

**BUDGET OFFICE OF THE FEDERATION**

# **Third Quarter Budget Implementation Report**

**2013**

**FEDERAL MINISTRY OF FINANCE**

# FOREWORD

---

I am delighted to present this third Quarter Budget Implementation Report for 2013, which provides detailed information on the allocation of public resources among competing socio-economic needs through the Federal Budget. These Quarterly Budget Implementation Reports serve as instruments through which the Ministries, Departments and Agencies (MDAs) of Government can be held accountable for the expenditure and revenues they administer, and the realization of objectives of government as elucidated in the *Transformation Agenda*.

The dissemination of this report is mandated by Section 30 and 50 of the *Fiscal Responsibility Act, 2007* which requires the Honourable Minister of Finance to submit to the Joint Finance Committee of the National Assembly and the Fiscal Responsibility Commission, quarterly budget implementation reports. These reports are also disseminated to the wider public through electronic and print media. The 2013 1<sup>st</sup> and 2<sup>nd</sup> Quarters Budget Implementation Reports were duly published earlier in the year, and the 3<sup>rd</sup> Quarter Report continues this reporting tradition.

The 3<sup>rd</sup> Quarter Budget Implementation Report is the product of meticulous planning, monitoring, evaluation and analytical work conducted by the Budget Office of the Federation in collaboration with MDAs, Civil Society Organizations and the Media. I commend the team for their hard work and also wish to recognize the active roles of the National Assembly's Joint Finance Committee and the Fiscal Responsibility Commission in promoting best practices in public financial management through their collaborative efforts. I look forward to more of this cooperative work in future.

Lastly, I advise all readers of this Report to continue to display 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

---

Pursuant to Section 30 of the *Fiscal Responsibility Act, 2007*, the Budget Office of the Federation produces budget implementation reports on a quarterly basis. This Report, which is the third series for the 2013 fiscal year fulfils this obligation and also provide a means of demonstrating Government's commitment to the transparent and prudent management of public finances.

The 2013 Budget was prepared with a theme - fiscal consolidation with inclusive growth. In order to achieve this goal, the Budget, among other considerations, focused mainly on achieving macroeconomic stability and investing in priority sectors. As such, Government desire was 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 third quarter was quite challenging in several respects. Apart from the shortfalls in projected revenue which affected the full implementation of the budget in the quarter, the resolution of critical issues identified in 2013 Appropriation Act which was submitted to the National Assembly through a proposal for the amendment of the 2013 Budget was only passed in August 2013. The delay in passing the amendment by the National Assembly was a major setback to the successful implementation of the 2013 Budget.

This Report is a product of the collaborative efforts of several agencies of government which provide necessary financial and macro-economic data, and the concerted efforts of various departments of the Budget Office of the Federation. 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*

# TABLE OF CONTENTS

---

<b>FOREWORD.....</b>	<b>ii</b>
<b>PREFACE.....</b>	<b>iii</b>
<b>TABLE OF CONTENT.....</b>	<b>iv</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>v</b>
<b>1.0 INTRODUCTION.....</b>	<b>1</b>
<b>2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS.....</b>	<b>3</b>
<b>3.0 FINANCIAL ANALYSIS OF THE 2013 BUDGET IMPLEMENTATION.....</b>	<b>9</b>
<b>3.1 Key Assumptions and Projections.....</b>	<b>9</b>
<b>3.2 Analysis of Revenue Performance.....</b>	<b>11</b>
<b>3.3 FGN Budget Revenue.....</b>	<b>19</b>
<b>3.4 Excess Crude Account.....</b>	<b>21</b>
<b>3.5 Expenditure Development.....</b>	<b>22</b>
<b>3.5.1 Non-Debt Recurrent Expenditure.....</b>	<b>22</b>
<b>3.5.2 Debt Service.....</b>	<b>23</b>
<b>3.5.3 Statutory Transfers.....</b>	<b>27</b>
<b>3.5.4 Capital Expenditure Performance.....</b>	<b>27</b>
<b>3.5.5 Performance of the Financing Items.....</b>	<b>30</b>
<b>4.0 CONCLUSION .....</b>	<b>31</b>

---

# EXECUTIVE SUMMARY

---

The 2013 Budget was prepared based on the *Transformation Agenda* of the Federal Government which was also in line with *Nigeria Vision 20:2020* document. Data from the National Bureau of Statistics (NBS) shows GDP grew by 6.81% in the third quarter of 2013 as against the 6.18% and 6.48% recorded in the second quarter of 2013 and third quarter of 2012 respectively. Overall GDP growth for 2013 was estimated at 6.91% as against 6.58% recorded in 2012. During the quarter, the non-oil sector remained the major driver of growth recording 7.95% growth as against the oil sector that contracted by 0.53%. Inflationary pressure continued to moderate, partly in response to the rigid stance of monetary policy adopted by the Central Bank of Nigeria (CBN) and also because of a robust performance by the agricultural sector. The year-on-year headline inflation increased slightly from 8.4% in June to 8.7% in July before declining to 8.2% and 8% in August and September 2013 respectively. Similarly, year-on-year food inflation rose from 9.6% in June to 10% and 9.7% in July and August respectively before falling to 9.4% in September 2013. Overall, headline inflation remained below 10% for eight consecutive months. Data from the Central Bank of Nigeria (CBN) reveal a fall in Nigeria's gross external reserves in the third quarter of 2013 which stood at US\$44.11 billion as at 30<sup>th</sup> September 2013.

Data from the Office of the Accountant General of the Federation (OAGF) show that a net sum of N1,738.65 billion was shared among the three tiers of government in the third quarter of 2013; implying a shortfall of N152.22 billion in the quarter. A total of N929.53 billion, excluding revenue from other funding sources was received to fund the Federal Budget in the third quarter of 2013 thereby presenting a shortfall of N95.53 billion (or 9.32%). This affected the implementation of the 2013 Budget in the quarter.

The data also indicate that the implementation of recurrent (non-debt) expenditure was 88.45% as at 30<sup>th</sup> September 2013. A total of N807.87 billion had been released and cash-backed for the implementation of MDAs capital projects/programmes as contained in the 2013 Appropriation Act.

The data also show that N545.87 billion (or 67.57%) of the total amount cash-backed had been utilized by MDAs as at 30<sup>th</sup> September 2013. An analysis of fifty (50) MDAs reported upon by the OAGF reveal different levels of utilization among the MDAs. Eight (or 16%) of the MDAs including: Presidency, Police Affairs, Works, National Sports Commission and Niger Delta utilized more than the overall average utilization rate of 67.57% of the amount cash-backed. The utilization report also shows that 21 MDAs (or 42%), which include Agriculture, Water Resources, Defence, Education, Head of Service, Aviation and Niger Delta utilized above 50% of their cash-backed funds. Twenty-nine (or 58%) of MDAs including Women Affairs, Trade & Investment, Power, Justice, Science & Technology, Transport, Petroleum, Housing and Environment had a utilization rate of less than 50% during the period.

In addition to the regular budget, a total of N227.55 billion (or 83.2%) of the N273.5 billion appropriated for SURE-P in the 2013 Budget was released as at 30<sup>th</sup> September 2013 while N119.65 billion (or 52.58%) of the released amount was utilized for major capital and social programmes. This assisted in the area of infrastructure development.

The monitoring and evaluation of projects across MDAs showed varying degree of progress. A sample of projects for the exercise was based on their relevance to the *Transformation Agenda*, geographical spread, immediate and long term socio-economic impact as well as their level of implementation. Some of the key projects that were monitored and evaluated are already impacting positively on the socio-economic activities in the project-areas including the Provision of Engineering Infrastructure to Abuja Technology Village, Procurement/Rehabilitation of Coaches and Locomotives, and the Dualization of Kano – Maiduguri Road which has improved traffic flow significantly within the area.

# 1.0 INTRODUCTION

---

The 2013 Budget was structured to further enhance the country's macro-economic gains recorded in recent years and create an atmosphere that will enable Nigerians benefit from these gains through the implementation of projects and programmes that will improve their wellbeing. As was the 2012 Budget, it is built on the foundation of macroeconomic stability, structural reforms, governance & institutions and investment in priority sectors with an overall theme of *Fiscal Consolidation and Growth*. Furthermore, it is focused on achieving the goals of the *Nigeria Vision 20:2020*.

2. The Budget is a product of the 2013-2015 Medium Term Fiscal Framework (MTFF). The assumptions in the framework were based on the happenings in the domestic and global economies. To this end, the Budget was put together with the aim of reducing the effect of external shocks on our economy, particularly in respect of the price of oil, eliminating waste in government expenditure, diversifying government's revenue base and reducing government's borrowing profile while making provision for payment of maturing debt obligations.

3. Like the previous budgets, the 2013 Budget priority focused on critical economic and social sectors. While activities in some of these sectors are largely private sector driven, others require a great deal of public sector support. In this regard, 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. The 2013 Budget proposal was prepared in record time and passed by the National Assembly. However, it had several challenges that had to be

addressed. The 2013 Amendment Budget was eventually passed by the National Assembly in August, 2013.

5. This Report presents detailed information on 2013 third quarter Budget implementation. The rest of the Report is arranged 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. A chapter on the outcome of the physical monitoring and evaluation of capital projects and programmes is presented, followed by a brief conclusion to the report.



## 2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

---

### *Global Economy*

**T**he recovery of the global economy continued on a slow course with financial systems responding to, among others, the possibility of the United States tightening its accommodative monetary policy posture and higher long-term interest rates as the economy entered the recovery mode. This move signified uncertainties in external conditions for up-and-coming markets and developing economies including Nigeria. Meanwhile, the primary risk of a depression in the Euro-zone, weak domestic demand and slowing growth in China created rigid financial conditions capable of reducing global growth prospects if and when monetary contractions begin in the United States, Japan and the other advanced economies. However, with the German election over, outstanding issues in the zone would be brought to closure.

7. The International Monetary Fund (IMF or the Fund) affirmed that global growth is strengthening on the back of accommodative monetary policy in the period. The Fund also highlighted that even if an end to unconventional monetary policy was certain, its impact would largely depend on country specific situations and the rate of recovery recorded by various economies. The optimistic outlook in the advanced economies compensated somewhat for the slowdown of growth in the major emerging markets. Overall, it projected a global growth of 3.1% projected for 2013.

