THIRD QUARTER

BUDGET IMPLEMENTATION REPORT

2014

BUDGET OFFICE OF THE FEDERATION

Federal Ministry of Finance, Abuja

FOREWORD

I am delighted to present to you the Budget Implementation Report which is the third in the series for 2014. The Report gives detailed information on the implementation of the 2014 Budget in the third quarter. It also serves as an instrument through which the Ministries, Departments and Agencies (MDAs) of Government can be held accountable for the revenue and expenditure they administer, and the realization of the government's objectives as specified in the Transformation Agenda.

The publication and circulation of this report is in accordance with Section 30 and 50 of the Fiscal Responsibility Act, 2007 which requires the Honourable Minister of Finance to submit to the Joint Finance Committees of the National Assembly and the Fiscal Responsibility Commission a quarterly budget implementation report. These reports are also delivered to the wider public through the electronic and print media.

The 3rd Quarter Budget Implementation Report is the product of conscientious planning, monitoring and evaluation. It is also an analytical work carried out by the Budget Office of the Federation in partnership with MDAs, Civil Society Organizations and the Media. I commend the team's hard work and also wish to praise the active roles of the National Assembly's Joint Finance Committees and the Fiscal Responsibility Commission in upholding best practices in public financial management.

Lastly, I advise all readers of this Report to keep on showing active interest in government's ability to live up to its promises. This will serve as the necessary element for the efficient and effective management of government finances.

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

PREFACE

Section 30 of the *Fiscal Responsibility Act, 2007*, requires the Honourable Minister of Finance, through the Budget Office of the Federation to monitor and evaluate the implementation of the Annual Budget and render quarterly reports. This Report, which is the third series for 2014 fiscal year, fulfils this obligation and also offers the opportunity of demonstrating Government's commitment to the transparent and careful management of public finances.

The 2014 Budget took its root from the Administration's four transformational pillars of macroeconomic stability; structural reforms; governance and institutions; and investing in priority sectors. As a means of achieving these goals, the Budget paid interest in invigorating the engines of growth of the economy that would trigger higher industrial capacity utilization. Special efforts were also made to boost domestic production through useful commitment of human capital with the aim of creating jobs, improving the standard of living of Nigerians in a sustainable style and also attaining inclusive growth.

Implementing the 2014 Budget in the third quarter of the year was challenging in several respects. Apart from the late passage of the budget by the National Assembly and the fall in the price of oil in the world market, the revenue receipts from non-oil resources were significantly below their projected estimates. These shortfalls in revenue were serious obstacles to the effective implementation of the budget in the quarter.

This Report is a product of the joint efforts of key financial and statistical agencies of government which provided the necessary macroeconomic data, and the concerted efforts of the various departments of the Budget Office of the Federation, particularly the Budget Monitoring and Evaluation Division. I commend their hard work and wish them every success as they continue to carry out this important role.

Dr. Bright Okogu
Director General
Budget Office of the Federation

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EXECUTIVE SUMMARY

The 2014 Budget was prepared with the aim of sustaining the economic growth achieved in the past years and also to maintain the engines of growth that would uphold advanced industrial capacity operation. In view of the above objectives, the budget was therefore, structured in a pattern that will boost local production through gainful engagement of human and material resources. It was also meant to create more jobs and improve the standard of living of Nigerians in a sustainable manner. Available data from the National Bureau of Statistics (NBS) revealed that the domestic economy remained strong and resilient in the face of strong global headwinds. On an aggregate basis, the economy when measured by the Real Gross Domestic Product (GDP) grew by 6.23% (year-on-year) in the third quarter of 2014.

Inflationary pressure moderated across the three measures of inflation during the period under review. The year-on-year headline inflation inched up marginally from 8.2% in June to 8.3%, 8.5% and 8.3% in July, August and September 2014 respectively. The movement of the year-on-year food inflation also followed similar trend, rising slightly from 9.8% in June to 9.9% and 10% in July and August respectively before falling again to 9.7% in September 2014. On the other hand the year-on-year core inflation declined from 8.1% in June to 7.1% in July and remained constant at 6.3% in both August and September 2014. The rise in headline inflation during the quarter can be ascribed to the rise in food inflation. Despite the fact that most of the inflationary trend still remained within the single unit digit, the upside risks to inflation in the near-term includes among other, increased spending in the build up to the 2015 general elections and depreciated exchange rate arising from the falling oil prices which might result the depletion of our external reserves. Figures from the Central Bank of Nigeria (CBN) revealed an increase in Nigeria's gross external reserves which stood at US$38.28 in September 2014.

Data from the Office of the Accountant General of the Federation (OAGF) shows that a net sum of N1,638.88 billion was shared among the three tiers of government in the third quarter of 2014; implying a shortfall of N122.62 billion in the quarter. A total of N831.69 billion, excluding revenue from other funding sources was received to fund the Federal Budget in the third quarter of 2014 thereby presenting a shortfall of N101.06 billion (or 10.83%). This revenue shortfall affected the implementation of the 2014 Budget in the quarter.

The data also indicated that the implementation of recurrent (non-debt) expenditure was on course. As at 30th September, 2014, a total of N395.46 billion had been released for the implementation of MDAs capital projects/programmes as contained in the 2014 Appropriation Act. The released amount was fully cash-backed.

The data also shows that N345.22 billion (or 87.55%) of the total amount cash-backed had been utilized by MDAs as at 30th September 2014. An analysis of forty-nine (49) MDAs reported upon by the Office of the Accountant-General of the Federation (OAGF) shows different levels of utilization among the MDAs. Nineteen (or 38.78%) of the MDAs including: Presidency, Federal Capital Territory Administration, F Communication Technology, Works and Niger Delta had utilized more than the overall average utilization rate of 87.55% of the amount cash-backed. Nine out of these, including FCTA, Presidency, Foreign & Inter Government Affairs, Niger Delta and Ministry of Special Duties had utilized over 97% of their respective cash-backed funds. The utilization report also shows that 42 MDAs (or 85.71%), which include Agriculture, Water Resources, Defence, Education, Health, Interior, Power, Science & Technology, Transport, Housing and Environment had utilized above 60% of their cash-backed funds. Seven (or 14.29%) of MDAs including Police Formation, Mines & Steel and Aviation had a utilization rate of less than 60%.

In addition to the regular budget, a total of N226.46 billion (or 84.38%) of the N268.37 billion appropriated for SURE-P in the 2014 Budget had been released as at 30th September, 2014 while N151.49 billion (or 66.89%) of the released amount was utilized for major capital and social programmes, especially, in the area of infrastructure development.

1.0 INTRODUCTION

The 2014 Budget was prepared with the aim of sustaining the economic growth recorded in the previous years and also to maintain the engines of growth that would support advanced industrial capacity operation. In view of the above objectives, the budget was therefore, structured in a pattern that will boost local production through gainful engagement of human and material resources. It was also meant to create more jobs and improve the standard of living of Nigerians in a sustainable manner.

2. Like in the past, 2014 – 2016 Medium Term Framework formed the bedrock of the 2014 Budget. The framework was prepared based on the activities at the international and local markets which are major forces in the determination of the amount of revenue required to fund the budget. At the international level, the intensity of industrial and economic behaviours influences the demand and supply of commodities like oil, our major revenue earner. While at the home front, several factors including disruption to oil production and planned sales volumes, security challenges also slows down economic activities and subsequently, affects the ability of some government agencies to collect projected revenues.

