross Federally collectible revenue estimate of N11,339.77 billion, made up of N7,734.15 billion (or 68.2%) oil revenue and N3,605.62 billion (or 31.8%) non-oil revenue. Below is an analysis of the actual performance of the oil and non-oil revenue receipts in the first quarter of 2013.

Oil Revenue Performance

20. An appraisal of the oil revenue in the first quarter of 2013 shows that Royalties (Oil & Gas) of N216.01 billion, Gas Flared Penalty of N1.12 billion and Petroleum Profit & Gas Taxes of N814.22 billion exceeded their respective quarterly expected estimates of N190.27 billion, N0.62 billion and N590.79 billion by N25.74 billion (or 13.53%), N0.50 billion (or 79.84%) and N223.43 billion (or 37.82%). On the other hand, Crude Oil Sales of N724.84 billion, Gas Sales of N64.0 billion, Rent of N0.10 billion and Other Oil & Gas Revenue of N0.38 billion were lower than their quarterly projections of N1,060.98 billion, N89.90 billion, N0.22 billion and N0.77 billion by N336.14 billion (or 31.68%), N25.90 billion (or 28.81%), N0.13 billion (or 56.82%) and N0.39 billion (or 51.17%) respectively. Please see *Table 3*.

Net Oil Revenue

21. In the first quarter of 2013, the actual net oil revenue that accrued into the Federation Account was N967.84 billion indicating a shortfall of N245.96 billion (or 20.26%) below the projected quarterly estimate of N1,213.8 billion. On the other hand, the net oil revenue in the first quarter of 2013 was higher than the N905.69 billion net oil revenue recorded in the fourth quarter of 2012 by N62.15 billion (or 6.86%). In spite of the favourable oil prices at the international market, the below-than-projected performance of the net oil revenue in the first quarter of 2013 was due to the fall in oil lifting figure during the period. These data are presented in *Table 3*.

Year-to-Date

22. As at end of March 2013, only Gas Flared Penalty of N1.12 billion and Other Oil & Gas Revenue of N0.38 billion exceeded their corresponding 2012 first quarter performance of N0.49 billion and N0.19 billion by N0.63 billion (or 128.57%) and N0.19 billion (or 100%). On the other hand, Crude Oil Sales of N724.84 billion, Gas Sales of N64.0 billion, Royalties (Oil & Gas) of N216.01 billion, Rent of N0.10 billion and Petroleum Profit Tax of N814.22 billion fell below their respective 2012 first quarter performances of N1,060.17 billion, N98.16 billion, N250.56 billion, N0.13 billion and N943.48 billion by N335.33 billion (or 31.63%), N34.16 billion (or 34.8%), N34.55 billion (or 13.79%), N0.03 billion (or 23.08%) and N129.26 billion (or 13.7%). These low performances were due to the reasons earlier adduced.

Non-Oil Revenue Performance

23. In recent times, the Government, through the Budget Office of the Federation and the Federal Ministry of Finance had adopted different measures aimed at boosting non-oil revenue collection and remittances to the treasury. The implementation of these measures, coupled with the Budget Office's regular engagement with the Agencies had led to the continued growth in targets and actual revenues from the non-oil sector. This trend, as

presented in *Table* 4 and *Table* 5, is expected to continue over the 2013 - 2015 period.

24. In the first quarter of 2013, the actual gross non-oil revenue of N448.68 billion was received. This signifies a shortfall of N264.24 billion (or 37.06%) below the quarterly estimate of N712.92 billion. A breakdown of the non-oil revenue items showed that all the items fell below their quarterly projected estimates. Value Added Tax of N180.41 billion, Company Income Tax of N158.33 billion and Customs & Excise Duties of N109.94 billion were below their quarterly estimates of N236.32 billion, N248.01 billion and N198.24 billion by N55.91 billion (or 23.66%), N89.68 billion (or 36.16%) and N88.3 billion (or 44.54%) respectively. Compared to their respective fourth quarter of 2012 outcomes, Value Added Tax, Company Income Tax and Customs & Excise Duties fell by N3.42 billion (or 1.86%), N9.76 billion (or 5.81%) and N11.07 billion (or 9.15%) respectively. The low performances of these revenue items in the first quarter of 2013 can be attributed to the slow pace of economic activities at the beginning of the year and it is expected that the trend will improve in the subsequent quarters of the year.

Year-to-Date

25. All the non-oil revenue items, Value Added Tax of N180.41 billion, Company Income Tax of N158.33 billion and Customs & Excise Duties of N109.94 billion recorded in the first quarter of 2013 surpassed their respective 2012 first quarter figures of N170.98 billion, N124.41 billion and N109.28 billion by N9.43 billion (or 5.52%), N33.92 billion (or 27.26%) and N0.66 (or 0.6%). The low performances of these items in 2012 was as a result of the nationwide strike action embarked upon by the labour unions in the beginning of 2012 following the partial increase in the pump prices of petroleum products.

Table 3: Net Distributable Revenue as at March, 2013 (Oil Revenue at Benchmark Assumptions)