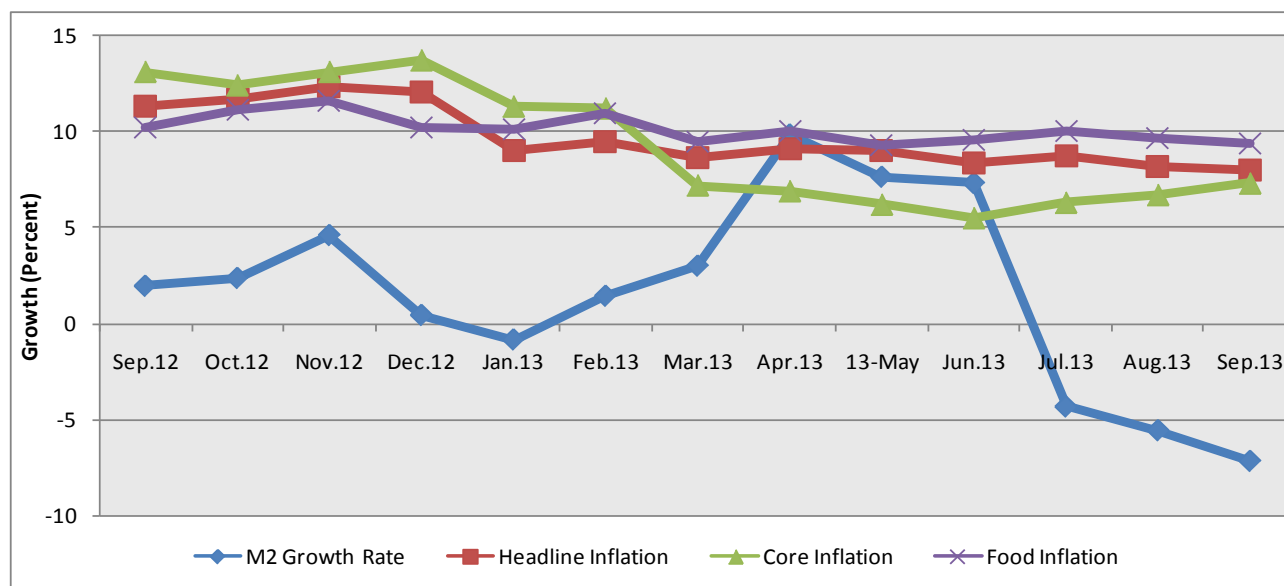
### *Domestic Economy*

8. Data from the National Bureau of Statistics (NBS) show that the country's GDP grew by 6.81% in the third quarter of 2013 as against the 6.18% and 6.48% recorded in the second quarter of 2013 and third quarter of

2012 respectively. The GDP growth for 2013 was estimated at 6.91% as against 6.58% recorded in 2012. During the quarter, the non-oil sector remained the major driver of growth recording 7.95% growth as against the oil sector that contracted (year-on-year) by 0.53%. The drivers of the non-oil sector growth were largely the agriculture sector, banking and insurance activities, real estate, hotels and restaurants, building and construction, and solid mineral production. The continued decline in the contribution of the oil sector to overall GDP growth in recent times is due principally to the reported incidence of growing crude oil theft and pipeline vandalism. These led to the decline in output volumes in the face of an uncertain international oil market signals, challenging infrastructure and downside risks due to discovery of shale oil and the appearance of other African oil exporters competing for Nigeria's traditional oil markets.

9. Inflationary pressure continued to moderate, partly in response to the supportive fiscal policies of the Federal Government which have improved performance in the agricultural and other sectors and also, strong monetary policy stance of Central Bank of Nigeria. The year-on-year headline inflation increased slightly from 8.4% in June to 8.7% in July before declining to 8.2% and 8% in August and September 2013 respectively. Similarly, year-on-year food inflation rose from 9.6% in June to 10% and 9.7% in July and August respectively before falling to 9.4% in September 2013. On the other hand, year-on-year core inflation increased from 5.5% in June to 6.3%, 6.7% and 7.3% in July, August and September 2013 respectively. Overall, headline inflation has remained below 10% for eight consecutive months.

Chart1: Inflation and M2 Growth Rate (September 2012 – September 2013)



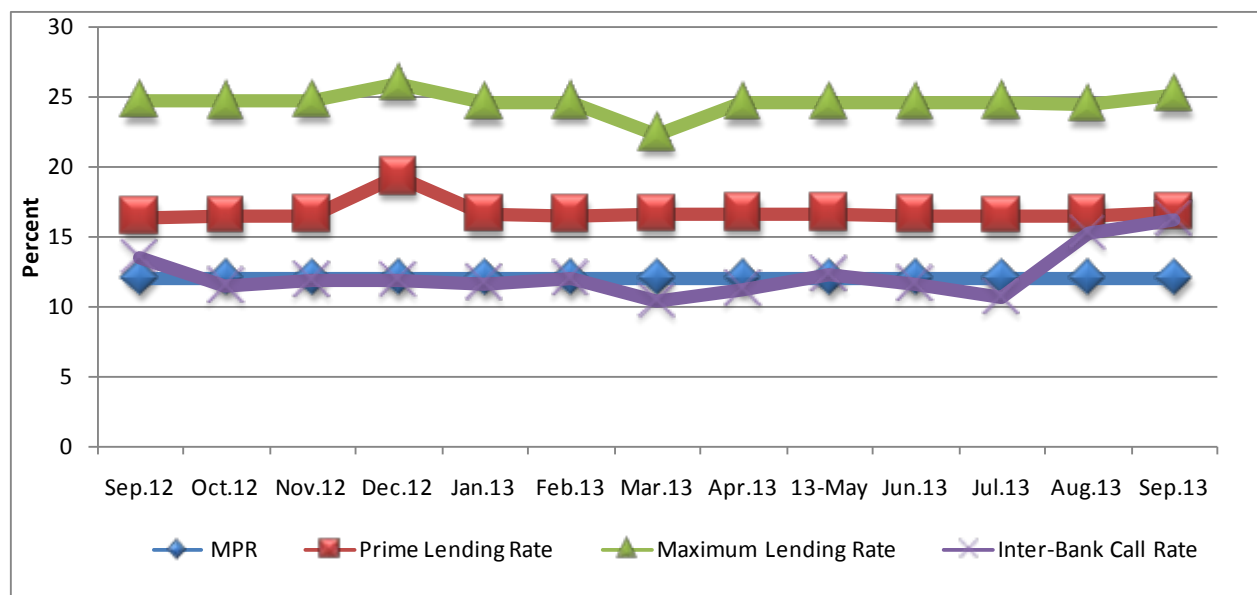
Source: Central Bank of Nigeria, 2013 & National Bureau of Statistics, 2013

10. CBN data show that broad money supply (M2) fell by N1,221.88 billion (or 7.84%) in September below the level in June 2013, that is, from N15,593.26 billion in June to N14,371.38 billion in September. The net aggregate domestic credit decreased by N192.9 million (or 1.45%) from N13,294.51 billion in June to N13,101.61 billion in September 2013. Credit to the private sector increased slightly from N15,692.03 billion in June to N16,292.28 billion in September 2013. Similarly, credit to government sector also rose by N793.15 million (or 33.08%) within the same period, from N2,397.52 billion in June to N3,190.67 billion in September 2013. The average prime lending rate declined slightly from 16.56% in June to 16.47% and 16.55% in July and August respectively before rising to 16.76% in September 2013. On the other hand, the average maximum lending rate increased slightly from 24.58% in June to 24.62% in July and fell to 24.46% in August before rising again to 25.12% in September 2013.

11. Like the preceding quarters, the CBN carried on with a fixed Monetary Policy Rate (MPR) of 12% in the third quarter of 2013 in pursuit of price stability. The interest rates in the interbank money market moved in tandem

with the level of liquidity conditions in the banking system. Thus the average interbank call rate fell from 11.59% in June to 10.63% in July before rising to 15.24% and 16.22% in August and September 2013 respectively. The trends in interest rates in the third quarter of 2013 are presented below in *Chart 2*.

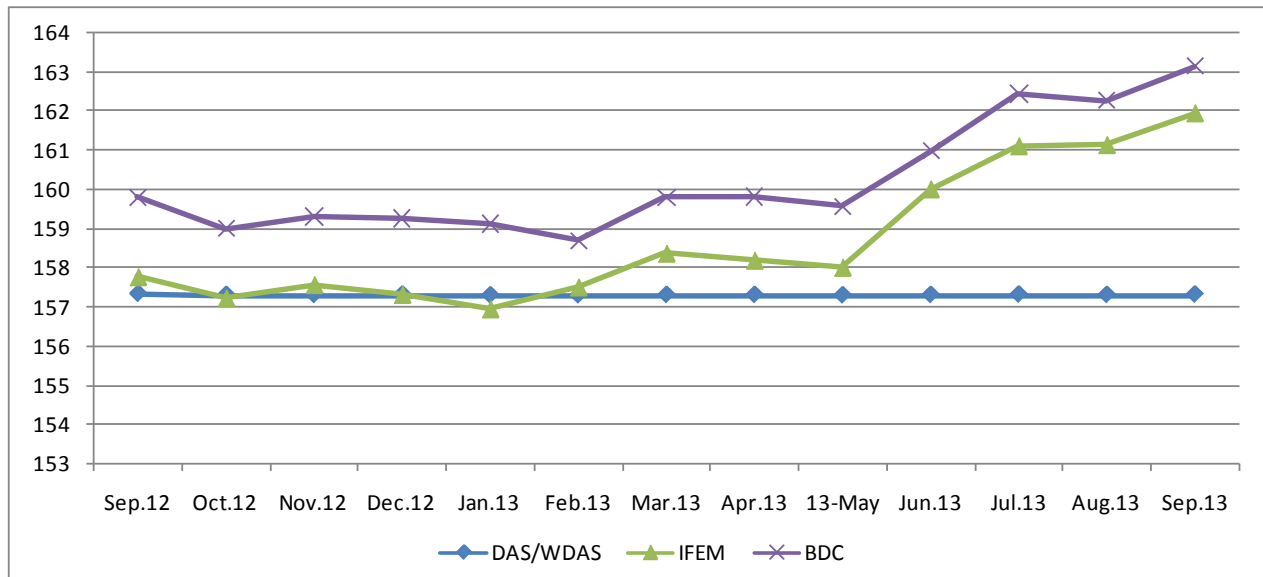
Chart 2: Interest Rates Trend (September 2012 – September 2013)



Source: Central Bank of Nigeria, 2013

12. The average official Wholesale Dutch Auction System (WDAS) Naira/Dollar exchange rate like in the previous quarter remained stable at N157.31/\$ during the period. On the other hand, the average Inter-bank and Bureau de Change exchange rates depreciated from N160.02/\$ and N160.98/\$ in June to N161.96/\$ and N163.14/\$ in September 2013 respectively. On the other hand, the pressure on the Naira exchange rate in both the Interbank and Bureau De Change (BDC) appears to be driven by sentiments.