3. Following similar pattern of past budgets, special consideration was given in the 2014 Budget to the completion of ongoing capital projects that are consistent with the realization of the goals of the Administration's Transformation Agenda. In order to speed up the processes leading to the creation of jobs and invigorating comprehensive development, bulk of the Government finances were channeled to the structural reform of the economy and the provision of critical infrastructures in the power, health, education, road, rail and aviation sectors of the economy. The provision of physical security and food security were also given special consideration.

4. It is important to note that the 2014 Budget proposal was prepared on

time by the Budget Office of the Federation but could not be submitted to the National Assembly due to some delays in getting a harmonized benchmark price for oil from both houses of the National Assembly. As a result, the 2014 Budget was submitted to the National Assembly late in 2013 and was eventually passed by both houses of the National Assembly in April 2014.

5. This Report provides in-depth information on 2014 third quarter Budget implementation. The rest of the Report is organized as follows: a brief appraisal of the macroeconomic environment under which the Budget was implemented, followed by a detailed analysis of government's revenue receipts and expenditure in the quarter. Finally, we present a brief conclusion to this Report. A chapter on the outcome of the physical monitoring and evaluation of capital projects and programmes would be included in the subsequent final report for the quarter.

2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

Global Economy

The global economic activities continued to be dominated by strong risk factors that can hinder growth, including the reduction in commodity prices, rising geo-political tensions and increasing threats to financial markets in the emerging and front line economies. Developments in the international oil market have increased the risks and vulnerabilities faced by oil exporting countries in the wake of a new episode of falling oil prices. The uncertainty is problematical by the absence of clear signals on how far and how long this episode would last. While the revenue impact of falling oil prices was harsh on the oil exporting countries, it was on the other hand, largely positive on the oil importing countries led by the United States, which has also emerged as a major oil exporter.

7. With significant difference across regions, global growth picked up in the second half of 2014 at a lower than predicted pace. In view of the apparent vulnerabilities and related risks, the International Monetary Fund (IMF) has recently reduced its global growth forecast for 2015 to 3.3% from an earlier projection of 3.7%. Growth in the advanced economies is projected at 1.8% in 2014 compared with 1.2% and 1.4% in 2012 and 2013, respectively. In the United Kingdom, at 3.2% growth in 2014, output has remained above its long run average compared with 0.3% and 1.7% in 2012 and 2013, respectively. The Euro area performance, however, seem to be at variance with the trend in other key advanced economies. The emerging markets and frontier economies remain constrained by limited macroeconomic space to implement demand enhancing monetary stimuli. A cutback of portfolio flows has already begun following the end of Quantitative Easing by the Federal Reserve, thus scaling up exchange rate pressures. As such, growth has been revised downwards to 4.4% in 2014 with China facing its lowest growth of 7.4% since 1990 due to the cooling of its property market. The difference in the monetary policy stance

of the US, China, and Japan has further heightened risk in most emerging economies, elevating financial market fragility and currency risk in the balance sheet of banks and corporate bodies. In Sub-Saharan Africa, growth was revised downwards to 5.1% in 2014 from the earlier projection of 5.4% to reflect the ongoing sluggish global growth and declining commodity prices. In addition, political crisis, infrastructural challenges, and of late the Ebola outbreak in some countries in West Africa have moderated earlier robust growth outlook.

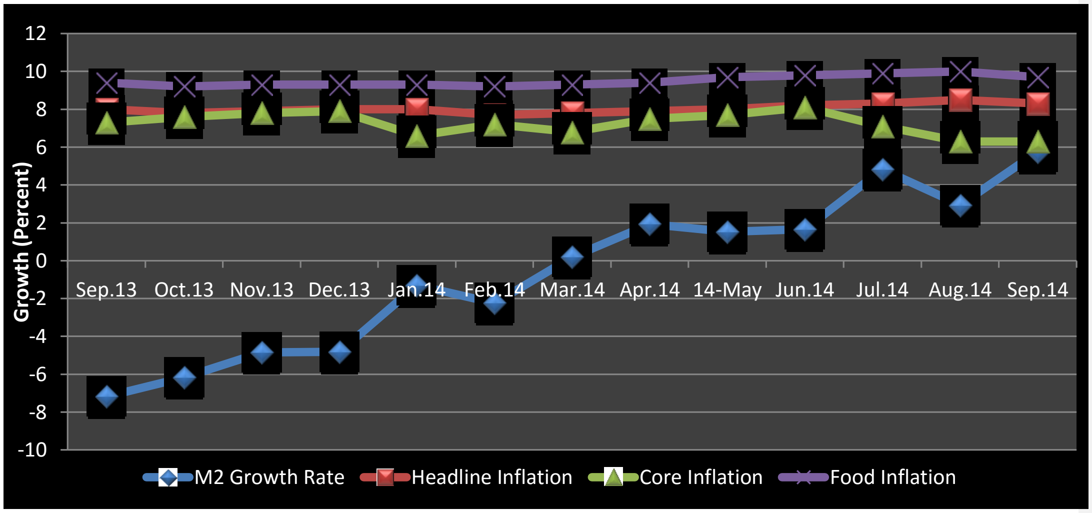
Domestic Economy

8. Available data from the National Bureau of Statistics (NBS) indicated that the domestic economy remained strong and resilient in the face of strong global headwinds. Nevertheless, key vulnerabilities are emerging. On an aggregate basis, the economy when measured by the Real Gross Domestic Product (GDP) grew by 6.23% (year-on-year) in the third quarter of 2014. This performance is 1.06% higher and 0.31% lower when compared with the rates recorded in the third quarter of 2013 and Second Quarter of 2014 respectively. Relative to the Second Quarter of 2014, the economy grew by 8.67% in the third quarter. The non-oil sector remained the major driver of growth recording 7.5% in contrast to the oil sector, which contracted by 3.6%. The non-oil sector growth was driven largely by growth in activities recorded in the crop production, textile, apparel and footwear, telecommunications and real estate sectors. Overall, output is projected to grow at about 7.0% in 2014 compared with the 4.2% and 5.5% recorded in 2012 and 2013 respectively.

9. Inflationary pressure moderated across the three measures of inflation during the period under review. The year-on-year headline inflation inched up marginally from 8.2% in June to 8.3%, 8.5% and 8.3% in July, August and September 2014 respectively. The movement of the year-on-year food inflation also followed similar trend, rising slightly from 9.8% in June to 9.9% and 10% in July and August respectively before falling again to 9.7% in September 2014. On the other hand the year-on-year core inflation declined from 8.1% in June to 7.1% in July and remained constant at 6.3% in both August and

September 2014. The rise in headline inflation during the quarter can be attributed to the rise in food inflation. Despite the fact that most of the inflationary figures still remained within the single unit digit, the upside risks to inflation in the near-term includes increased spending in the build up to the 2015 general elections, depreciated exchange rate arising from falling oil prices which might result to the depletion of our foreign reserves, and food supply shocks arising from the increased insurgency activities in the major agricultural belts of the country.