S/NO	DESCRIPTION	BUDGET			ACTUAL	VARIANCE	
		2012 Annual Budget	2013 Annual Budget	2013 Quarterly Budget	2013 First Quarter	2013 First Quarter Actual Vs Quarterly Budget	
A	OIL REVENUE	N'bn	N'bn	N'bn	N'bn	N'bn	%
1	Crude Oil Sales	3,693.02	4,243.90	1,060.98	724.84	(336.14)	-31.68%
2	Gas Sales (NLNG Feedstock slaes & Upstream Liquid Gas)	340.49	359.58	89.90	64.00	(25.90)	-28.81%
3	Royalties Oil & Gas	731.12	761.08	190.27	216.01	25.74	13.53%
4	Rent	0.78	0.88	0.22	0.10	(0.13)	-56.82%
5	Gas flared Penalty	3.20	2.48	0.62	1.12	0.50	79.84%
6	PPT & Gas Tax @CITA	1,865.42	2,363.15	590.79	814.22	223.43	37.82%
7	Other Oil and Gas Revenue	2.48	3.07	0.77	0.38	(0.39)	-51.17%
8	Sub-Total	6,636.51	7,734.15	1,933.54	1,820.65	(112.89)	-5.84%
9	Joint Venture Cash calls	1,141.51	1,182.33	295.58	284.92	(10.66)	-3.61%
10	Domestic Fuel Subsidy (NNPC) and Marketers	888.10	971.14	242.78	-	(242.78)	-100.00%
11	Under Remittance of Funds by NNPC			-	-	-	
12	Oil Excess Revenue			-	22.35	22.35	
13	Sub-Total	4,606.91	5,580.68	1,395.17	1,513.38	118.21	8.47%
14	Transfer to Excess Crude Account			-	400.92	400.92	
15	Balance of Oil Revenue	4,606.91	5,580.68	1,395.17	1,112.46	(282.71)	-20.26%
16	13% Derivation of Net Oil Revenue	598.90	725.49	181.37	144.62	(36.75)	-20.26%
17	TO FEDERATION ACCOUNT	4,008.01	4,855.19	1,213.80	967.84	(245.96)	-20.26%
B	NON-OIL REVENUE			-	-	-	
18	Value Added Tax (VAT)	802.86	945.28	236.32	180.41	(55.91)	-23.66%
19	Corporate Tax,CIT, Stamp Duties & CGT	828.18	992.04	248.01	158.33	(89.68)	-36.16%
20	Customs: Import, Excise & Fees	600.58	792.95	198.24	109.94	(88.30)	-44.54%
21	Special Levies (Federation Account)	116.07	121.42	30.35	-	(30.35)	-100.00%
22	Sub-Total	2,347.70	2,851.68	712.92	448.68	(264.24)	-37.06%
23	Cost of Collection and Other Deductions	120.21	151.50	37.87	21.45	(16.43)	-43.37%
24	Cost of Collection (VAT)	32.11	37.81	9.45	7.42	(2.03)	-21.50%
25	4% Cost of Collection (CIT)	32.93	39.68	9.92	6.33	(3.59)	-36.16%
26	7% Cost of Collection (Customs)	50.17	64.01	16.00	7.70	(8.31)	-51.91%
27	FIRS Tax Refunds	5.00	10.00	2.50	-	(2.50)	-100.00%
28	TO FEDERATION ACCOUNT (NON-OIL)	1,456.74	1,792.72	448.18	254.24	(193.94)	-43.27%
29	Total VAT Pool	770.75	907.47	226.87	172.99	(53.87)	-23.75%
30	Net Non-Oil Revenue	2,227.49	2,700.18	675.05	427.23	(247.82)	-36.71%
31	Sub-Total: FEDERATION ACCOUNT	5,464.75	6,647.91	1,661.98	1,222.08	(439.90)	-26.47%
32	Balance in Special Account End of Previous Year 2012	12.44	8.13	2.03	-	(2.03)	-100.00%
33	TOTAL FEDERATION ACCOUNT	5,477.19	6,656.03	1,664.01	1,222.08	(441.93)	-26.56%
C	TOTAL DISTRIBUTION			-	-	-	
1	Federation Account	5,477.19	6,656.03	1,664.01	1,222.08	(441.93)	-26.56%
2	VAT Pool Account	770.75	907.47	226.87	172.99	(53.87)	-23.75%
3	GRAND TOTAL	6,247.94	7,563.50	1,890.88	1,395.07	(495.80)	-26.22%

Source: OAGF and Budget Office of the Federation

Table 4: Actual Performance of Non-Oil Revenue Category (2005-2012)

Description	2005	2006	2007	2008	2009	2010	2011	2012	8 - Year Average
	N'm	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	474,917.60	301,679.08
Company Income Tax	162,166.30	244,807.80	327,040.20	416,825.50	564,950.00	657,278.00	716,920.00	848,566.00	492,319.23
Value Added Tax	189,969.40	230,370.30	301,709.60	404,527.80	468,388.90	562,857.00	649,500.00	710,146.00	439,683.63
Education Tax	21,849.00	23,950.00	50,650.00	59,387.00	61,058.20	-	-	-	27,111.78
FGN Independent Revenue	52,483.20	106,600.00	152,290.00	198,234.20	64,114.70	153,551.90	182,490.00	206,766.00	139,566.25

Source: OAGF and BOF

Table 5: Percentage Growth in Non-Oil Revenues (2006-2012)

Description	2006	2007	2008	2009	2010	2011	2012	7-Year Avergae
Customs Duties & Excise	-22.89%	41.20%	10.23%	1.65%	10.85%	36.51%	12.52%	12.87%
Company Income Tax	50.96%	33.59%	27.45%	35.54%	16.34%	9.07%	18.36%	27.33%
Value Added Tax	21.27%	30.97%	34.08%	15.79%	20.17%	15.39%	9.34%	21.00%
FGN Independent Revenue	103.11%	42.86%	30.17%	-67.66%	139.50%	18.85%	13.30%	40.02%