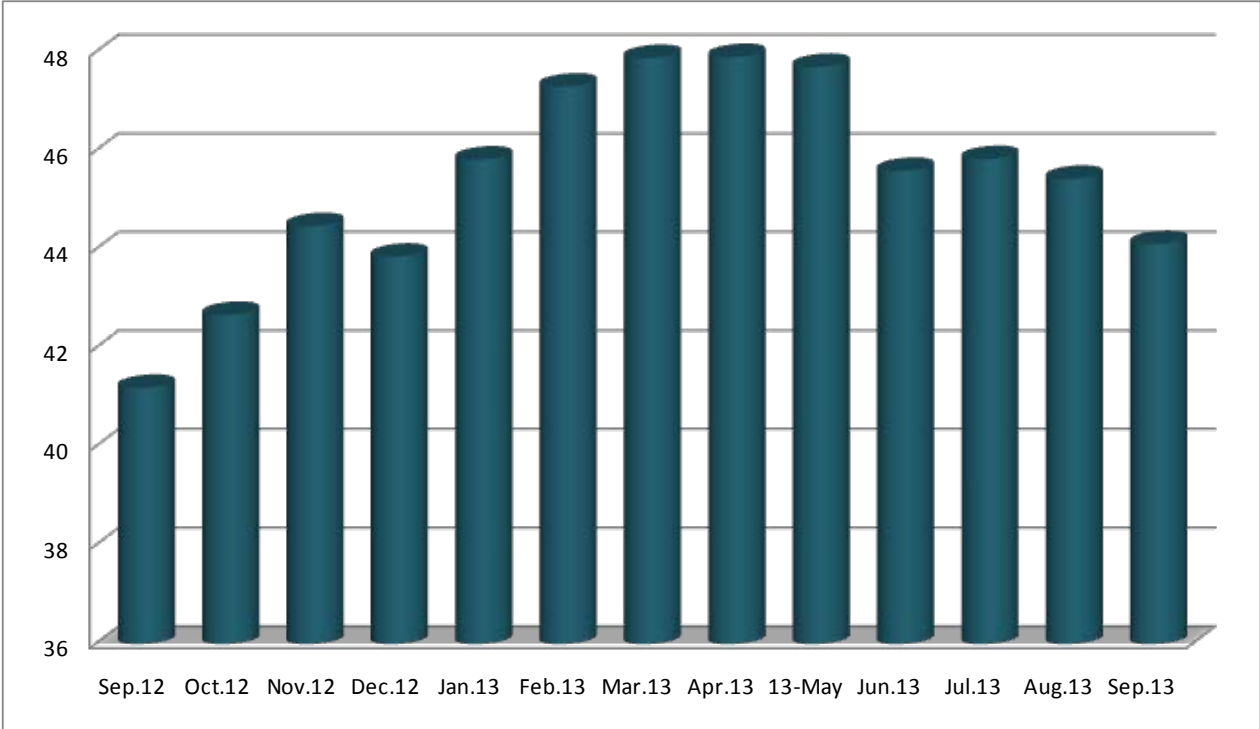
Chart 3: Naira/US\$ Exchange Rates Trend (Sept. 2012 – Sept. 2013)



Source: Central Bank of Nigeria, 2013

13. Figures from the CBN reveal a fall in Nigeria’s gross external reserves in the third quarter of 2013 which stood at US\$44.11 billion as at 30<sup>th</sup>September 2013. However, relative to the end of third quarter of 2012 level of US\$41.19 billion, the external reserves by US\$2.92 billion (or 7.09%) in the quarter. The increase in the level of foreign reserves year-on-year was driven largely by 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 September 2013 could finance over thirteen (13) months of imports which is well over the globally recommended minimum threshold of 3-months import cover.

Chart 4: Level of External Reserves in Billion Dollars (Sept.2012 – Sept. 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 based on the 2013-2015 Medium Term Fiscal Framework (MTFF) which was prepared after extensive deliberations and consultations with relevant stakeholders. Developments in the world economy also formed the basis for some of the assumptions in the formulation of this framework.

Table 1: Key Assumptions and Targets for the 2013 Budget

<b>KEY ASSUMPTION &amp; TARGETS</b>	<b>2013</b>
Projected Production (in mbpd)	2.52
Budget Benchmark Price (per barrel in US)	79
<b><i>Technical Cost of JVC Pbl to Oil Companies</i></b>	
Operating Expenses (T1) in US \$	9.84
Capital Expenses (T2) in US \$	11.07
<b><i>Technical Cost of PSC Pbl to Oil Companies</i></b>	
Operating Expenses (T1) in US \$	8.36
Capital Expenses (T2) in US \$	16.28
Investment Tax Credit	5.27
<b><i>Technical Costs of SC pbl to Oil Company</i></b>	
Operating Expenses (T1) in US \$	9.06
Capital Expenses (T2) in US \$	36.18
Investment Allowances	7.8
<b><i>Weighted Average Contribution Rates</i></b>	
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%

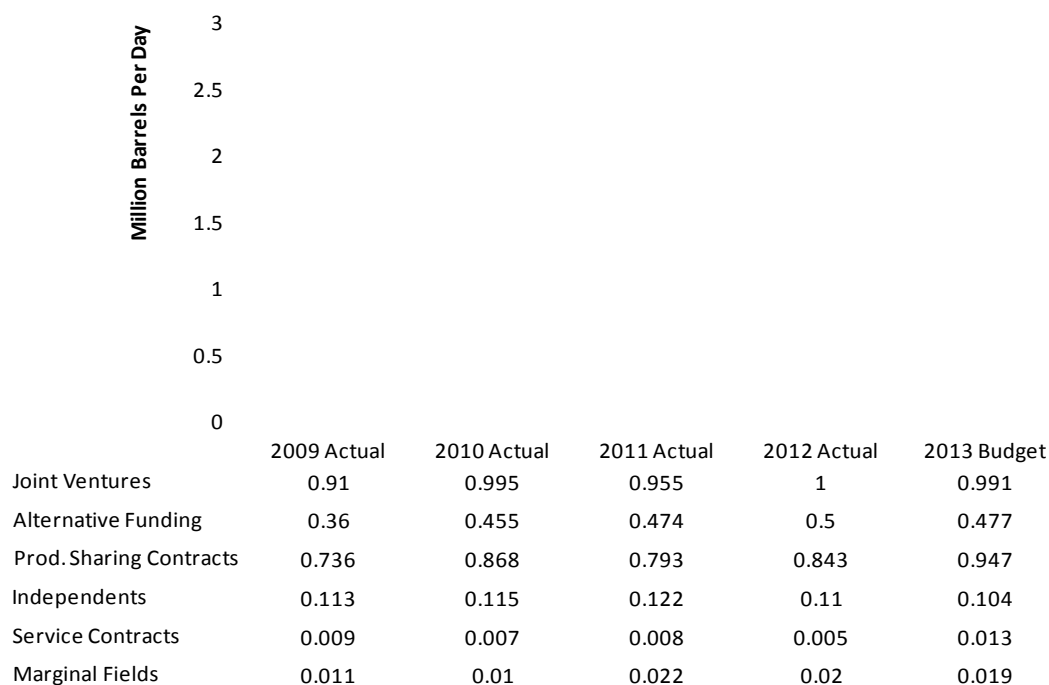
Source: BOF, NNPC, FIRS and NCS

## Budget Benchmark Oil Price and Production

15. Due to the instability in the price of oil at the international market, Government in recent times has worked out a precautionous 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 represents 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 charges for the major oil taxes that are expected to accrue to the Federal Government are also illustrated in *Table 2* below.

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



Source: NAPIMS/NNPC



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

<i>Share of Oil Production</i>	<i>Percentage</i>
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%
<b><i>PPT Rates</i></b>	
Weighted Average -JV/AF/Independent/Marginal	85%
Weighted Average -PSC	51.35%
Weighted Average -SC	85%
<b><i>Royalties Rates</i></b>	
Weighted Average-JV/AF/Independent/Marginal	19.25%
Weighted Average-PSC	2.81%
Weighted 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\$110.37 per barrel in the third quarter of 2013, representing an increase of 7.74% and 0.6% over the US\$102.44 and US\$109.71 per barrel recorded in the second quarter of 2013 and third quarter of 2012 respectively. The rise in crude oil price during the period could be attributed to the gradual improvement in the global economy as well as the onset of cold weather in Europe and America.

18. Provisional data from the Nigerian National Petroleum Corporation (NNPC) show that the average oil lifting (including Condensates) in the third quarter of 2013 was 2.26mbpd representing a shortfall of 0.26 (or 10.32%) below the 2.52mbpd projected for the 2013 Budget. The volume of oil lifted in the period exceeded 2.06mbpd recorded in the previous quarter by 0.2mbpd, but falls short of 2.46mbpd recorded in the third quarter of 2012 by 0.2mbpd. The drop in the volume of oil lifted during the quarter could be ascribed to supply challenges following unrelenting crude oil theft, illegal bunkering and pipeline vandalism that had persisted in the period.

19. The 2013 Fiscal Framework presents a gross Federally collectible revenue estimate of N11,339.78 billion, made up of N7,734.15 billion (or 68.2%) oil revenue and N3,605.63 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 second quarter of 2013.

### **Oil Revenue Performance**

20. A breakdown of the oil revenue performance in the third quarter of 2013 shows that only royalties (oil & gas) of N220.96 billion and petroleum profit & gas taxes of N619.41 billion exceeded their respective quarterly expected estimate of N190.27 billion and N590.79 billion by N30.69billion (or 16.13%)and N28.62billion (or 4.85%). On the other hand, crude oil sales of N719.35 billion, gas sales of N61.84 billion, rent of N0.03 billion, gas flared penalty of N0.55 billion and other oil & gas revenue of N0.65 billion fell below their quarterly projections of N1,060.98 billion, N89.9 billion, N0.22 billion, N0.62 billion and N0.77 billion by N341.63 billion (or 32.2%), N28.06 billion (or 31.21%), N0.19 billion (or 87.49%), N0.07 billion (or 10.64%) and N0.12 billion (or 15.07%) respectively. Please see *Table 3.1*.

### ***Net Oil Revenue:***

21. In the third quarter of 2013, the actual net oil revenue that accrued into the Federation Account was N1,005.33 billion, indicating a shortfall of N208.47 billion (or 17.18%) below the projected quarterly estimate of N1, 213.8 billion. Similarly, the net oil revenue in the third quarter was lower than the N1,091.07 billion net oil revenue recorded in the second quarter by N85.75 billion (or 7.86%). In spite of the favourable oil prices at the international market, the less-than-projected performance of the net oil revenue in the third quarter of 2013 can be attributed to the fall in oil lifting figure during the period. These data are presented in *Table 3.1*.