Chart1: Inflation and M2 Growth Rate (September 2013 – September 2014)



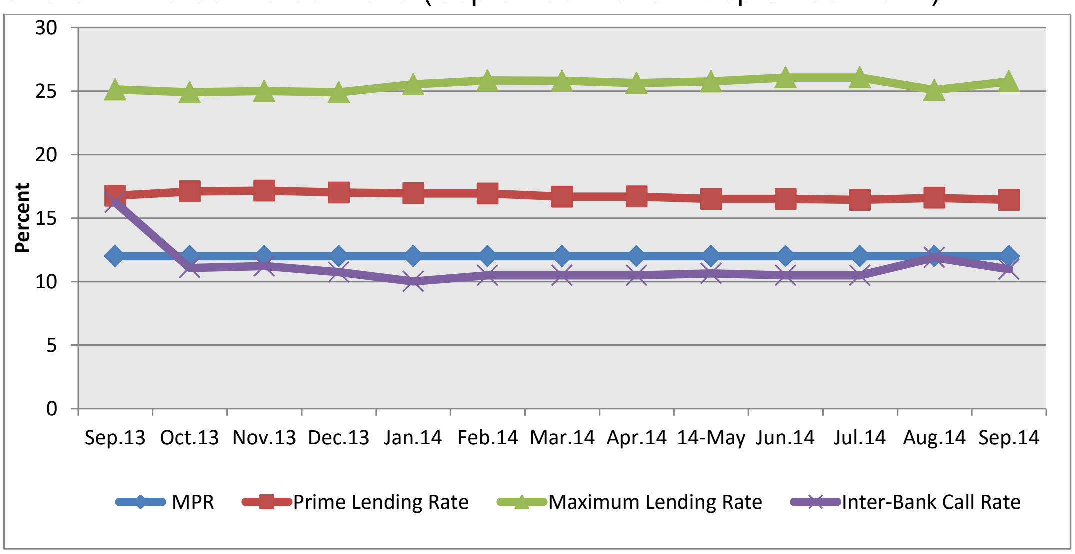
Source: Central Bank of Nigeria, 2014 & National Bureau of Statistics, 2014

10. Data from the Central Bank of Nigeria (CBN) shows that broad money supply (M2) grew by N641.87 billion (or 4.03%) in September above the level in June 2014, that is, from N15,928.38 billion in June to N16,570.25 billion in September. Similarly, the net aggregate domestic credit increased by N1,091.69 billion (or 7.19%) from N15,173.56 billion in June to N16,265.25 billion in September 2014. Credit to the private sector also increased by N694.98 billion (or 4.1%) from N16,963.78 billion in June to N17,658.76 billion in September 2014. On the other hand, credit to government sector decreased by N396.71 billion (or 22.16%) within the same period, from N1,790.22 billion in June to N1,393.51 billion in September, 2014. The average prime lending

rate fell slightly from 16.5% in June to 16.44% in July, rose again to 16.6% in August before falling back to 16.44% in September 2014. On the other hand, the average maximum lending rate remained constant at 26.07% in both June and July before declining to 25.07% and 25.77% in August and September 2014 respectively.

11. Similar to the previous quarters, the CBN continued in the third quarter of 2014 to fix its Monetary Policy Rate (MPR) at 12% in pursuit of price stability. The interest rates in the interbank money market also measured up with the level of liquidity conditions in the banking system. Thus the average interbank call rate as in June remained constant at 10.5% in July before inching up to 11.91% and 10.96% in August and September 2014 respectively. The trends in interest rates in the third quarter of 2014 are presented in *Chart 2* below.

Chart 2: Interest Rates Trend (September 2013 – September 2014)

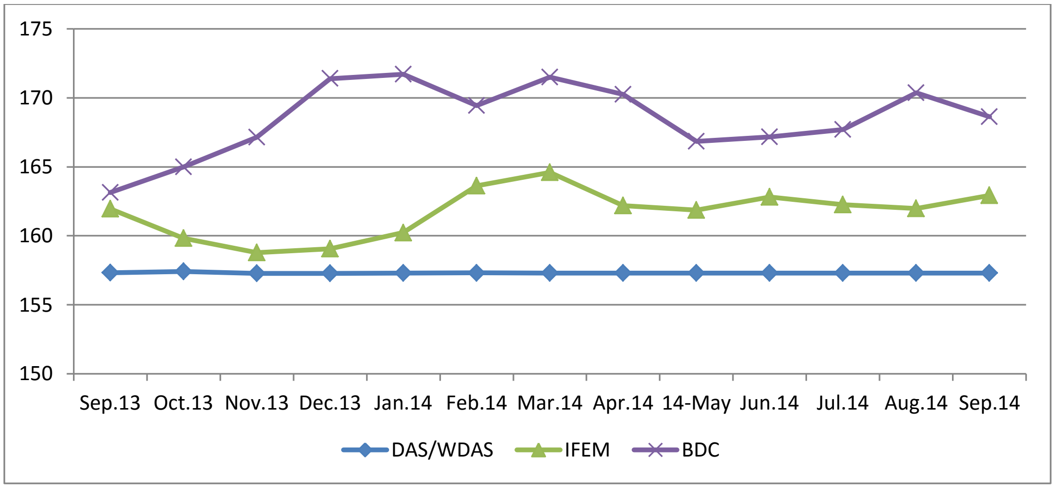


Source: Central Bank of Nigeria, 2014

12. The end-period official Wholesale Dutch Auction System (WDAS) Naira/Dollar exchange rate like in June remained constant at N157.29/$ in both July and August before depreciating slightly to N157.30/$ in September 2014. On the other, the Inter-bank Naira/Dollar exchange rate appreciated

slightly from N162.82/$ in June to N162.25/$ and N161.99/$ in July and August respectively before depreciating further to N162.93/$ in September 2014. Also the Bureau de Change (BDC) exchange rates fell from N167.17/$ in June to N167.71/$, N170.36/$ and N168.64/$ in July, August and September 2014 respectively. The gap between the WDAS and the Inter-bank rate as well as the BDC rate widen during the period due to the high demand for foreign exchange which has continued unabated. Thereby, suggesting the need to continue and further complement existing measures aimed at discouraging speculative activities in the foreign exchange market.

Chart 3: Naira/US$ Exchange Rates Trend (Sept. 2013 – Sept. 2014)