Source: OAGF and BOF

Comparative Revenue Performance Analysis

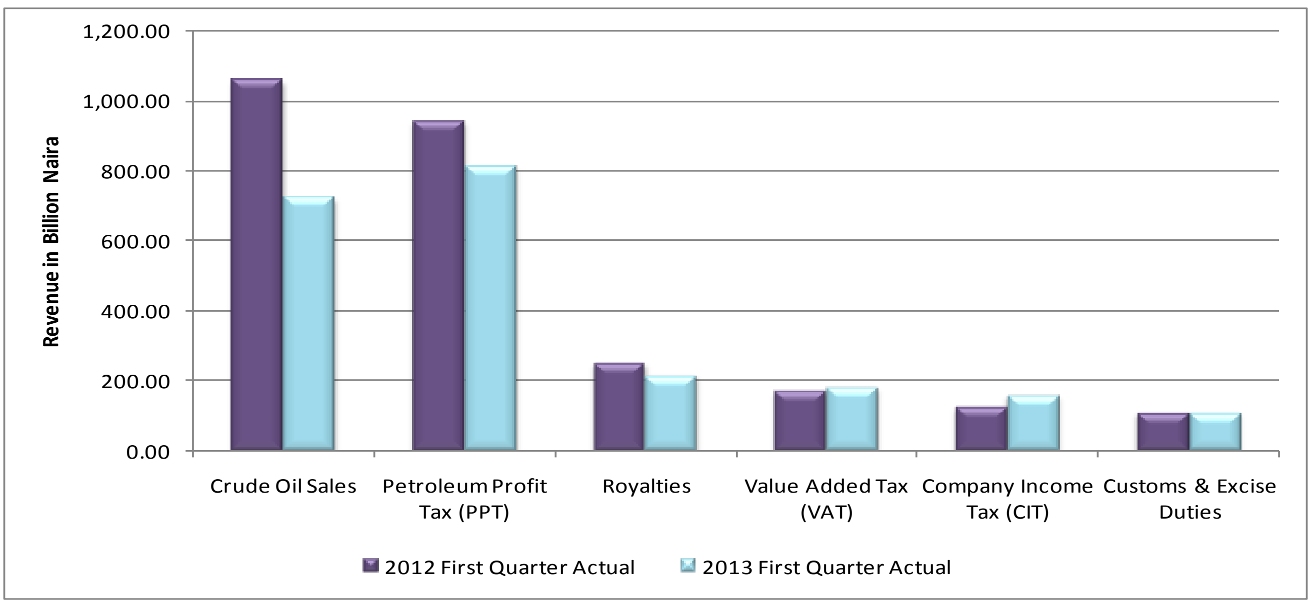
26. A comparative analysis of the data further indicates that the aggregate gross oil revenue receipts in the first quarter of 2013 were not only lower than their respective projections for the period, but were also short of the corresponding levels in the same period of 2012. The low performance can be attributed to the incessant crude oil theft and pipeline vandalism in the Niger Delta region during the period. On the other hand, the aggregate gross non-oil revenues for the same period revealed an improvement of N44.01 billion (or 10.88%) above the corresponding figures recorded in 2012. Please see data below in *Table 6.*

Table 6: Performance of Revenue in the First Quarter of 2013 Vs 2012

Revenue Items	2012 1st Quarter Actual	2013 1st Quarter Actual	Variance 1st Quarter 2013 Vs 1st Quarter 2012	
Oil Revenue	N bns	N bns	N bns	%
Crude Oil Sales	1,060.17	724.84	-335.33	-31.63
Petroleum Profit Tax (PPT)	943.48	814.22	-129.26	-13.70
Royalties	250.56	216.01	-34.55	-13.79
Gross Oil Revenue	2,353.18	1,820.65	-532.53	-22.63
Net Oil Receipts	872.67	967.84	95.17	10.91
Non-Oil Revenue				
Value Added Tax (VAT)	170.98	180.41	9.43	5.52
Company Income Tax (CIT)	124.41	158.33	33.92	27.26
Customs & Excise Duties	109.28	109.94	0.66	0.60
Gross Non-Oil Revenue	404.67	448.68	44.01	10.88
Net Non-Oil Receipts	385.2	427.23	42.03	10.91

Source: OAGF and Budget Office of the Federation

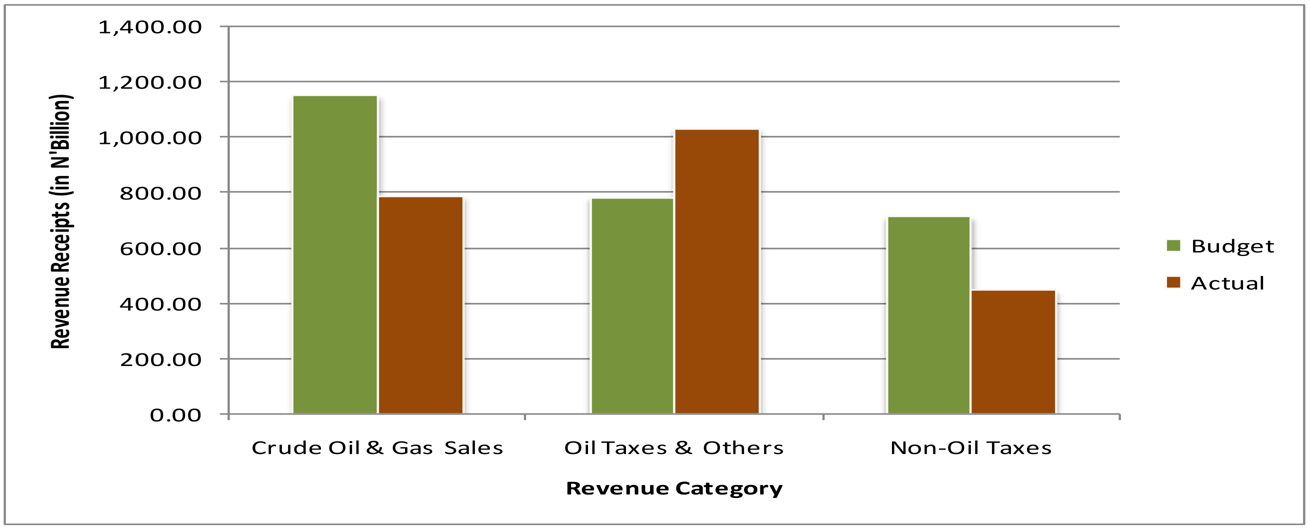
Chart 6: 2012 Vs 2013 Revenue Performance (First Quarter)



Source: OAGF and Budget Office of the Federation

27. *Chart 7* below is a graphical illustration of the actual performance of revenue categories compared to their budgeted estimates as at March 2013.