### ***Year-to-Date:***

22. As at end of September 2013, the gross Royalties (Oil & Gas) of N684.45 billion, Gas Flared Penalty of N2.72 billion and Petroleum Profit Tax of N2,159.21 billion exceeded their respective three quarter year projections of N570.81 billion, N1.86 billion and N1,772.36 billion by N113.64 billion (or 19.91%), N0.86 billion (or 46.14%) and N386.84 billion (or 21.83%). On the other hand, Crude Oil Sales of N2,208.71 billion, Gas Sales of N200.59 billion, Rent of N0.15 billion and Other Oil and Gas Revenue of N1.39 billion fell below their corresponding three quarter year projections of N3,182.93 billion, N269.69 billion, N0.66 billion and N2.3 billion by N974.22 billion (or 30.61%), N69.1 billion (or 25.62%), N0.51 billion (or 76.91%) and N0.92 billion (or 39.88%). 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 has adopted different measures aimed at boosting non-oil revenue collection and remittances to the treasury. The outcome of these measures as well as the Budget Office's regular engagement with the Agencies has led to the continued growth in targets and actual revenues from the non-oil sector. This trend, as presented

in *Table 3.2* and *Table 3.3*, is expected to continue over the 2012 - 2015 period.

24. In the third quarter of 2013, the actual gross non-oil revenue of N766.93 billion was received. This implies an increase of N54.01 billion (or 7.58%) above the quarterly estimate of N712.92 billion. A breakdown of the non-oil revenue items show that only Company Income Tax of N475.08 billion was above its quarterly projected estimate of N248.01 billion by N227.07 billion (or 91.56%). All others fell below their quarterly projected estimates. Value Added Tax of N194.41 billion and Customs & Excise Duties of N97.44 billion were below their quarterly estimates of N236.32 billion and N198.24 billion by N41.91 billion (or 17.74%) and N100.8 billion (or 50.85%) respectively. When compared to their respective second quarter outcomes, Value Added Tax, Company Income Tax and Customs & Excise Duties grew by N0.76 billion (or 0.39%), N292.04 billion (or 159.55%) and N0.19 billion (or 0.19%) respectively. The increase in performances of these non-oil revenue items in the period as against the second quarter can be ascribed to the increase in economic activities during the period and it is expected that the trend will continue in the last quarter of the year.

***Year-to-Date:***

25. The gross non-oil receipts in the three quarters of the year amounted to N1,694.66 billion depicting a shortfall of N444.1 billion (or 20.76%) below the three quarter year estimate of N2,138.76 billion. The performance also reveals that with the exception of Company Income Tax, the other non-oil revenue items fell below their respective estimates. Company Income Tax of N816.45 billion was above its three quarter year estimate of N744.03 billion by N72.42 billion (or 9.73%). On the other hand Value Added Tax of N573.58 billion and Customs & Excise Duties of N304.64 billion respectively fell short by N135.38 billion (or 19.1%) and N290.07 billion (or 48.78%) when compared with their three quarter year projections. However, as has been the trend in recent years, we expect revenue collection in these categories to improve in the last quarter of the year.

**Table 3.1: Net Distributable Revenue as at September, 2013 (Oil Revenue at Benchmark Assumptions)**

S/NO	ITEMS	BUDGET			ACTUAL			3QTRS			VARIANCE		Actual Vs Budget	
		Annual	Quarterly	3QTRS	First Quarter	Second Quarter	Third Quarter	3QTRS	3RD Quarter Actual Vs Quarterly Budget	3RD Quarter Vs 2ND Quarter (Actual)	N'bn	%	N'bn	%
<b>A</b>	<b>OIL REVENUE</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>%</b>	<b>N'bn</b>	<b>%</b>	<b>N'bn</b>	<b>%</b>
1	Crude Oil Sales	4,243.90	1,060.98	3,182.93	724.84	764.52	719.35	2,208.71	(341.63)	(32.20)	(45.17)	(5.91)	(974.22)	(30.61)
2	Gas Sales (NLNG Feedstock sales & Upstream Liquid Gas)	359.58	89.90	269.69	64.00	74.75	61.84	200.59	(28.06)	(31.21)	(12.91)	(17.27)	(69.10)	(25.62)
3	Royalties Oil & Gas	761.08	190.27	570.81	216.01	247.48	220.96	684.45	30.69	16.13	(26.53)	(10.72)	113.64	19.91
4	Rent	0.88	0.22	0.66	0.10	0.03	0.03	0.15	(0.19)	(87.49)	(0.00)	(7.91)	(0.51)	(76.91)
5	Gas Flared Penalty	2.48	0.62	1.86	1.12	1.05	0.55	2.72	(0.07)	(10.64)	(0.50)	(47.19)	0.86	46.14
6	PPT & Gas Tax @CITA	2,363.15	590.79	1,772.36	814.22	725.57	619.41	2,159.21	28.62	4.85	(106.16)	(14.63)	386.84	21.83
7	Other Oil and Gas Revenue	3.07	0.77	2.30	0.38	0.36	0.65	1.39	(0.12)	(15.07)	0.29	82.27	(0.92)	(39.88)
8	Sub-Total	7,734.15	1,933.54	5,800.61	1,820.65	1,813.76	1,622.79	5,257.21	(310.74)	(16.07)	(190.97)	(10.53)	(543.40)	(9.37)
9	Joint Venture Cash Calls	1,182.33	295.58	886.75	284.92	286.51	285.91	857.34	(9.67)	(3.27)	(0.60)	(0.21)	(29.41)	(3.32)
10	Domestic Fuel Subsidy (NNPC) and Marketers	971.14	242.78	728.35	-	-	-	-	(242.78)	(100.00)	-	-	(728.35)	(100.00)
11	Under Remittance of Funds by NNPC	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Oil Excess Revenue	-	-	-	22.35	-	-	22.35	-	-	-	-	22.35	-
13	Subt-Total	5,580.68	1,395.17	4,185.51	1,513.39	1,527.25	1,336.88	4,377.52	(58.29)	(4.18)	(190.37)	(12.46)	192.01	4.59
14	Transfer to Excess Crude Account	-	-	-	400.92	273.15	181.34	855.40	181.34	-	(91.81)	(33.61)	855.40	-
15	Balance of Oil Revenue	5,580.68	1,395.17	4,185.51	1,112.46	1,254.11	1,155.55	3,522.12	(239.62)	(17.18)	(98.56)	(7.86)	(663.39)	(15.85)
16	13% Derivation of Net Oil Revenue	725.49	181.37	544.12	144.62	163.03	150.22	457.88	(31.15)	(17.18)	(12.81)	(7.86)	(86.24)	(15.85)
17	<b>TO FEDERATION ACCOUNT</b>	<b>4,855.19</b>	<b>1,213.80</b>	<b>3,641.39</b>	<b>967.84</b>	<b>1,091.07</b>	<b>1,005.33</b>	<b>3,064.24</b>	<b>(208.47)</b>	<b>(17.18)</b>	<b>(85.75)</b>	<b>(7.86)</b>	<b>(577.15)</b>	<b>(15.85)</b>
<b>B</b>	<b>NON-OIL REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18	Value Added Tax (VAT)	945.28	236.32	708.96	185.53	193.64	194.41	573.58	(41.91)	(17.74)	0.76	0.39	(135.38)	(19.10)
19	Corporate Tax, CIT, Stamp Duties & CGT	992.04	248.01	744.03	158.33	183.04	475.08	816.45	227.07	91.56	292.04	159.55	72.42	9.73
20	Customs: Import, Excise & Fees	792.95	198.24	594.71	109.94	97.26	97.44	304.64	(100.80)	(50.85)	0.19	0.19	(290.07)	(48.78)
21	Special Levies (Federation Account)	121.42	30.35	91.06	-	-	-	-	(30.35)	(100.00)	-	-	(91.06)	(100.00)
22	Sub-Total	2,851.68	712.92	2,138.76	453.80	473.94	766.93	1,694.66	54.01	7.58	292.99	61.82	(444.10)	(20.76)
23	Cost of Collection and Other Deductions	151.50	37.87	113.62	21.45	21.87	33.60	76.92	(4.27)	(11.28)	11.73	53.63	(36.70)	(32.30)
24	Cost of Collection (VAT)	37.81	9.45	28.36	7.42	7.75	7.78	22.94	(1.68)	(17.73)	0.03	0.41	(5.42)	(19.10)
25	4% Cost of Collection (CIT)	39.68	9.92	29.76	6.33	7.32	19.00	32.66	9.08	91.56	11.68	159.60	2.90	9.73
26	7% Cost of Collection (Customs and Special Levies)	64.01	16.00	48.00	7.70	6.81	6.82	21.32	(9.18)	(57.37)	0.01	0.21	(26.68)	(55.58)
27	FIRS Tax Refunds	10.00	2.50	7.50	-	-	-	-	(2.50)	(100.00)	-	-	(7.50)	(100.00)
28	<b>TO FEDERATION ACCOUNT (NON-OIL)</b>	<b>1,792.72</b>	<b>448.18</b>	<b>1,344.54</b>	<b>254.24</b>	<b>266.17</b>	<b>546.70</b>	<b>1,067.11</b>	<b>98.52</b>	<b>21.98</b>	<b>280.53</b>	<b>105.39</b>	<b>(277.43)</b>	<b>(20.63)</b>
29	Total VAT Pool	907.47	226.87	680.60	178.11	185.90	186.63	550.64	(40.24)	(17.74)	0.73	0.39	(129.96)	(19.10)
30	Net Non-Oil Revenue	2,700.18	675.05	2,025.14	432.35	452.07	733.33	1,617.74	58.28	8.63	281.26	62.22	(407.39)	(20.12)
31	Sub-Total: FEDERATION ACCOUNT	6,647.91	1,661.98	4,985.93	1,222.08	1,357.24	1,552.02	4,131.35	(109.95)	(6.62)	194.78	14.35	(854.58)	(17.14)
32	Balances in Special Account End of Previous Year 2012	8.13	2.03	6.10	-	-	-	-	(2.03)	(100.00)	-	-	(6.10)	(100.00)
33	<b>TOTAL FEDERATION ACCOUNT</b>	<b>6,656.03</b>	<b>1,664.01</b>	<b>4,992.03</b>	<b>1,222.08</b>	<b>1,357.24</b>	<b>1,552.02</b>	<b>4,131.35</b>	<b>(111.98)</b>	<b>(6.73)</b>	<b>194.78</b>	<b>14.35</b>	<b>(860.68)</b>	<b>(17.24)</b>
<b>C</b>	<b>TOTAL DISTRIBUTION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1	Federation Account	6,656.03	1,664.01	4,992.03	1,222.08	1,357.24	1,552.02	4,131.35	(111.98)	(6.73)	194.78	14.35	(860.68)	(17.24)
2	VAT Pool Account	907.47	226.87	680.60	178.11	185.90	186.63	550.64	(40.24)	(17.74)	0.73	0.39	(129.96)	(19.10)
3	<b>GRAND TOTAL</b>	<b>7,563.50</b>	<b>1,890.88</b>	<b>5,672.63</b>	<b>1,400.19</b>	<b>1,543.14</b>	<b>1,738.65</b>	<b>4,681.99</b>	<b>(152.22)</b>	<b>(8.05)</b>	<b>195.51</b>	<b>12.67</b>	<b>(990.64)</b>	<b>(17.46)</b>