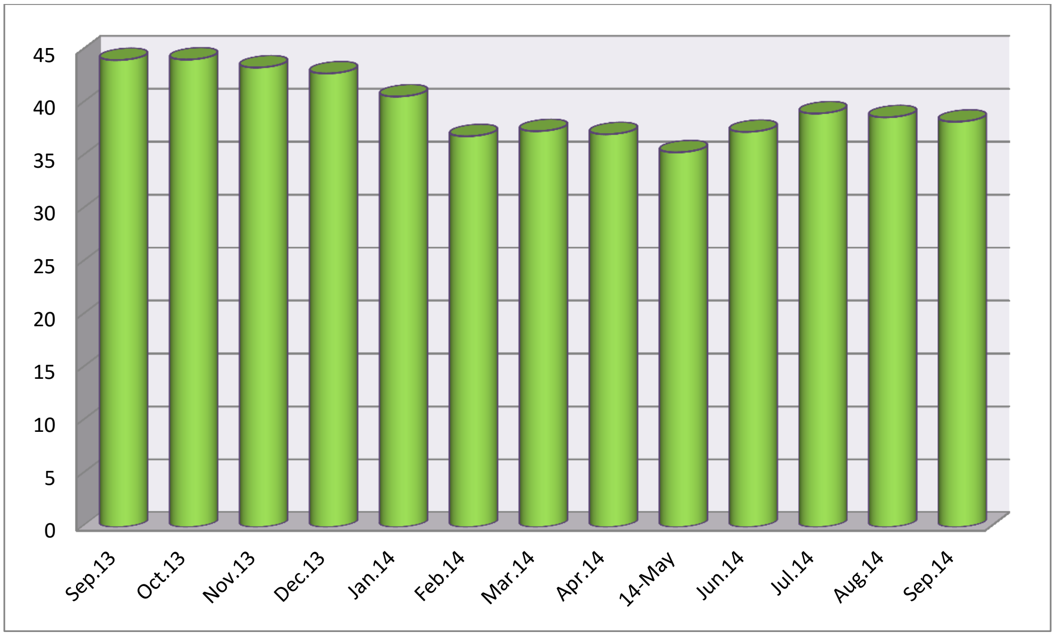


Source: Central Bank of Nigeria, 2014

13. Figures from the CBN revealed an increase in Nigeria's gross external reserves at the end of the third quarter of 2014 which rose from US$37.33 billion in June to US$38.28 billion in September 2014. Depicting an increase of US$0.95 billion (or 2.54%) above the figure recorded at the end of June 2014. Relative to the end of third quarter of 2013 level of US$44.11 billion, the external reserves at the end of third quarter of 2014 fell by US$5.83 billion (or 13.22%). The decrease in foreign reserves can be attributed to a slowdown in portfolio and foreign direct investment in the quarter, thereby, resulting to an increased funding of the foreign exchange market by the CBN to stabilize the

Naira. Based on the CBN report, the foreign reserves level as at the end of September 2014 could finance over seven (7) months of imports which is well above the internationally recommended minimum threshold of 3-months import cover.

Chart 4: Level of External Reserves in Billion Dollars (Sept. 2013 – Sept. 2014)



Source: Central Bank of Nigeria, 2014

3.0 FINANCIAL ANALYSIS OF THE 2013 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections:

The 2014 Budget is a product of the 2014 - 2016 Medium Term Fiscal Framework (MTFF). The MTFF was prepared after series of discussions with relevant stakeholders. Activities in the global economy were also well thought-out before reaching at some of the key assumptions in the framework.

Table 1: Key Assumptions and Targets for the 2014 Budget

KEY ASSUMPTION & TARGETS	2014
Projected Production (in mbpd)	2.39
Budget Benchmark Price (per barrel in US)	77.5
Technical Cost of JVC Pbl to Oil Companies	
Operating Expenses (T1) in US $	9.94
Capital Expenses (T2) in US $	11.12
Technical Cost of PSC Pbl to Oil Companies	
Operating Expenses (T1) in US $	9.2
Capital Expenses (T2) in US $	18.46
Investment Tax Credit	5.8
Technical Costs of SC pbl to Oil Company	
Operating Expenses (T1) in US $	22.09
Capital Expenses (T2) in US $	5.14
Investment Allowances	1.63
Weighted Average Contribution Rates	
Weighted Average Rate of PPT-JV/AF/Independent/Marginal Oil	85%
Weighted Average Rate of PPT-PSC Oil	50.2%
Weighted Average Rate of PPT-SC Oil	85%
Weighted Average Rate of Royalties-JV/AF/Independent/Marginal Oil	18.7%
Weighted Average Rate of Royalties -PSC Oil	2.6%
Weighted Average Rate of Royalties SC Oil	18.5%
Average Exchange Rate (NGN/US$)	160
VAT Rate	5%
CIT Rate	30%

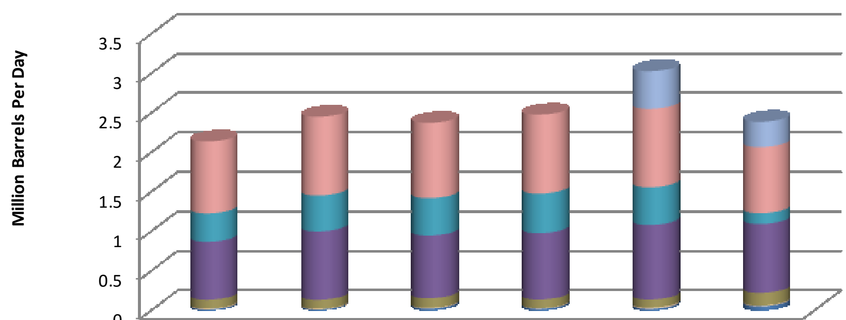
Source: BOF, NNPC, FIRS and NCS, 2014

Budget Benchmark Oil Price and Production

15. As a result of the unsteady nature of oil prices in the international market, Government since the past few years had devised a systematic method of arriving at the benchmark price of oil for its annual budgets. In view of this, budget expenditures were removed from the instability in the prices of oil in the world market. In view of this, the budget benchmark price of oil for the 2014 Budget was pegged at US$77.50/barrel while oil production was fixed at 2.39 million barrels per day (mbpd). The projected oil production for 2014 budget implies a decrease of 0.14mbpd (or 5.53%) below the 2.53mbpd estimated for the 2013 Budget.

16. Details of expected contributions of oil production by business arrangements are presented in *Chart 5* below while the breakdown of contributions and charges for key oil taxes that are expected to accrue to the Federal Government are also portrayed in *Table 2* below.

Chart 5: Budget Oil Production by Business Arrangements 2009 – 2014



	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Budget
Modified Carry Arrangement					0.476	0.32
Joint Ventures	0.91	0.995	0.955	1	0.991	0.837
Alternative Funding	0.36	0.455	0.474	0.5	0.477	0.135
Prod. Sharing Contracts	0.736	0.868	0.793	0.843	0.947	0.875
Independents	0.113	0.115	0.122	0.11	0.104	0.16
Service Contracts	0.009	0.007	0.008	0.005	0.013	0.008
Marginal Fields	0.011	0.01	0.022	0.02	0.019	0.053

Source: NAPIMS/NNPC, 2014

Table 2: Detailed Assumptions for Oil Production and Taxes (2014)

Share of Oil Production	***Percentage***
Joint Ventures	35.06%
Alternative Funding	5.65%
Modified Carry Arrangement	13.39%
Production Sharing Contracts	36.65%
Independents	6.7%
Service Contracts	0.32%
Marginal	2.23%
Total Production	100%
PPT Rates	
Weighted Average -JV/AF/Independent/Marginal	85%
Weighted Average -PSC	50.53%
Weighted Average -SC	50.53%
Royalties Rates	
Weighted Average-JV/AF/Independent/Marginal	18.67%
Weighted Average-PSC	2.76%
Weighted Average-SC Oil	2.76%

Source: NNPC and BOF, 2014

3.2 Analysis of Revenue Performance:

Overview of Oil Revenue Parameters:

17. The price of crude oil in the international market averaged US$101.88 per barrel in the third quarter of 2014, representing a decrease of 8.46% and 7.69% below the US$111.30 and US$110.37 per barrel recorded in the second quarter of 2014 and third quarter of 2013 respectively. The fall in crude oil prices during the period could be attributed to the decrease in the demand for oil in the international market and the discovery of oil and other alternatives to oil by more countries of the world.