Chart 7: Projected Vs Actual FAAC Revenue Receipts (as at March 2013)



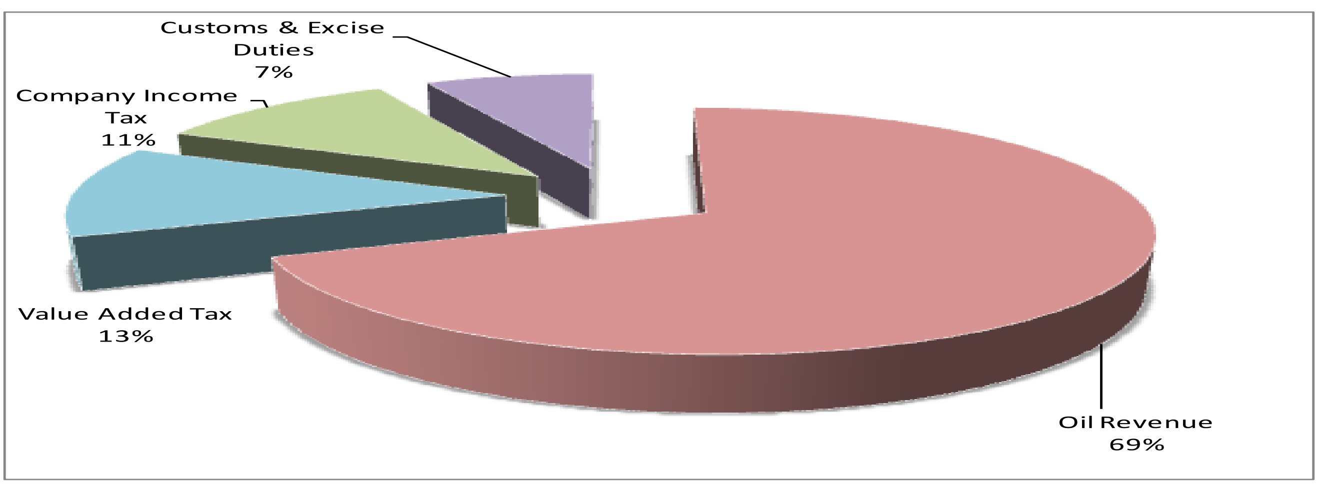
Source: Budget Office of the Federation

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 N1,395.07 billion was available for sharing in the first quarter of 2013. This implies a shortfall of N495.80 billion (or 26.22%).

29. *Chart 8* below presents the percentage contribution of the various revenue categories to distributable revenue in the first quarter of 2013.

Chart 8: Contributions to Distributable Revenue (in the 1st Quarter of 2013)

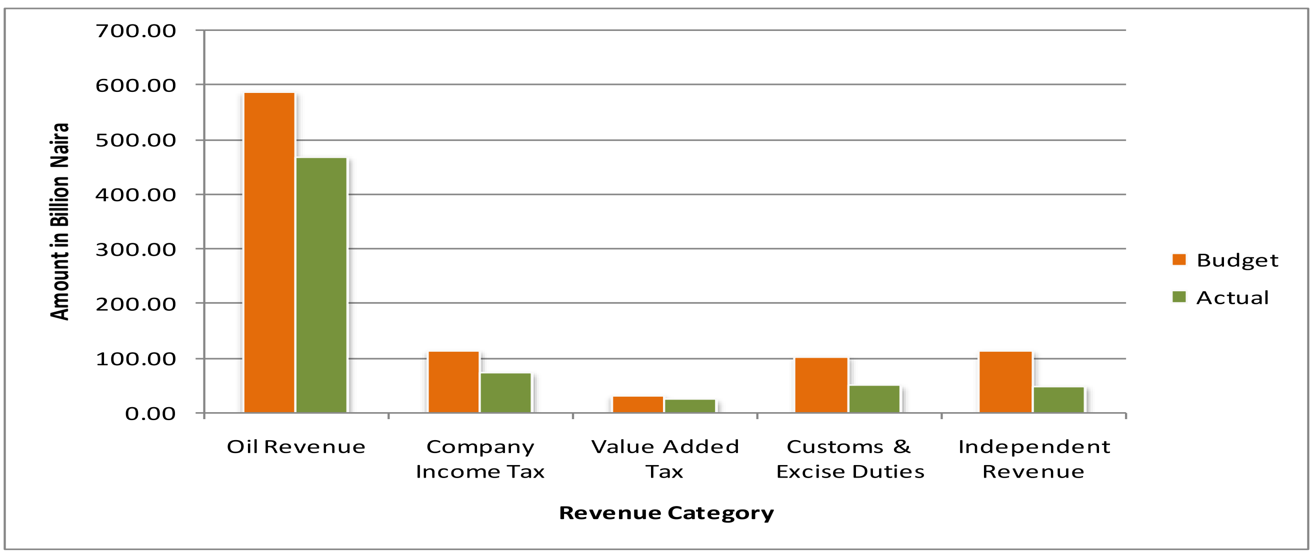


Source: Budget Office of the Federation

3.3 FGN Budget Revenue

30. Based on the approved 2013 Budget framework, the sum of N4, 100.18 billion was projected to fund the Federal Budget implying a quarterly share of N1, 025.05 billion. In the first quarter of 2013, the sum of N469.4 billion received from oil sources was lower than the quarterly estimate of N588.63 billion by N119.23 billion (or 20.26%); as indicated earlier. Similarly, the FGN share of VAT of N24.22 billion, Customs & Excise Duties of N49.59 billion and Company Income Tax of N73.72 billion were short of their respective quarterly projection of N31.76 billion, N103.11 billion and N114.31 billion by N7.54 billion (or 23.75%), N53.52 billion (or 51.91%) and N40.59 billion (or 35.51%). The foregoing followed the same pattern of their respective performances at the Federation Account level. The data are presented below in *Table 7.*

Chart 9: FGN Revenue (Budget Vs Actual as at March 2013)