Source: OAGF and Budget Office of the Federation

Table 3.2: 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 3.3: Percentage Growth in Non-Oil Revenues (2006-2012)

Description	2006	2007	2008	2009	2010	2011	2012	7-Year Average
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 third 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 fall in the oil lifting figure due to crude oil theft and pipeline vandalism during the period. On the other hand, the aggregate gross non-oil revenues for the same period reveal an improvement of N67.77 billion (or 9.69%)

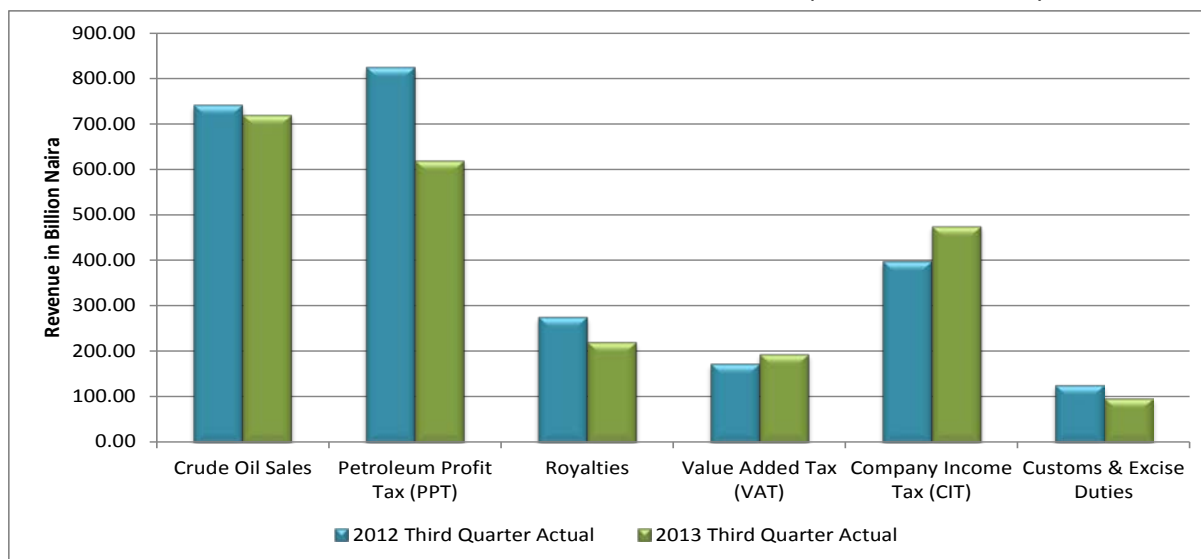
above the corresponding figures recorded in 2012. Please see data below in *Table 3.4*

Table 3.4: Performance of Revenue in the Third Quarter of 2013 Vs 2012

Revenue Items	2012	2013	Variance	
	3rd Quarter Actual	3rd Quarter Actual	3rd Quarter 2013 Vs 3rd Quarter 2012	
<b>Oil Revenue</b>	<b>N bns</b>	<b>N bns</b>	<b>N bns</b>	<b>%</b>
Crude Oil Sales	741.92	719.35	-22.57	-3.04
Petroleum Profit Tax (PPT)	824.82	619.41	-205.41	-24.90
Royalties	276.45	220.96	-55.49	-20.07
Gross Oil Revenue	1,913.30	1,622.79	-290.51	-15.18
<b>Net Oil Receipts</b>	<b>868.39</b>	<b>1,005.33</b>	<b>136.94</b>	<b>15.77</b>
<b>Non-Oil Revenue</b>				
Value Added Tax (VAT)	173.57	194.41	20.84	12.01
Company Income Tax (CIT)	398.65	475.08	76.43	19.17
Customs & Excise Duties	126.94	97.44	-29.50	-23.24
Gross Non-Oil Revenue	699.16	766.93	67.77	9.69
<b>Net Non-Oil Receipts</b>	<b>667.39</b>	<b>733.33</b>	<b>65.94</b>	<b>9.88</b>

Source: OAGF and Budget Office of the Federation

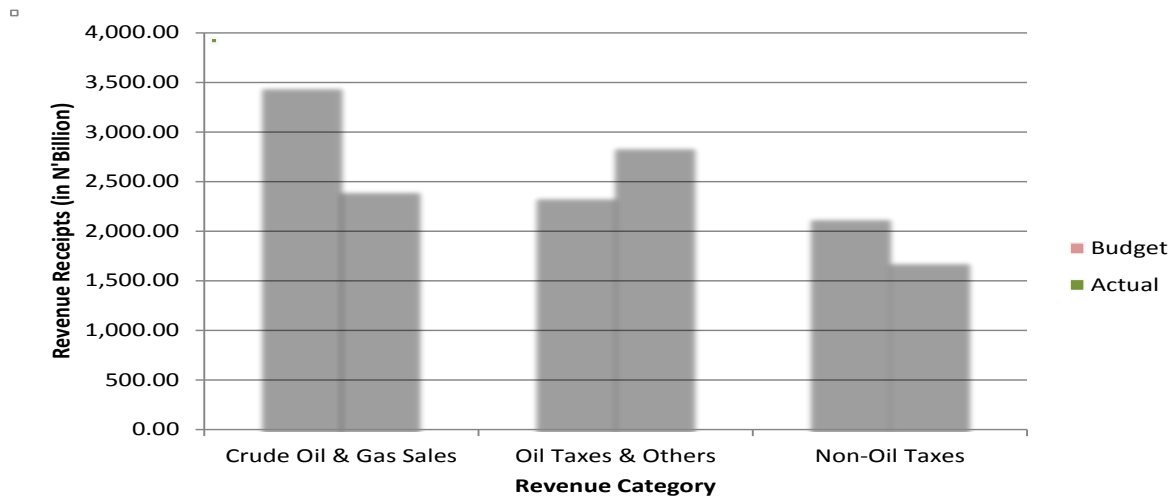
Chart 3.1: 2012 Vs 2013 Revenue Performance (Third Quarter)



Source: OAGF and Budget Office of the Federation

27. *Chart 3.2* below is a graphical illustration of the actual performance of revenue categories compared to their budgeted estimates as at September 2013.

Chart 3.2: Projected Vs Actual FAAC Revenue Receipts (as at September 2013)



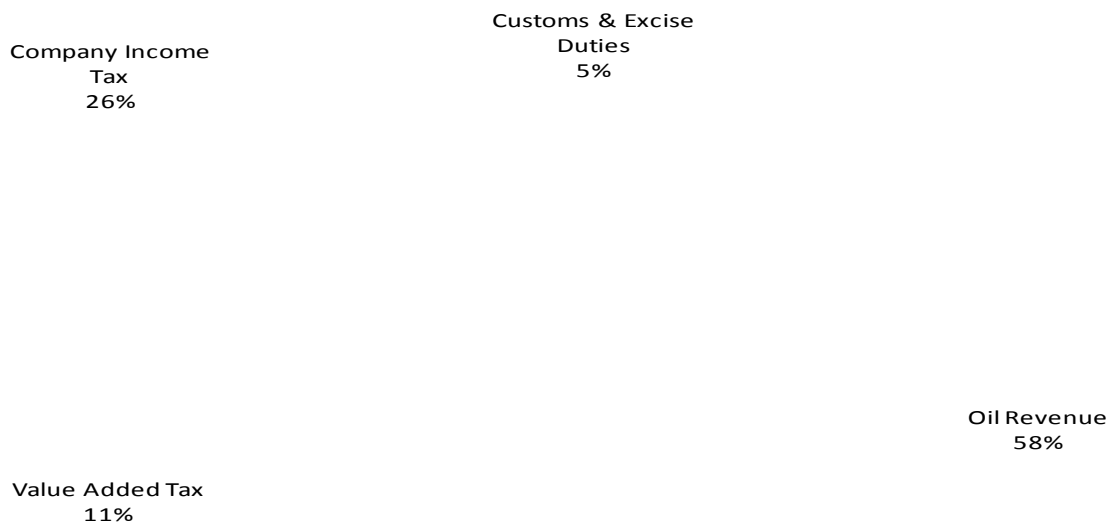
Source: Budget Office of the Federation

**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 and statutory deductions. A net sum of N1,738.65 billion was available for sharing in the third quarter of 2013. This implies a shortfall of N152.22 billion (or 8.05%).

29. *Chart 3.3* below presents the percentage contribution of the various revenue categories to distributable revenue in the third quarter of 2013.