18. Provisional data from the Nigerian National Petroleum Corporation (NNPC) shows that the average oil lifting (including Condensates) in the third quarter of 2014 was 2.17mbpd depicting a shortfall of 0.22mbpd (or 9.21%) below the 2.39mbpd projected for the 2014 Budget. The volume of oil lifted in the period was also 0.04mbpd and 0.09mbpd below the 2.21mbpd and 2.26mbpd recorded in the second quarter of 2014 and third quarter of 2013 respectively. The fall in the quantity of oil lifted during the quarter could be attributed to the drop in demand of oil in the international market and other supply challenges like crude oil theft, illegal bunkering and pipeline vandalism that occurred during the period.

19. The 2014 Fiscal Framework presents a gross Federally collectible revenue estimate of N10,875.5 billion, consisting of N7,164.81 billion (or 65.88%) oil revenue and N3,710.70 billion (or 34.12%) non-oil revenue. Below is an analysis of the actual performance of the oil and non-oil revenue receipts in the second quarter of 2014.

Oil Revenue Performance

20. A breakdown of the oil revenue performance in the third quarter of 2014 reveals that Royalties (Oil &Gas) of N268.72 billion, Petroleum Profit & Gas Taxes of N647.6 and Other Oil and Gas Revenue of N6.78 billion exceeded their respective quarterly expected estimate of N185.88 billion, N505.97 billion and N0.77 billion by N82.83 billion (or 44.56%), N141.63 billion (or 27.99%) and N6.01 billion (or 782.63%). On the other hand, Crude Oil Sales of N679.42 billion, Gas Sales of N110.11 billion, Rent of N0.04 billion and Gas Flared Penalty of N0.45 billion fell below their quarterly projections of N960.18 billion, N137.56 billion, N0.22 billion and N0.62 billion by N280.77 billion (or 29.24%), N27.45 billion (or 19.95%), N0.18 billion (or 83.11%) and N0.17 billion (or 27.19%) respectively. Please see *Table 3.1*.

Net Oil Revenue:

21. In the third quarter of 2014, the actual Net Oil Revenue that accrued into the Federation Account was N1,041.48 billion, representing a decrease of N48.49 billion (or 4.45%) below the estimated quarterly projection of N1,089.97 billion. Similarly, the net oil revenue in the third quarter was also lower than the N1,105.59 billion net oil revenue recorded in the second quarter of 2014 by N64.11 billion (or 5.8%). The negative oil revenue performance in the third quarter can be attributable to the fall in oil prices in the international market as well as other supply challenges like crude oil theft, illegal bunkering and pipeline vandalism recorded during the period. These data are presented in *Table 3.1*.

Year-to-Date:

22. As at end of September 2014, only Royalties (Oil & Gas) of N786.5 billion, Gas Flared Penalty of N1.89 billion, Petroleum Profit Tax of N1,842.69 billion and Other Oil and Gas Revenue of N7.81 billion surpassed their respective three quarter of the year projection of N557.65 billion, N1.86 billion, N1,517.91 billion and N2.3 billion by N228.84 billion (or 41.04%), N0.03 billion (or 1.75%), N324.78 billion (or 21.4%) and N5.51 billion (or 239.06%). On the other hand, Crude Oil Sales of N2,389.23 billion, Gas Sales of N258.07 billion and Rent of N0.35 fell below their corresponding three quarter of the year estimates of N2,880.55 billion, N412.67 billion and N0.66 billion by N491.32 billion (or 17.06%), N154.6 billion (or 37.46%) and N0.31 billion (or 47.04%). These low performances were as a result of their respective poor performance in the three quarters of the year.

Non-Oil Revenue Performance:

23. Since the beginning of this current administration, the Government, through the Budget Office of the Federation and the Federal Ministry of Finance had undertaken a number of measures aimed at improving non-oil revenue collections and payments to the treasury. The outcome of these measures as well as the Budget Office's regular discussions with the Agencies

had resulted to the continued increase in targets and actual revenues realized 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 2014, the actual gross non-oil revenue of N767.52 billion was received. This represents an increase of N58.38 billion (or 8.23%) above the quarterly estimate of N709.14 billion. A breakdown of the non-oil revenue items indicates that apart from Company Income Tax of N422.6 billion which was above its quarterly estimate of N246.56 billion by N176.03 billion (or 71.4%) the rest of the items fell short of their quarterly projections. Value Added Tax of N193.39 billion and Customs & Excise Duties of N151.53 billion were below their quarterly estimates of N211.36 billion and N195.6 billion by N17.97 billion (or 8.5%) and N44.07 billion (or 22.53%) respectively. When compared to their respective second quarter performances, Company Income Tax and Customs & Excise Duties grew by N18.4 billion (or 4.55%) and N15.25 billion (or 11.19%) while Value Added Tax fell by N0.75 billion (or 0.39%). The low performances of some of the non-oil revenue items in the third quarter of 2014 can be attributed to the slow pace of economic activities during the period and the inability of both the revenue generating and collecting agencies to collect and remit these revenues on time. However, it is anticipated that the trend would improve in the last quarters of the year.

Year-to-Date:

25. The gross non-oil receipts as at September, 2014 amounted to N2,015.69 billion indicating a shortfall of N111.72 billion (or 5.25%) below the three quarter of the year estimate of N2,127.41 billion. The outcome also reveals that only Company Income Tax of N1,004.91 billion was above its three quarter estimate of N739.69 billion by N265.22 billion (or 35.86%) while the rest of the non-oil revenue items fell below their respective estimates. Value Added Tax of N601.34 billion and Customs & Excise Duties of N409.44 billion respectively fell short by N32.74 billion (or 5.16%) and N177.34 billion (or 30.22%) when compared with their respective projections for the three quarter of the year.

Table 3.1: Net Distributable Revenue as at September, 2014 (Oil Revenue at Benchmark Assumptions)