Source: The OAGF and Budget Office of the Federation

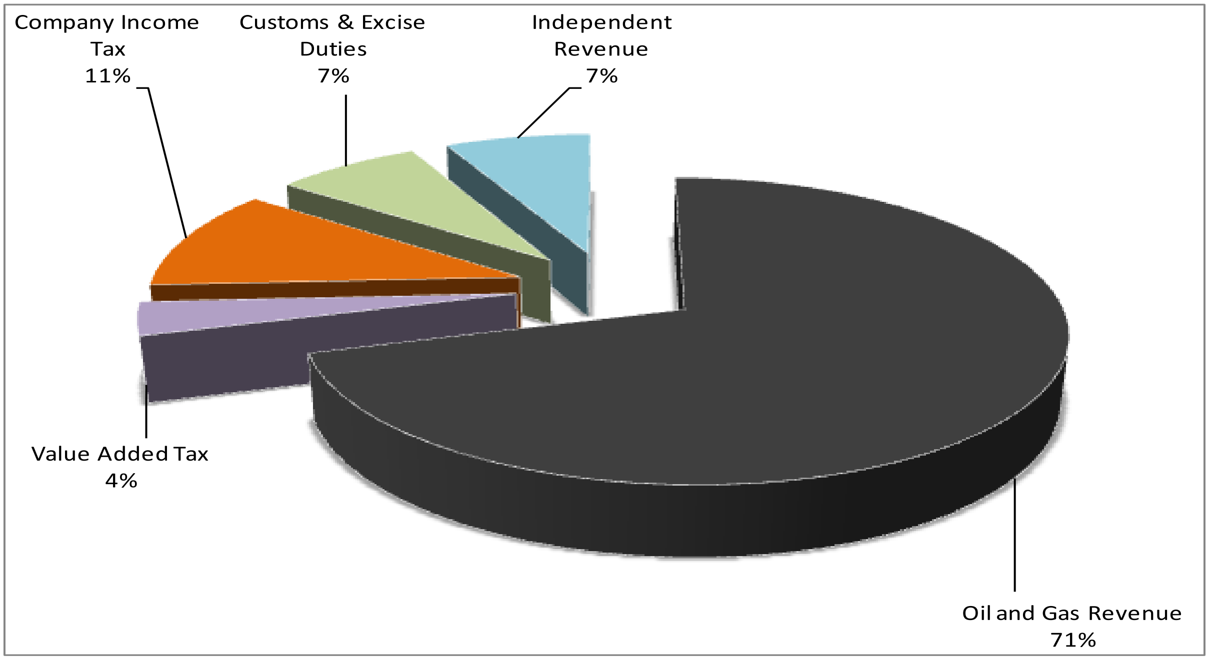
Table 7: Inflows to the 2013 Federal Budget as at March 2013

S/NO	DESCRIPTION	BUDGET			ACTUAL	VARIANCE	
		2012 Annual Budget	2013 Annual Budget	2013 Quarterly Budget	2013 First Quarter	2013 First Quarter Actual Vs Quarterly Budget	
1	Inflow for the Federal Budget (CRF)	N'bn	N'bn	N'bn	N'bn	N'bn	%
2	FGN Share of Oil Revenue	1,943.88	2,354.52	588.63	469.40	-119.23	-20.26%
3	FGN Share of Non-Oil Revenue	820.45	996.71	249.18	147.52	-101.66	-40.80%
4	FGN Share of Value Added Tax (VAT)	107.91	127.05	31.76	24.22	-7.54	-23.75%
5	FGN Share of Customs	323.24	357.66	103.11	49.59	-53.52	-51.91%
6	FGN Share of CIT	383.27	457.24	114.31	73.72	-40.59	-35.51%
7	FGN Share of Actual Balances in Special Accounts	6.03	3.94	0.99	0.00	-0.99	-100.00%
8	FGN Independent Revenue	446.78	455.78	113.95	49.03	-64.92	-56.97%
9	FGN Balance of Special Accounts as at 31/12/12:	43.11	28.02	7.01	0.00	-7.01	-100.00%
10	Unspent Balance from Previous Fiscal Year	306.79	261.21	65.30	22.86	-42.44	-65.00%
11	Sub-Total	3,561.02	4,100.18	1,025.05	688.81	-336.24	-32.80%
12	Other Financing Sources	0.00	0.00	0.00	137.93	137.93	
13	Distribution of Domestic Excess Crude	0.00		0.00	65.29	65.29	
14	Distribution of difference between Budget & Actual to FGN & other States	0.00		0.00	1.50	1.50	
15	Augumentation	0.00		0.00	71.15	71.15	
16	Total Revenue Available for Implementation	3,561.02	4,100.18	1,025.05	826.74	-198.31	-19.35%

Source: Budget Office of the Federation and the OAGF

31. A total of N688.81 billion, excluding other funding sources, was received in the first quarter of 2013. This amount was N336.25 billion (or 32.8%) lower than the quarterly projection of N1,025.05 billion and N20.77 billion (or 2.93%) lower than the actual receipt of N709.58 billion recorded in the fourth quarter of 2012. However, the aggregate revenue in the first quarter of 2013 was N5.2 billion (or 0.76%) higher than the N683.61 billion recorded in the first quarter of 2012.