Chart 3.3: Contributions to Distributable Revenue (in the 3rd Quarter of 2013)



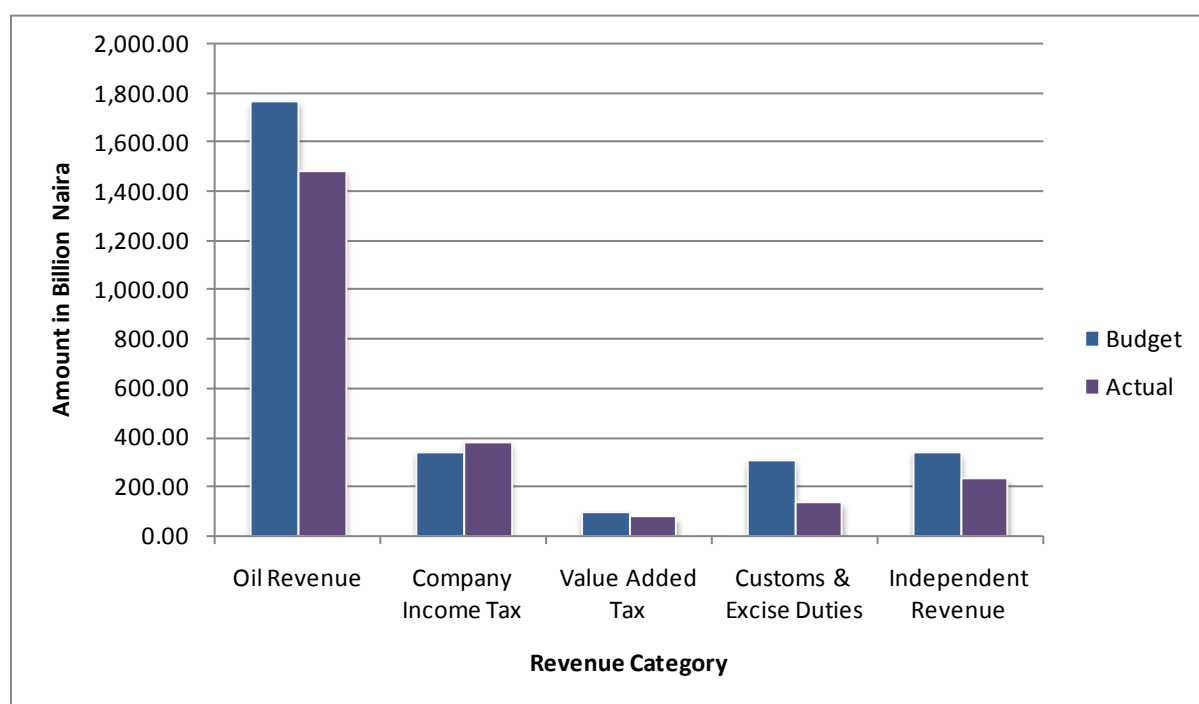
Source: Budget Office of the Federation



### 3.3 FGN Budget Revenue

30. In line with 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 third quarter of 2013, the sum of N487.58 billion received from oil sources was lower than the quarterly estimate of N588.69 billion by N101.11 billion (or 17.18%). With the exception of Company Income Tax of N221.2 billion which was above its quarterly estimate of N114.26 billion by N106.94 billion (or 93.59%) other non-oil revenue items fell below their quarterly projections. FGN share of VAT of N26.13 billion and Customs & Excise Duties of N43.95 billion were short of their respective quarterly projections of N31.76 billion and N103.11 billion by N5.63 billion (or 17.74%) and N59.16 billion (or 57.37%). The foregoing followed the same pattern of their respective performances at the Federation Account level. The data are presented below in *Table 3.5*.

Chart 3.4: FGN Revenue (Budget Vs Actual as at September 2013)



Source: The OAGF and Budget Office of the Federation

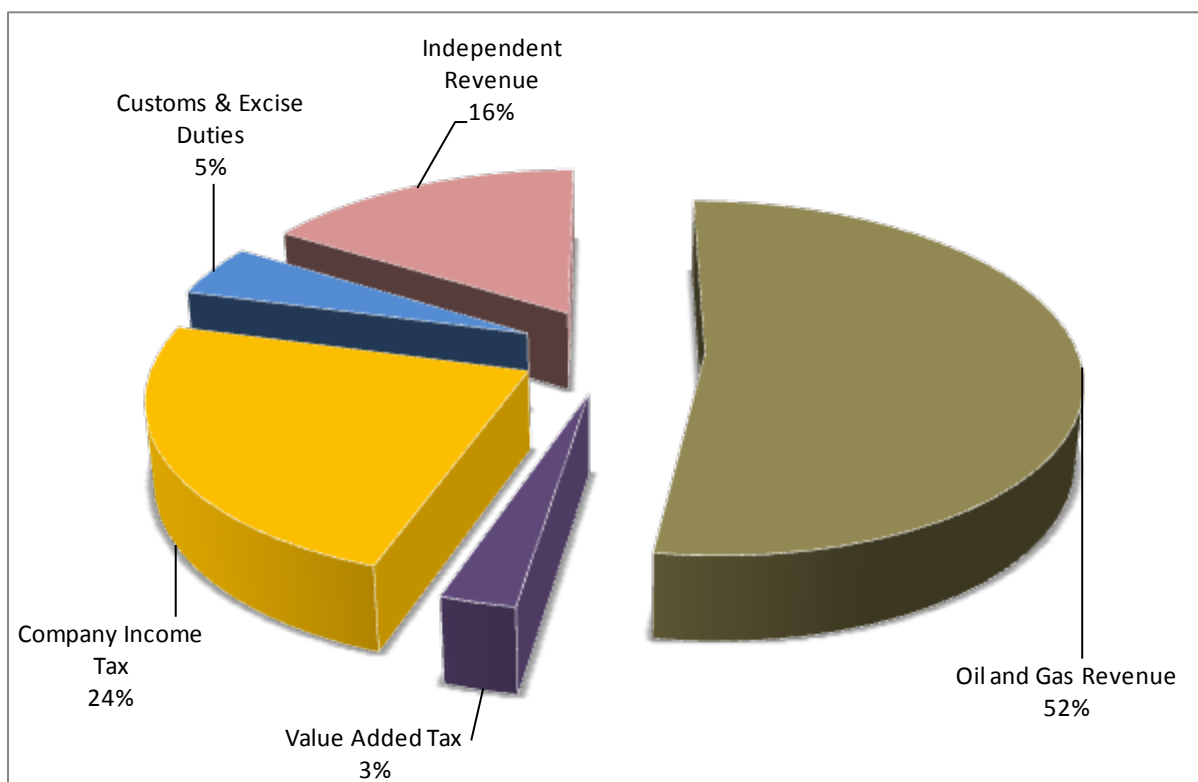
Table 3.5: Inflows to the 2013 Federal Budget as at September 2013

S/NO	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	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
1	FGN Share of Oil Revenue	2,354.77	588.69	1,766.08	469.40	529.17	487.58	1,486.16	(101.11)	(17.18)	(41.59)	(7.86)	(279.92)	(15.85)
2	FGN Share of Non-Oil Revenue	1,000.45	250.11	750.34	148.24	155.12	291.28	594.64	41.16	16.46	136.16	87.78	(155.71)	(20.75)
3	FGN Share of Value Added Tax (VAT)	127.05	31.76	95.28	24.94	26.03	26.13	77.09	(5.63)	(17.74)	0.10	0.39	(18.19)	(19.10)
4	FGN Share of Customs Duty	412.42	103.11	309.32	49.59	43.87	43.95	137.41	(59.16)	(57.37)	0.08	0.19	(171.91)	(55.58)
5	FGN Share of Company Income Tax (CIT)	457.04	114.26	342.78	73.72	85.22	221.20	380.14	106.94	93.59	135.97	159.55	37.36	10.90
6	FGN Share of Actual Balances in Special Account	3.94	0.99	2.96	-	-	-	-	(0.99)	(100.00)	-	-	(2.96)	(100.00)
7	FGN Independent Revenue	455.78	113.95	341.84	65.03	17.18	150.47	232.67	36.52	32.05	133.29	775.95	(109.17)	(31.93)
8	FGN Balances of Special Accounts as at 31/12/12	28.02	7.01	21.02	-	21.00	-	21.00	(7.01)	(100.00)	(21.00)	(100.00)	(0.02)	(0.07)
9	Unspent Balance from Previous Fiscal Year	261.21	65.30	195.91	22.86	0.06	0.20	23.12	(65.10)	(99.70)	0.14	242.21	(172.79)	(88.20)
10	<b>Sub-Total</b>	<b>4,100.23</b>	<b>1,025.06</b>	<b>3,075.18</b>	<b>705.53</b>	<b>722.52</b>	<b>929.53</b>	<b>2,357.58</b>	<b>(95.53)</b>	<b>(9.32)</b>	<b>207.00</b>	<b>28.65</b>	<b>(717.60)</b>	<b>(23.34)</b>
11	Other Financing Sources			-	139.99	156.33	31.65	327.97	31.65		(124.68)	(79.76)	327.97	
12	Augmentation of Shortfall	-	-	-	74.71	91.03	31.65	197.39	31.65		(59.39)	(65.24)	197.39	
13	Excess Crude Account Special Distribution	-	-	-	65.29	65.30	-	130.59	-		(65.30)	(100.00)	130.59	
14	<b>Total Revenue Available for Implementation</b>	<b>4,100.23</b>	<b>1,025.06</b>	<b>3,075.18</b>	<b>845.52</b>	<b>878.85</b>	<b>961.17</b>	<b>2,685.55</b>	<b>(63.89)</b>	<b>(6.23)</b>	<b>82.32</b>	<b>9.37</b>	<b>(389.63)</b>	<b>(12.67)</b>

Source: Budget Office of the Federation and the OAGF

31. A total of N929.53 billion, excluding other funding sources, was received in the third quarter of 2013. This amount was N95.53 billion (or 9.32%) lower than the quarterly projection of N1,025.06 billion and N207 billion (or 28.65%) higher than the actual receipt of N722.52 billion recorded in the second quarter of 2013. However, the aggregate revenue in the third quarter of 2013 was N205.01 billion (or 28.3%) higher than the N724.52 billion recorded in the third quarter of 2012.

Chart 3.5: Contributions to the FGN Budget Revenue in the Third 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 third quarter of 2013 amounted to N181.34 billion. The inflow in the third quarter was N91.81 billion (or 33.61%) and N363.74 billion (or 66.73%) lower than the N273.15 billion and N545.08 billion recorded in the second quarter of 2013 and third quarter of 2012 respectively.

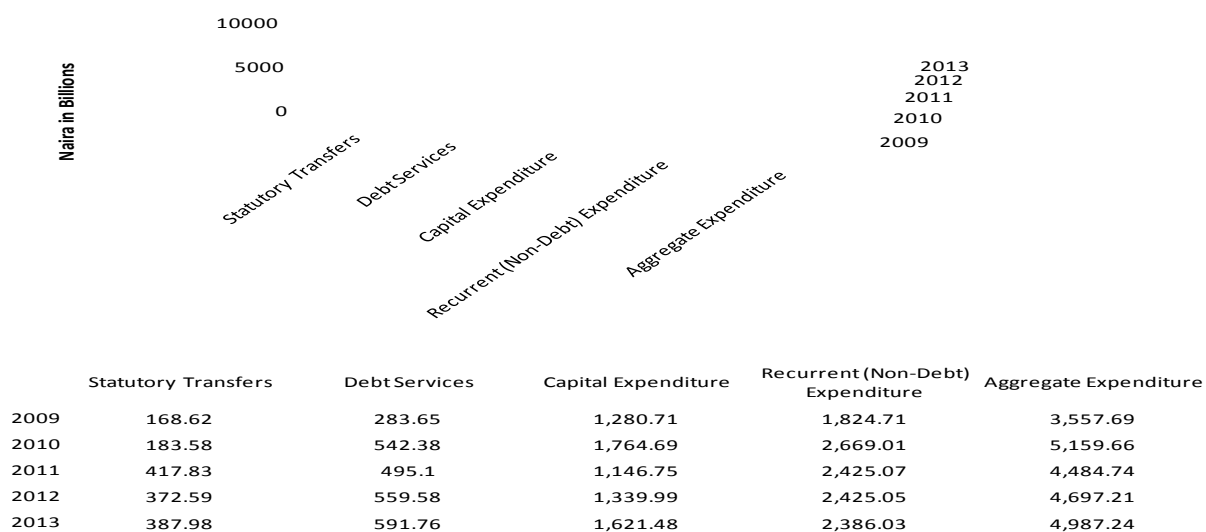
### 3.5 Expenditure Developments

33. A total of N5,260.72 billion was appropriated for expenditure in the 2013 Amended Budget. Of this amount, N4,987.22 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 N2,415.75 billion (or 48.44%) for recurrent (non-debt) expenditure, N591.76 billion (or 11.87%) for debt service, N388.05 billion (or 7.78%) for Statutory Transfers and N1,591.66 billion (or 31.91%) 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 resolute 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 68.09% 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.