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)	
A	OIL REVENUE	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
1	Crude Oil Sales (Export)	3,840.73	960.18	2,880.55	843.47	866.35	679.42	2,389.23	(280.77)	(29.24)	(186.93)	(21.58)	(491.32)	(17.06)
2	Crude Oil Sales (Domestic)													
3	Gas Sales (NLNG Feedstock Slaes & Upstream Liquid Gas)	550.23	137.56	412.67	67.15	80.81	110.11	258.07	(27.45)	(19.95)	29.30	36.26	(154.60)	(37.46)
4	Oil Royalties & Gas Royalties	743.54	185.88	557.65	250.56	267.23	268.72	786.50	82.83	44.56	1.49	0.56	228.84	41.04
5	Rent	0.88	0.22	0.66	0.09	0.22	0.04	0.35	(0.18)	(83.11)	(0.19)	(83.48)	(0.31)	(47.04)
6	Gas Flared Penalty	2.48	0.62	1.86	0.67	0.77	0.45	1.89	(0.17)	(27.19)	(0.32)	(41.50)	0.03	1.75
7	PPT & Gas Income @ 30% CITA	2,023.88	505.97	1,517.91	623.42	571.67	647.60	1,842.69	141.63	27.99	75.93	13.28	324.78	21.40
8	Other Oil and Gas Revenue	3.07	0.77	2.30	0.17	0.87	6.78	7.81	6.01	782.63	5.91	680.69	5.51	239.06
9	Sub-Total	7,164.81	1,791.20	5,373.61	1,785.52	1,787.91	1,713.11	5,286.54	(78.09)	(4.36)	(74.80)	(4.18)	(87.07)	(1.62)
10	Joint Venture Cash Calls	1,182.33	295.58	886.75	398.19	285.85	270.37	954.42	(25.21)	(8.53)	(15.48)	(5.42)	67.67	7.63
11	Domestic Fuel Subsidy (NNPC) and Marketers	971.14	242.78	728.35	-	-	-	-	(242.78)	(100.00)	-		(728.35)	(100.00)
12	Under Remittance of Funds by NNPC		-	-	-	-	-	-	-		-		-	
13	Oil Excess Revenue		-	-	20.00	-	-	20.00	-		-		20.00	
15	Sub-Total	5,011.34	1,252.84	3,758.51	1,367.33	1,502.06	1,442.73	4,312.12	189.90	15.16	(59.32)	(3.95)	553.61	14.73
16	Transfer to Excess Crude Account		-	-	158.45	231.27	245.63	635.35	245.63		14.36	6.21	635.35	
17	Balance of Oil Revenue	5,011.34	1,252.84	3,758.51	1,208.88	1,270.79	1,197.11	3,676.77	(55.73)	(4.45)	(73.69)	(5.80)	(81.73)	(2.17)
18	13% Derivation of Net Oil Revenue	651.47	162.87	488.61	157.15	165.20	155.62	477.98	(7.24)	(4.45)	(9.58)	(5.80)	(10.63)	(2.17)
19	TO FEDERATION ACCOUNT	4,359.87	1,089.97	3,269.90	1,051.72	1,105.59	1,041.48	3,198.79	(48.49)	(4.45)	(64.11)	(5.80)	(71.11)	(2.17)
B	NON-OIL REVENUE		-	-	-	-	-	-	-		-		-	
20	Value Added Tax (VAT)	845.45	211.36	634.09	213.80	194.15	193.39	601.34	(17.97)	(8.50)	(0.75)	(0.39)	(32.74)	(5.16)
21	Corporate Tax (CIT, Stamp Duties & CGT)	986.25	246.56	739.69	178.12	404.20	422.60	1,004.91	176.03	71.40	18.40	4.55	265.22	35.86
22	Customs: Import, Excise & Fees	782.38	195.60	586.79	121.63	136.28	151.53	409.44	(44.07)	(22.53)	15.25	11.19	(177.34)	(30.22)
23	Special Levies (Federation Account)	222.47	55.62	166.85	-	-	-	-	(55.62)	(100.00)	-		(166.85)	(100.00)
24	Sub-Total	2,836.55	709.14	2,127.41	513.55	734.63	767.52	2,015.69	58.38	8.23	32.89	4.48	(111.72)	(5.25)
25	Cost of Collection and Other Collections	153.21	38.30	114.91	24.19	193.16	170.13	387.48	131.82	344.17	(23.04)	(11.93)	272.57	237.21
26	Cost of Collection (VAT)	33.82	8.45	25.36	8.55	7.77	7.74	24.05	(0.72)	(8.50)	(0.03)	(0.39)	(1.31)	(5.16)
27	4% Cost of Collection (CIT)	39.05	9.76	29.29	7.12	16.17	16.70	39.99	6.94	71.08	0.53	3.30	10.71	36.56
28	7% Cost of Collection (Customs and Special Levies)	70.34	17.58	52.75	8.51	9.54	10.61	28.66	(6.98)	(39.68)	1.07	11.19	(24.09)	(45.67)
29	FIRS Tax Refunds	10.00	2.50	7.50	-	-	5.06	5.06	2.56	102.36	5.06		(2.44)	(32.55)
30	Excess Non-Oil Transfered to Federation Acctount (FIRS)		-	-	-	159.69	130.02	289.71	130.02		(29.67)	(18.58)	289.71	
31	TO FEDERATION ACCOUNT (NON-OIL)	1,871.71	467.93	1,403.78	284.11	355.08	411.74	1,050.93	(56.19)	(12.01)	56.65	15.95	(352.86)	(25.14)
32	Total VAT Pool	811.63	202.91	608.72	205.25	186.38	185.66	577.29	(17.25)	(8.50)	(0.72)	(0.39)	(31.43)	(5.16)
33	Net Non-Oil Revenue	2,683.34	670.84	2,012.51	489.36	541.46	597.39	1,628.22	(73.44)	(10.95)	55.93	10.33	(384.29)	(19.10)
34	Sub-Total: FEDERATION ACCOUNT	6,231.58	1,557.89	4,673.68	1,335.83	1,460.67	1,453.22	4,249.72	(104.68)	(6.72)	(7.46)	(0.51)	(423.96)	(9.07)
35	Balances in Special Accounts as at End of Previous Year 2013	2.77	0.69	2.08	-	-	-	-	(0.69)	(100.00)	-		(2.08)	(100.00)
36	TOTAL FEDERATION ACCOUNT	6,234.35	1,558.59	4,675.76	1,335.83	1,460.67	1,453.22	4,249.72	(105.37)	(6.76)	(7.46)	(0.51)	(426.04)	(9.11)
C	TOTAL DISTRIBUTION		-	-	-	-	-	-	-		-		-	
1	Federation Account	6,234.35	1,558.59	4,675.76	1,335.83	1,460.67	1,453.22	4,249.72	(105.37)	(6.76)	(7.46)	(0.51)	(426.04)	(9.11)
2	VAT Pool Account	811.63	202.91	608.72	205.25	186.38	185.66	577.29	(17.25)	(8.50)	(0.72)	(0.39)	(31.43)	(5.16)
3	GRAND TOTAL	7,045.98	1,761.50	5,284.49	1,541.08	1,647.05	1,638.88	4,827.01	(122.62)	(6.96)	(8.18)	(0.50)	(457.48)	(8.66)

Source: OAGF and Budget Office of the Federation, 2014

Table 3.2: Actual Performance of Non-Oil Revenue Category (2005-2013)

Description	2005	2006	2007	2008	2009	2010	2011	2012	2013	9 - Year Average
	N'm	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	432,368.00	316,200.07
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	985,520.00	547,119.31
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	795,598.00	479,229.67
Education Tax	21,849.00	23,950.00	50,650.00	59,387.00	61,058.20	-	-	-	-	24,099.36
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	274,368.00	154,544.22

Source: OAGF and BOF, 2014

Table 3.3: Percentage Growth in Non-Oil Revenues (2006-2013)

Description	2006	2007	2008	2009	2010	2011	2012	2013	8-Year Avergae
Customs Duties & Excise	-22.89%	41.20%	10.23%	1.65%	10.85%	36.51%	12.52%	-8.96%	10.14%
Company Income Tax	50.96%	33.59%	27.45%	35.54%	16.34%	9.07%	18.36%	16.14%	25.93%
Value Added Tax	21.27%	30.97%	34.08%	15.79%	20.17%	15.39%	9.34%	12.03%	19.88%
FGN Independent Revenue	103.11%	42.86%	30.17%	-67.66%	139.50%	18.85%	13.30%	32.69%	39.10%

Source: OAGF and BOF, 2014

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 2014 were not only lower than their respective projections for the period but were also above the corresponding levels in the same period of 2013. The high performance can be accredited to the differences in prices and lifting figure of oil during the period. Similarly, the aggregate gross non-oil revenues for the same period