Chart 10: Contribution to the FGN Budget Revenue in the First Quarter of 2013 (*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 set up to serve as a stabilization and savings account. Inflows into the ECA in the first quarter of 2013 amounted to N400.92 billion. The inflow in the first quarter was N73.88 billion (or 15.56 %) and N446.99 billion (or 52.72%) lower than the N474.8 billion and N847.91 billion recorded in the fourth and first quarter of 2012 respectively. The sum of N606.12 billion was withdrawn from the account in the first quarter of 2013. These data are presented in *Table 8.*

Table 8: Inflows to the Excess Crude Account

Description	2012 Actual (N' bns)		2013 Actual (N' bn)
	First Quarter	Fourth Quarter	First Quarter
Inflows			
Transfer to Excess Crude Oil Account	847.91	474.80	400.92
Outflows			
Payment for Petroleum Product Subsidy	149.00	284.00	50.00
Augmentation: Distribution among tiers of govt.	674.11	398.98	485.02
Transfer for Special Intervention Fund	8.29	145.41	71.10
Transfers Int. trf - SWF	0	0	0
Total Outflow	831.40	828.39	606.12

Source: Office of the Accountant General of the Federation

3.5 Expenditure Developments

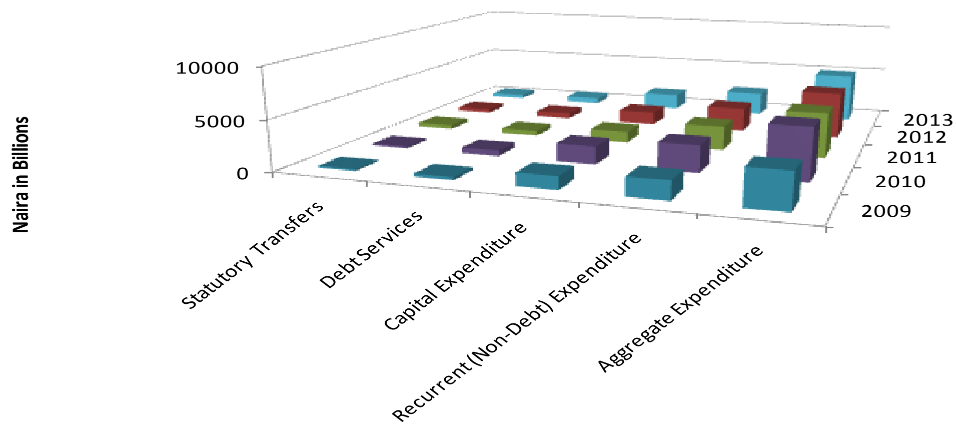
33. A total of N5,260.74 billion was appropriated for expenditure in 2013. Of this amount, N4,987.24 billion was for the regular budget for 2013 while N273.5 billion was for the implementation of social safety net and specific infrastructure projects and programmes under the Subsidy Reinvestment and Empowerment Programme (SURE-P). The regular budget for 2013 is made up of N2,386.03 billion (or 47.84%) for recurrent (non-debt) expenditure, N591.76 billion (or 11.87%) for recurrent (debt services) expenditure, N387.98 billion (or 7.78%) for Statutory Transfers and N1,621.48 billion (or 32.51%) for Capital expenditure.

3.5.1 Non-Debt Recurrent Expenditure

34. In crafting the 2013 Budget, Government kept focus on its plan to strategically check the growth of recurrent expenditures as indicated in the 2013-2015 Fiscal Framework and Fiscal Strategy Paper. To achieve this, government was unwavering in cutting down the cost of governance. As such, the share of

recurrent spending in total expenditure was reduced from 74.4% in 2011 to 67.5% in 2013. In addition, the government hopes to continue the roll-out of IPPIS across all MDAs which will eventually result to savings in personnel costs and also coupled with the trimming down of allocations to agencies with duplicated functions as contained in the *Oronsaye Report*.

Chart 11: 2009 – 2013 Budget Expenditure Profile

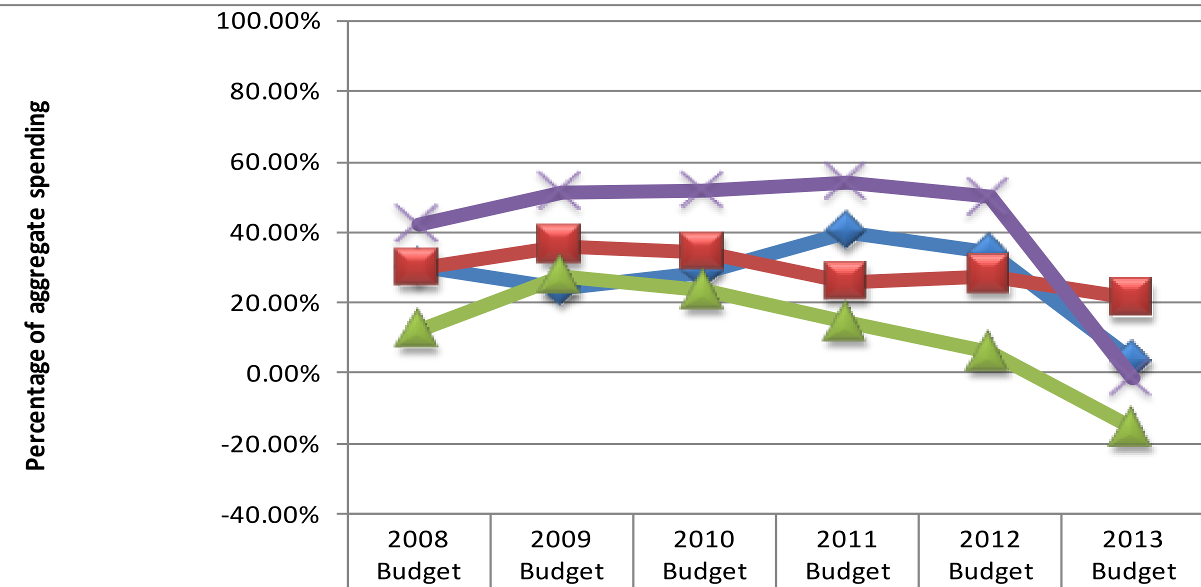


	Statutory Transfers	Debt Services	Capital Expenditure	Recurrent (Non-Debt) Expenditure	Aggregate Expenditure
2009	168.62	283.65	1,280.71	1,824.71	3,557.69
2010	183.58	542.38	1,764.69	2,669.01	5,159.66
2011	417.83	495.1	1,146.75	2,425.07	4,484.74
2012	372.59	559.58	1,339.99	2,425.05	4,697.21
2013	387.98	591.76	1,621.48	2,386.03	4,987.24

Source: Budget Office of the Federation

35. Data from the Office of the Accountant General of the Federation (OAGF) indicate that a total of N537.67 billion was expended on non-debt recurrent expenditure in the first quarter of 2013. This amount represents a decrease of N58.83 billion (or 9.86%) from the quarterly estimate of N596.51 billion.