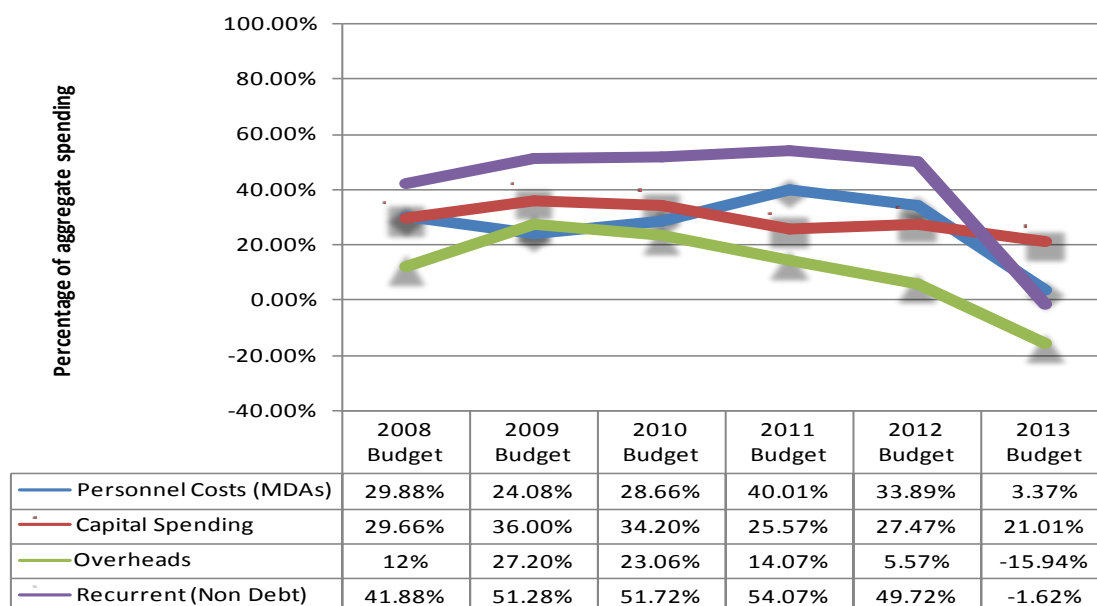
Chart 3.6: 2009 – 2013 Budget Expenditure Profile



Source: Budget Office of the Federation

35. Data from the OAGF indicates that a total of N521.81 billion was expended on non-debt recurrent expenditure in the third quarter of 2013. This amount represents a decrease of N82.13 billion (or 13.6%) from the quarterly estimate of N603.94 billion.

Chart 3.7: Personnel, Overhead and Capital Expenditure Trends (2008 – 2013)



Source: BOF and OAGF

### 3.5.2 Debt Service

36. Provisional data from the Debt Management Office (DMO) show that as at 30<sup>th</sup> September 2013, the Federal Government domestic debt stock stood at N7,032.88 billion depicting an increase of N182.13 billion (or 2.66%) over the N6,850.75 billion recorded in the second quarter of 2013; and also exceeds the N6,346.04 billion reported in the same period of 2012 by N686.84 billion (or 10.82%). A breakdown of the domestic debt stock as at 30<sup>th</sup> September indicates that N4,215.04 billion (or 59.93%) is for FGN Bonds, N2,483.29 billion (or 35.31%) is for Nigeria Treasury Bills (NTBs) and N334.56 billion (or 4.76%) is for Treasury Bonds. The rise in domestic debt in the third quarter can be attributed to the issuance of additional Federal Government Bonds. The sum of N191.83 billion was released for domestic debt servicing in the third quarter of 2013 while

the actual domestic debt payment was N163.47 billion. The sum of N27.63 billion (or 20.34%) 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 30<sup>th</sup> September, 2013, stood at US\$8,264.34 million representing an increase of US\$1,344.24 million (or 19.43%) and US\$1,968.17 million (or 31.26%) over the US\$6,920.1 million and US\$6,296.17 million recorded in the second quarter of 2013 and the third quarter of 2012 respectively. The increase was due mainly to the increases in multilateral and ICM (Euro-Bond) debt drawdown. A breakdown of the external debt stock in the third quarter of 2013 indicates that Multilateral Debts amounted to US\$5,887.1 million (71.23%), Non-Paris Club Bilateral Debts amounted to US\$850.42 million (or 10.29%) while Commercial and ICM (Euro-Bond) accounted for the balance of US\$1,526.82 million (or 18.47%).

38. The actual external debt service payment in the third quarter of the year amounted to US\$95.67 million. A breakdown of the payments indicated that US\$47.64 million (or 49.8%) was to Multilateral Creditors, US\$21.41 million (or 22.38%) was to Non-Paris Bilateral Creditors and US\$26.62 million (or 27.82%) was to Commercial and ICM (Euro-Bond) Creditor.

39. The total public debt stock as at 30<sup>th</sup> September 2013 stood at US\$53.42 billion (or N8.32 trillion). The breakdown consists of US\$8.26 billion (or N1.29 trillion or 15.5%) for external debt while the balance of US\$45.15 billion (or N7.03 trillion or 84.5%) was for domestic debt stock. The total net value of Debt/GDP (external and domestic) ratio as at the end of September 2013 was significantly below the global threshold of 40%.

Table 3.7: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at September 2013

S/NO	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>A</b>	<b>TOTAL INFLOW</b>	<b>4,100.23</b>	<b>1,025.06</b>	<b>3,075.18</b>	<b>845.52</b>	<b>878.85</b>	<b>961.17</b>	<b>2,685.55</b>	<b>(63.89)</b>	<b>(6.23)</b>	<b>82.32</b>	<b>9.37</b>	<b>(389.63)</b>	<b>(12.67)</b>
<b>B</b>	<b>EXPENDITURE</b>		-	-					-		-		-	
	<b>RECURRENT NON-DEBT</b>		-	-					-		-		-	
1	Personnel Cost	1,718.23	429.56	1,288.67	419.31	388.04	387.75	1,195.10	(41.81)	(9.73)	(0.30)	(0.08)	(93.58)	(7.26)
2	Pension & Gratuities	143.24	35.81	107.43	-	33.98	28.41	62.39	(7.40)	(20.67)	(5.57)	(16.40)	(45.04)	(41.92)
3	Overhead Cost													
4	Service Wide Vote	554.28	138.57	415.71	118.36	121.03	105.66	345.04	(32.92)	(23.75)	(15.37)	(12.70)	(70.67)	(17.00)
5	Sub-Total (Non-Debt)	2,415.75	603.94	1,811.81	537.67	543.05	521.81	1,602.53	(82.13)	(13.60)	(21.24)	(3.91)	(209.28)	(11.55)
6	Domestic Debts & Int. on Ways &	543.38	135.84	407.53	121.69	164.24	191.83	477.76	55.99	41.21	27.59	16.80	70.23	17.23
7	Foreign Debts	48.39	12.10	36.29	14.30	15.29	14.11	43.70	2.01	16.63	(1.18)	(7.71)	7.41	20.41
8	Sub-Total (Debt Services)	591.76	147.94	443.82	135.99	179.53	205.94	521.46	58.00	39.20	26.42	14.71	77.63	17.49
9	<b>CAPITAL EXPENDITURE:</b>		-	-	-	-	-	-	-		-		-	
10	Capital 2012		-	-	45.13	-	-	45.13	-		-		45.13	
11	*Capital Releases 2013	1,591.66	397.92	1,193.75	169.22	232.71	342.67	744.60	(55.25)	(13.88)	109.96	47.25	(449.15)	(37.63)
12	Sub-Total (Capital)	1,591.66	397.92	1,193.75	214.34	232.71	342.67	789.72	(55.25)	(13.88)	109.96	47.25	(404.02)	(33.84)
13	<b>TRANSFER:</b>		-	-	-	-	-	-	-		-		-	
14	Niger Delta Development Commission	61.35	15.34	46.01	-	-	-	-	(15.34)	(100.00)	-		(46.01)	(100.00)
15	National Judicial Council	67.00	16.75	50.25	16.75	16.75	11.17	44.67	(5.58)	(33.33)	(5.58)	(33.33)	(5.58)	(11.11)
16	Universal Basic Education	76.28	19.07	57.21	16.63	22.36	9.88	48.87	(9.19)	(48.19)	(12.48)	(55.81)	(8.34)	(14.58)
17	Ind. Nat. Elect. Comm.	32.08	8.02	24.06	8.00	5.33	10.67	24.00	2.65	32.99	5.33	100.00	(0.06)	(0.26)
18	Natioal Human Rights Comm.	1.35	0.34	1.01	0.34	0.23	0.22	0.79	(0.11)	(33.63)	(0.00)	(0.44)	(0.23)	(22.37)
19	National Assembly	150.00	37.50	112.50	37.50	37.50	37.50	112.50	-	-	-	-	-	-
20	Sub-Total (Transfers)	388.06	97.01	291.04	79.21	82.17	69.44	230.82	(27.58)	(28.43)	(12.73)	(15.49)	(60.23)	(20.69)
21	<b>TOTAL EXPENDITURE</b>	<b>4,987.23</b>	<b>1,246.81</b>	<b>3,740.42</b>	<b>967.22</b>	<b>1,037.45</b>	<b>1,139.86</b>	<b>3,144.53</b>	<b>(106.95)</b>	<b>(8.58)</b>	<b>102.40</b>	<b>9.87</b>	<b>(595.89)</b>	<b>(15.93)</b>
22	<b>Fiscal Deficit</b>	<b>(886.99)</b>	<b>(221.75)</b>	<b>(665.24)</b>	<b>(121.70)</b>	<b>(158.60)</b>	<b>(178.68)</b>	<b>(458.98)</b>	<b>43.06</b>	<b>(19.42)</b>	<b>(20.09)</b>	<b>12.66</b>	<b>206.27</b>	<b>(31.01)</b>
<b>C</b>	<b>FINANCING ITEMS</b>		-	-	-	-	-	-	-		-		-	
1	Privitization Proceeds	10.00	2.50	7.50	-	-	-	-	(2.50)	(100.00)	-		(7.50)	(100.00)
2	Signature Bonus	75.00	18.75	56.25	6.03	-	-	6.03	(18.75)	(100.00)	-		(50.22)	(89.27)
3	FGN Share from Stabilisation Fund	225.00	56.25	168.75	65.29	65.30	-	130.59	(56.25)	(100.00)	(65.30)	(100.00)	(38.17)	(22.62)
4	Borrowing from Special Accounts		-	-	-	-	70.53	70.53	70.53		70.53		70.53	
5	Domestic borrowing (FGN Bond)	577.07	144.27	432.80	239.00	221.00	96.80	556.80	(47.46)	(32.90)	(124.20)	(56.20)	124.00	28.65
6	Sub-Total	887.07	221.77	665.30	310.32	286.30	167.33	763.95	(54.44)	(24.55)	(118.97)	(41.55)	98.65	14.83
7	Net Deficit / Surplus	0.07	0.02	0.06	188.63	127.70	(11.36)	304.97	(11.38)	(61,627.35)	(139.06)	(108.89)	304.91	550,617.43