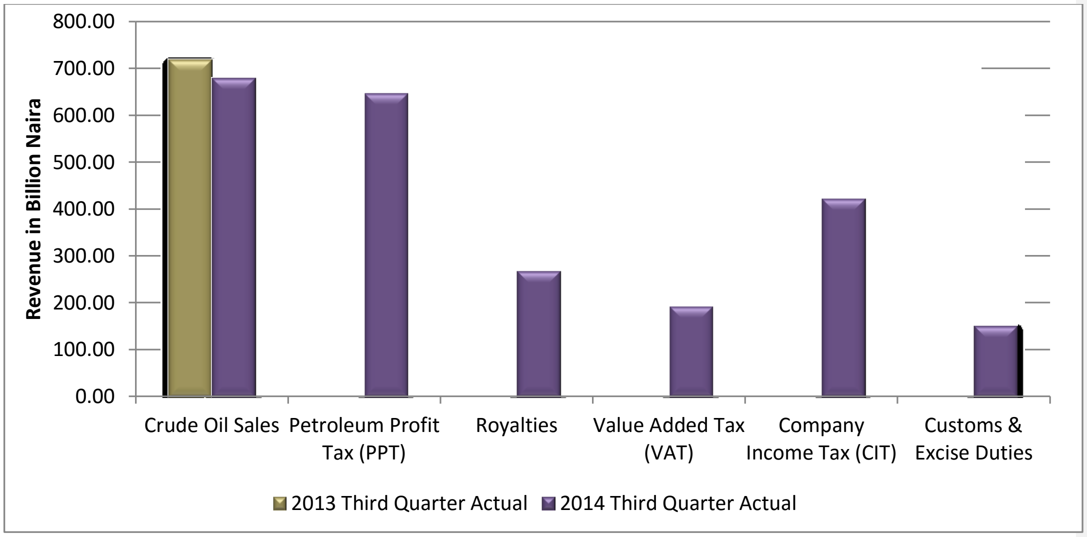
revealed a marginal improvement of N0.59 billion (or 0.08%) above the corresponding figures recorded in 2013. Please see data below in *Table 3.4.*

Table 3.4: Performance of Revenue in the Third Quarter of 2014 Vs 2013

Revenue Items	2013 3rd Quarter Actual	2014 3rd Quarter Actual	Variance 3rd Quarter 2014 Vs 3rd Quarter 2013	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	719.35	679.42	-39.93	16.37
Petroleum Profit Tax (PPT)	619.41	647.6	28.19	4.55
Royalties	220.96	268.72	47.76	21.61
Gross Oil Revenue	1,622.79	1,713.11	90.32	5.57
Net Oil Receipts	1,005.33	1,041.48	36.15	3.60
Non-Oil Revenue	-	-	-	
Value Added Tax (VAT)	194.41	193.39	-1.02	-0.52
Company Income Tax (CIT)	475.08	422.6	-52.48	-11.05
Customs & Excise Duties	97.44	151.53	54.09	55.51
Gross Non-Oil Revenue	766.93	767.52	0.59	0.08
Net Non-Oil Receipts	733.33	597.39	-135.94	-18.54

Source: OAGF and Budget Office of the Federation, 2014

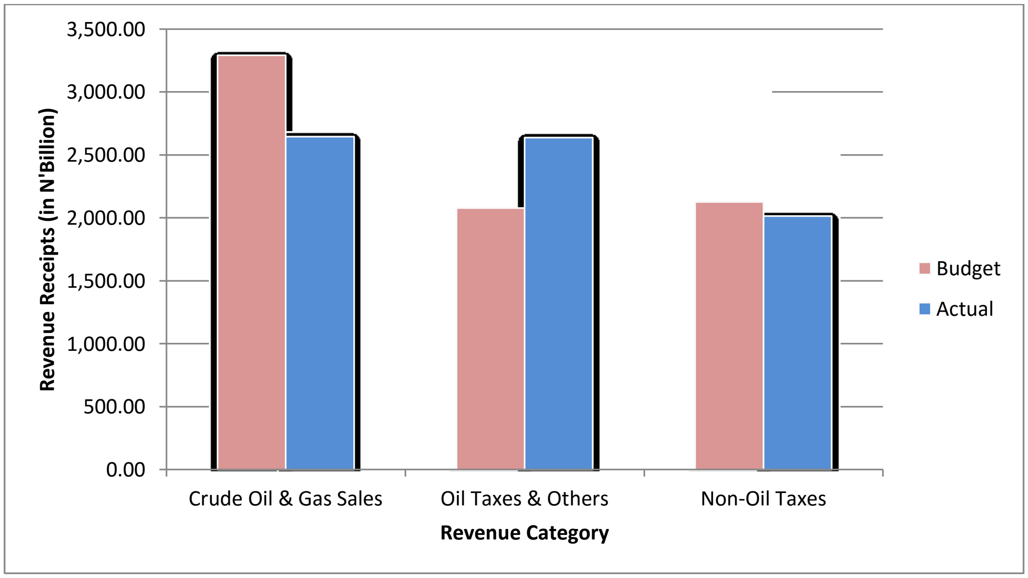
Chart 3.1: 2013 Vs 2014 Revenue Performance (Third Quarter)



Source: OAGF and Budget Office of the Federation, 2014

27. *Chart 3.2* below is a graphical illustration of the actual performance of revenue categories compared to their budgeted estimates as at June 2014.

Chart 3.2: Projected Vs Actual FAAC Revenue Receipts (as at Sept. 2014)



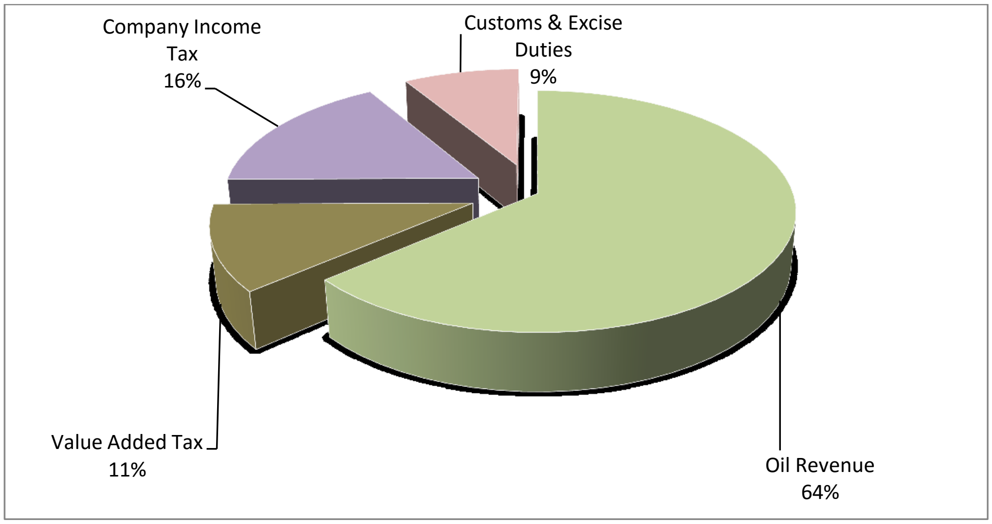
Source: Budget Office of the Federation, 2014

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 the deduction of all costs. A net sum of N1,638.88 billion was available for sharing in the third quarter of 2014. This implies a shortfall of N122.62 billion (or 6.96%).