Chart 12: Personnel, Overhead and Capital Expenditure Trends (2008 – 2013)



	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget
Personnel Costs (MDAs)	29.88%	24.08%	28.66%	40.01%	33.89%	3.37%
Capital Spending	29.66%	36.00%	34.20%	25.57%	27.47%	21.01%
Overheads	12%	27.20%	23.06%	14.07%	5.57%	-15.94%
Recurrent (Non Debt)	41.88%	51.28%	51.72%	54.07%	49.72%	-1.62%

Source: BOF and OAGF

3.5.2 Debt Service

36. Provisional data from the Debt Management Office indicated that as at 31st March 2013, the Federal Government domestic debt stock stood at N6,493.32 billion, a decrease of N44.22 billion (or 0.68%) below the N6,537.54 billion recorded in the fourth quarter of 2012. The 2013 first quarter debt figure was also N526.55 billion (or 8.82%) above the N5,966.77 billion reported in the same period of 2012. A breakdown of the domestic debt stock as at 31st March revealed that N3,820.55 billion (or 58.84%) is for FGN Bonds, N2,338.2 billion (or 36.01%) is for Nigeria Treasury Bills (NTBs) and N334.56 billion (or 5.15%) is for Treasury Bonds. The sum of N121.69 billion was released for domestic debt servicing in the first quarter 2013 while the actual domestic debt payment was N191.25 billion. The sum of N55.41 billion (or 40.79%) difference between the quarterly budgeted estimate of N135.84 billion for domestic debt services and the actual domestic debt services was mainly due to additional issues of FGN Bonds

above the amount projected to be issued as a result of changes in the issuance calendar and the rising cost of rolling over NTBs.

37. Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 31st March, 2013, stood at US$6,670.72 million indicating an increase of US$143.65 million (or 2.2%) and US$677.18 million (or 11.3%) over the US$6,527.07 million and US$5,993.54 million recorded in the fourth quarter and first quarters of 2012 respectively. The increase was due mainly to the increases in multilateral and bilateral debt drawdown. A breakdown of the external debt stock in the first quarter of 2013 showed that Multilateral Debts amounted to US$5,349.37 million (80.19%), Non-Paris Club Bilateral and Commercial Debts amounted to US$821.35 million (or 12.31%) while ICM (Euro-Bond) accounted for the balance of US$500million (or 7.5%).

38. The actual external debt service payment in the first quarter of the year amounted to US$94.23 million. A breakdown of the payments indicated that US$47.86 million (or 50.79%) was to Multilateral Creditors, US$19.48 million (or 20.67%) was to Non-Paris Bilateral Creditors and US$26.9 million (or 228.55%) was to Non-Paris Commercial Creditors.

Table 9: FGN Budget Expenditure & Fiscal Account (N' bns) as at March 2013

S/NO	ITEMS	BUDGET			ACTUAL	VARIANCE	
		2012 Annual Budget	2013 Annual Budget	2013 Quarterly Budget	2013 First Quarter	2013 First Quarter Actual Vs Quarterly Budget	
		N'bn	N'bn	N'bn	N'bn	N'bn	%
A	TOTAL INFLOW	*3561.02*	4100.23	1025.06	826.74	-198.32	-19.35%
B	EXPENDITURE:						
	RECURRENT NON DEBT						
1	Personnel Cost, Pension & Gratuities	*1799.60*	1860.29	465.07	419.31	-45.76	-9.84%
2	Overhead Cost & Service Wide Vote	*625.45*	525.73	131.43	118.36	-13.07	-9.94%
3	Sub-Total (Non-Debt)	*2425.05*	2386.03	596.51	537.67	-58.83	-9.86%
4	Domestic Debts & Int. on Ways & Means	*511.98*	543.38	135.84	121.69	-14.15	-10.42%
5	Foreign Debts	*47.60*	48.39	12.10	14.30	2.20	18.21%
6	Sub-Total (Debt)	*559.58*	591.76	147.94	135.99	-11.95	-8.08%
7	CAPITAL EXPENDITURE:						
8	Capital 2012	1339.99		0.00	45.13	45.13	
9	*Capital Releases 2013		1621.48	405.37	165.76	-239.61	-59.11%
10	Sub-Total (Capital)	*1,339.99*	1,621.48	405.37	210.88	-194.49	-47.98%
11	TRANSFER:						
12	NDDC	*48.67*	61.35	15.34	0.00	-15.34	-100.00%
13	National Judicial Council	*75.00*	67.00	16.75	16.75	0.00	-0.01%
14	Universal Basic Education	*63.12*	76.28	19.07	16.63	-2.44	-12.80%
15	Independent National Electoral Commission	*35.00*	32.00	8.00	8.00	0.00	-0.01%
16	Natioal Human Rights Commission	*0.80*	1.35	0.34	0.34	0.00	-0.15%
17	National Assembly	*150.00*	150.00	37.50	37.50	0.00	0.00%
18	Sub-Total (Transfers)	*372.59*	387.98	96.99	79.21	-17.78	-18.33%
19	TOTAL-EXPENDITURE	*4,697.21*	4,987.24	1,246.81	963.76	-283.05	-22.70%
20	Fiscal Deficit	-1136.19	-887.01	-221.75	-137.02	84.73	-38.21%
C	FINANCING ITEMS						
1	Privitization Proceeds	*10.00*	10.00	2.50	11.00	8.50	340.00%
2	Signature Bonus	75.00	75.00	18.75	6.03	-12.72	-67.82%
3	FGN Share from Stabilisation Fund Account	*306.76*	225.00	56.25	0.00	-56.25	-100.00%
4	Domestic borrowing (FGN Bond)	744.44	577.07	144.27	239.00	94.73	65.67%
5	Sub-Total	1,136.20	887.07	221.77	256.03	34.27	15.45%
6	Net Deficit / Surplus	0.01	0.06	0.01	119.01	119.00	837513.36%

Source: OAGF and Budget Office of the Federation.