Source: OAGF and Budget Office of the Federation

### 3.5.3 Statutory Transfers:

40. In the third quarter of 2013, a total of N69.44 billion was released as statutory transfers. A breakdown of the actual transfers in the third quarter reveals that N11.17 billion was to National Judicial Council, N9.88 billion was to the Universal Basic Education Commission (UBEC), N10.67 billion was to Independent National Electoral Commission, N0.22 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 preparing the Budget, the government continued 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 31.91% 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. Data from the OAGF reveals that as at 30<sup>th</sup> September, 2013, a total of N807.87 billion had been released and cash-backed through the First Quarter Development Capital Warrant of N210.48 billion, Second Quarter Development Capital Warrant of N168.27 billion, Third Quarter Development Capital Warrant of N147.33 billion and Authority to Incur Expenditure (AIEs) of N281.78 billion for the implementation of MDAs capital projects/programmes as contained in the 2013 Appropriation Act. It is important to note that the first and second quarter capital warrants were released before the conclusion and approval by the National Assembly of the 2013 Amended Budget.



### *Performance as at 30<sup>th</sup> September, 2013*

43. The data also show that N545.87 billion (or 67.57%) of the total amount cash-backed had been utilized by MDAs as at 30<sup>th</sup> September 2013. *Appendix 1* to this Report shows the funds released to and utilized by MDAs in the period. An analysis of fifty (50) MDAs reported upon by the Office of the Accountant-General of the Federation OAGF reveals varying levels of utilization among the MDAs. Eight (or 16%) of the MDAs including: Presidency, Police Affairs, Works, National Planning, National Sports Commission, Office of National Security Adviser, Niger Delta and Special Duties had utilized more than the overall average utilization rate of 67.57% of the amount cash-backed. Six out of these, including National Sports Commission, Presidency, Police Affairs, Office of National Security Adviser, Niger Delta and Special Duties had utilized over 70% of their respective cash-backed funds.

44. The utilization report also shows that 21 MDAs (or 42%), which include Agriculture, Water Resources, Defence, Education, Head of Service, Aviation, Youth Development, Finance, Health, Mines & Steel, Communication Technology, Presidency, Police Affairs, Works, National Planning, National Sports Commission, Office of National Security Adviser, Niger Delta and Office for Special Duties had utilized above 50% of their cash-backed funds. Twenty nine (or 58%) of MDAs including Women Affairs, Office of the Secretary to Government of the Federation, Office of the Auditor-General of the Federation, ICPC, Trade & Investment, Power, Information, Interior, Justice, Science & Technology, Transport, Petroleum, Housing, Environment, Code of Conduct Bureau, FCSC, Federal Character Commission, Police Service Commission and Public Complaint Commission had a utilization rate of less than 50%. *Table 3.8* below is an extract from *Appendix 1* highlighting the utilization rates of ten selected MDAs.

45. 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 third quarter of 2013. A total of N227.55 billion (or 83.2%) of

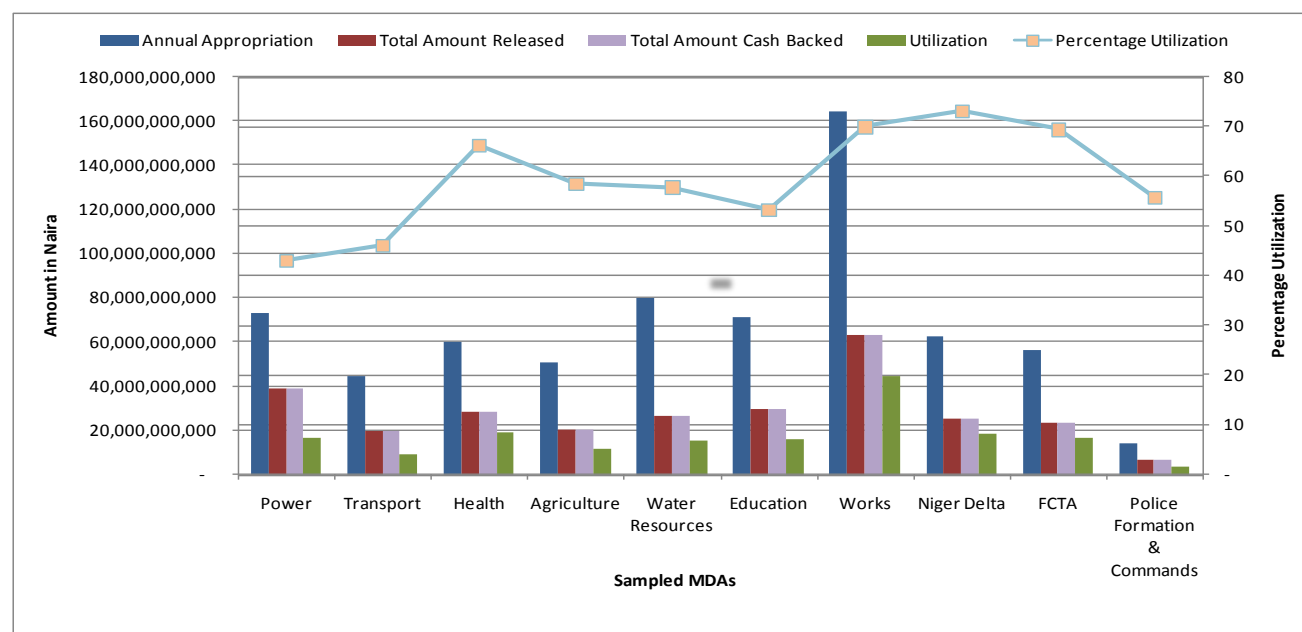
the appropriated sum was released while N119.65 billion (or 52.58%) of the released amount was utilized as at 30<sup>th</sup> September, 2013.

Table 3.8: A Sample of MDAs' Capital Budget Utilization (as at 30<sup>th</sup> Sept. 2013)

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	73,347,958,463	39,162,517,048	39,162,517,048	16,884,838,682	23.02	43.11	43.11
Transport	44,527,673,725	19,575,445,044	19,575,445,044	9,022,995,694	20.26	46.09	46.09
Health	60,047,469,275	28,838,439,775	28,838,439,775	19,108,867,982	31.82	66.26	66.26
Agriculture	50,727,871,428	20,419,251,358	20,419,251,358	11,938,302,349	23.53	58.47	58.47
Water Resources	80,306,966,365	26,862,139,301	26,862,139,301	15,536,278,736	19.35	57.84	57.84
Education	71,230,438,355	29,870,164,921	29,870,164,921	15,940,847,953	22.38	53.37	53.37
Works	164,661,148,188	63,593,280,261	63,593,280,261	44,487,966,309	27.02	69.96	69.96
Niger Delta	62,399,922,222	25,563,253,618	25,563,253,618	18,692,383,982	29.96	73.12	73.12
FCTA	56,600,000,000	23,799,218,838	23,799,218,838	16,532,213,570	29.21	69.47	69.47
Police Formation & Commands	14,096,000,000	6,822,113,291	6,822,113,291	3,805,852,375	27.00	55.79	55.79
Total Average Utilization (by all MDAs)					34.3	67.57	67.57

Source: OAGF and BOF

Chart 3.8: Pictorial Representation of Selected MDAs Utilization



Source: BOF and OAGF

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

46. The 2013 Fiscal Framework 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.

47. In the third quarter, a total of N167.33 billion was realized from financing item sources implying a shortfall of N54.44 billion (or 24.55%) below the quarterly estimate of N221.77 billion as some of the items, such as signature bonus did not materialize.

## 4.0 CONCLUSION

---

**M**acroeconomic indicators from the NBS for the third quarter indicate continued resilience of the domestic economy. The real GDP grew by 6.81% for the third quarter of 2013, an improvement over the 6.48% recorded for same period in 2012. The non-oil sector remained the main driver of growth with a contribution of 7.95% as against the decline year-on-year of 0.53% by the oil sector. In spite of the economic challenges, the country's external reserves remained at a sustainable level of about US\$44.11 billion.

49. Provisional data from the OAGF shows that a net distributable sum of N1,738.65 billion accrued to the Federation Account for distribution among the three tiers of government in the quarter, indicating a shortfall of about N152.22 billion when compared with N1,890.88 billion estimated for the quarter. This follows from the shortfall in oil revenue by N208.47 billion - arising mainly from lower oil lifting due to crude oil theft and pipeline vandalism. Largely resulting from this situation, implementation of the federal budget in the quarter was underfunded by about N95.53 billion (or 9.32%) when compared with the estimate of N1,025.06 billion.

50. The implementation of recurrent expenditures in the third quarter remained largely on track. A total of N807.87 billion out of the N1,193.75 billion projected for capital budget implementation in the year-to-date had been released to MDAs as at September 2013. Of this amount, N807.86 billion had been cash-backed while N545.87 billion (or 67.57%) had been utilized by the MDAs as at 30<sup>th</sup> September 2013.

51. This provisional Report is focused on presenting the macroeconomic environment under which the Budget was implemented in the quarter. It also provides a financial analysis of the Budget's implementation in the year to date. In collaboration with MDAs, Civil Society Organizations and representatives of media organizations, the Budget Office of the Federation embarked on physical monitoring and evaluation of selected capital projects for the quarter. Their findings will be consolidated with this Report and published in due course.