39. The total public debt stock as at 31st March 2013 stood at US$48.36 billion (or N7.53 trillion). The breakdown consists of US$6.67 billion (or N1.04 trillion or 13.79%) for external debt while the balance of US$41.69 billion (or N6.49 trillion or 86.21%) was for domestic debt stock. The total net value of Debt/GDP (external and domestic) ratio as at the end of March 2013 was significantly below the global threshold of 40%.

3.5.3 Statutory Transfers

40. In the first quarter of 2013, a total of N79.21 billion was released as statutory transfers, indicating a decline of N17.78 billion (or 18.33%) from the quarterly budget of N96.99 billion. A breakdown of the actual transfers in the first quarter revealed that N16.75 billion was to National Judicial Council, N16.63 billion was to the Universal Basic Education Commission (UBEC), N8.0 billion was to Independent National Electoral Commission, N0.34 billion was to National Human Right Commission and N37.5 billion was to the National Assembly. It is noteworthy that quarterly releases under this subhead are made on demand by the beneficiaries subject to budgetary provisions.

3.5.4 Capital Expenditure Performance

41. In formulating the Budget, the government had sustained its policy of re-balancing its expenditure in favour of capital investment over the medium term. As such, capital spending as a share of total expenditure has increased from 25.6% in 2011 to 32.5% in 2013. In 2013, the Government focused on critical economic and social sectors. Some key allocations were made as follows: Critical infrastructure (including Power, Works, Transport, Aviation, Gas Pipeline and Federal Capital Territory) – N497 billion; Human Capital Development (i.e. Education and Health) – N705 billion; Agriculture /Water Resources – N175 billion and over N950 billion for national security purposes comprising of N320 billion for the Police, N364 billion for the Armed Forces, N115 billion for the Office of the National Security Adviser (NSA) and N154 billion for the Ministry of Interior.

MDAs' Capital Vote Utilization

42. A breakdown of the data from the Office of the Accountant General of the Federation (OAGF) revealed that as at 31st March, 2013, a total of N335.95 billion had been released through the first Quarter Development Capital Warrant of N207.9 billion and Authority to Incur Expenditure (AIEs) of N128.04 billion for the implementation of MDAs capital projects/programmes as contained in the 2013 Appropriation Act. Of this amount, a total of N335.63 billion (or 99.9%) of the total releases was cash backed. It should be noted that the first quarter capital warrant was released while waiting for the conclusion and approval by the National Assembly of the 2013 Amended Budget submitted to it by the Mr. President following the reconciliations reached by both parties on the earlier submitted and approved 2013 Budget.

Performance as at 31st March, 2013

43. Due to the short fall in projected revenue inflow and other demands for the limited resources available to the government, the first quarter of 2013 Capital Development Warrant was released around the middle of March 2013 and the cash backing was done almost immediately. However, due to the public holiday for the 2013 Easter celebration, MDAs could not access and utilize their allocations before the end of the quarter. As such no capital utilization was made within the first quarter of 2013.

44. In addition to the regular budget, an extra provision of N273.5 billion (N180 billion as additional revenue and N93.5 billion as carryover of outstanding provisions from 2012 budget) was made for major capital and social programmes under the SURE-P window, and this assisted in the area of infrastructure development in the first quarter of 2013. A total of N137.55 billion (or 50.29%) of the appropriated sum was released as at 31st March, 2013 while N38.3 billion (or 27.84%) of the released amount was utilized as at 31st March, 2013.

3.5.5 Performance of the Financing Items

45. The 2013 Budget portrays a quarterly deficit of N221.77 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 N56.25 billion and domestic borrowing (FGN Bond) of N144.27 billion. In the first quarter, FGN's share from the Stabilization Fund Account did not materialize.

46. 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 very soon.

4.0 CONCLUSION

Macroeconomic indicators for the domestic economy in the first quarter indicated a stable economy. The real GDP growth rate of 6.56% for the first quarter of 2013 was slightly higher than the 6.34% recorded in the first quarter of 2012. The non-oil sector remained the major driver of growth with a contribution of 7.89% as against the decline of 0.54% by the oil sector. In spite of the low economic activities experienced in the beginning of the year, the country's external and fiscal buffers have continued to rise with the external reserves climbing from US$43.85 billion in December 2012 to US$47.88 billion at the end of March 2013. Relative to the end of March 2012, level of US$35.2 billion, the external reserves at the end of March 2013 had risen by US$12.68 billion (or 36.02%).

48. Provisional data indicate that a net distributable sum of N1, 395.07 billion accrued to the Federation Account for distribution among the three tiers of government in the first quarter of 2013 which was lower than the N1, 890.88 billion projected for the quarter, giving a shortfall of N495.8 billion (or 26.22%). This follows from the shortfalls in oil revenue by N245.96 billion - arising mainly from lower oil lifting due to incessant crude oil theft and pipeline vandalism in the oil producing areas and non-oil revenues by N247.82 billion due largely to lower than projected receipts from company income tax and customs & excise duties. Arising from this situation, the aggregate revenue of N1, 025.06 billion projected to fund the federal budget in the quarter was N198.32 billion (or 19.35%) below in the first quarter of 2013.

49. The implementation of recurrent expenditures in the first quarter remained largely on track. A total of N335.95 billion out of the N405.37 billion projected for capital budget implementation in first quarter had been released to MDAs as at March 2013. Of this, N335.63 billion had been cash-backed but no utilization was made by MDAs before 31st March, 2013 which was the end of the first quarter.

50. This provisional report is focused on reporting 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 had embarked on physical monitoring and evaluation of selected capital projects for the quarter. Their findings will be put together and consolidated with this interim report and published in due course.