29. *Chart 3.3* below presents the percentage contribution of the various revenue categories to distributable revenue in the third quarter of 2014.

Chart 3.3: Contributions to Distributable Revenue (in the 3rd Quarter of 2014)

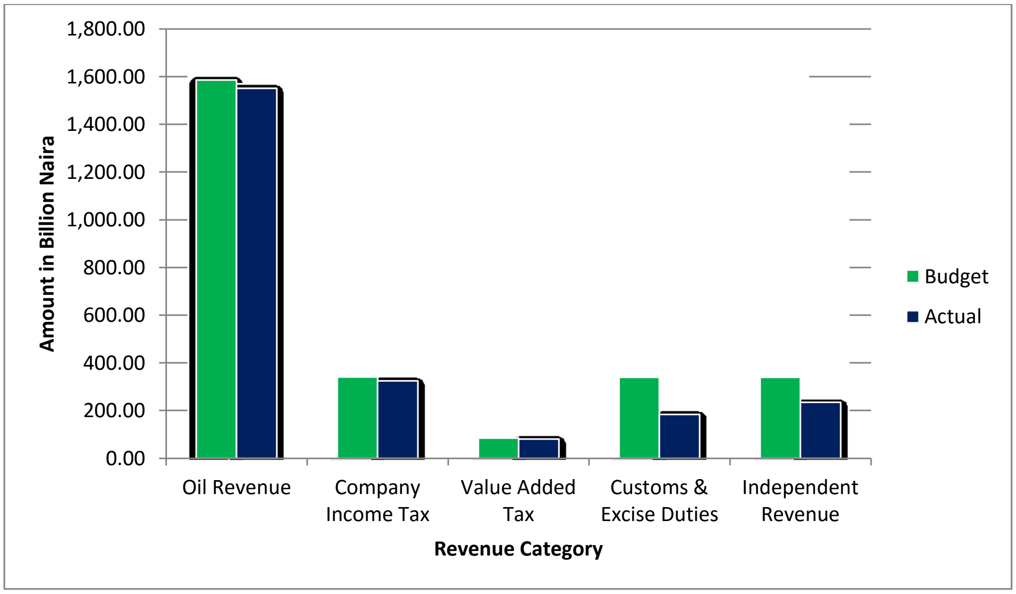


Source: Budget Office of the Federation, 2014

3.3 FGN Budget Revenue

30. In accordance with the approved 2014 Budget framework, the sum of N3,731.0 billion was projected to fund the Federal Budget, indicating a quarterly share of N932.75 billion. In the third quarter of 2014, the sum of N505.12 billion received from oil sources fell short of the quarterly estimate of N528.63 billion by N23.52 billion (or 4.45%). With the exception of FGN Share of Company Income Tax of N131.34 billion which exceeded its quarterly budget estimate by N17.71 billion (or 15.58%), all other non-oil revenue items fell below their quarterly budget projections. FGN Share of VAT of N25.99 billion and Customs & Excise Duties of N68.35 billion were short of their respective quarterly projections of N28.41 billion and N113.31 billion by N2.41 billion (or 8.5%) and N44.96 billion (or 39.68%). The abovementioned 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 2014)



Source: The OAGF and Budget Office of the Federation, 2014

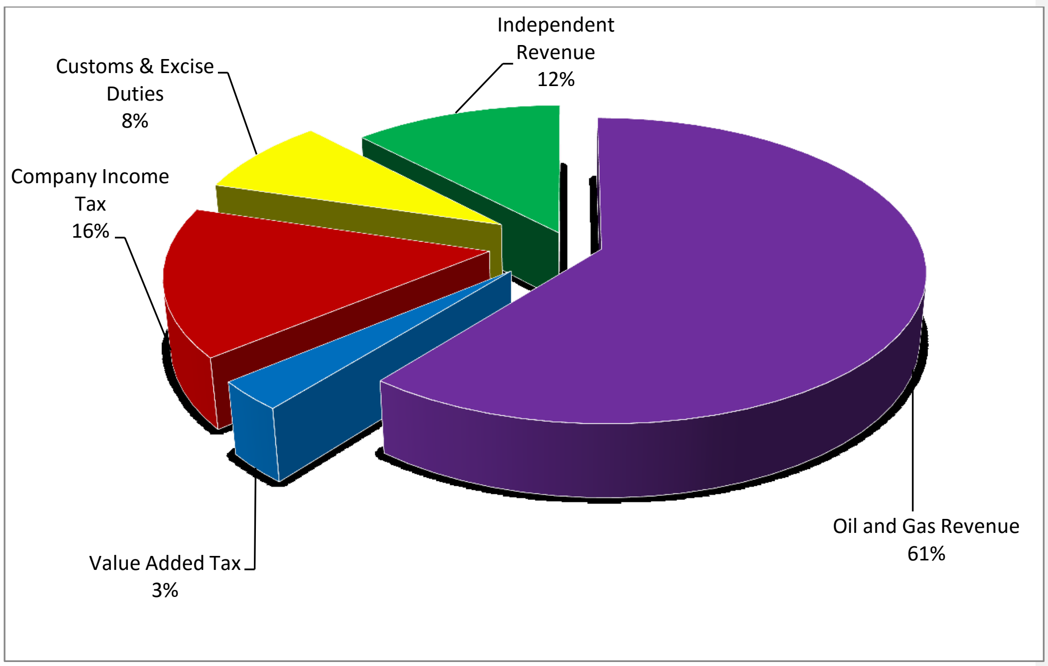
Table 3.5: Inflows to the 2014 Federal Budget as at September 2014

S/NO	ITEMS	BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3RD Quarter Actual Vs Quarterly Budget		3RD Quarter Vs 2ND Quarter (Actual)		Actual Vs Budget (3QRTS)	
	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	2,114.54	528.63	1,585.90	510.09	536.21	505.12	1,551.41	(23.52)	(4.45)	(31.09)	(5.80)	(34.49)	(2.17)
2	FGN Share of Non-Oil Revenue	1,022.75	255.69	767.06	166.53	198.31	225.68	590.52	(30.00)	(11.73)	27.38	13.80	(176.54)	(23.02)
3	FGN Share of VAT	113.63	28.41	85.22	28.73	26.09	25.99	80.82	(2.41)	(8.50)	(0.10)	(0.39)	(4.40)	(5.16)
4	FGN Share of Customs	453.24	113.31	339.93	54.86	61.47	68.35	184.68	(44.96)	(39.68)	6.88	11.19	(155.25)	(45.67)
5	FGN Share of CIT	454.54	113.64	340.91	82.93	110.75	131.34	325.02	17.71	15.58	20.60	18.60	(15.89)	(4.66)
6	FGN Share of actual Balances in Special Accounts	1.34	0.34	1.01	-	-	-	-	(0.34)	(100.00)	-		(1.01)	(100.00)
7	FGN Independent Revenue	452.04	113.01	339.03	121.13	12.88	100.89	234.90	(12.12)	(10.72)	88.01	683.38	(104.13)	(30.71)
8	FGN Balance of Special Accounts as at 31/12/13:	21.68	5.42	16.26	-	-	-	-	(5.42)	(100.00)	-		(16.26)	(100.00)
9	Unspent Balance from Previous Financial Year	120.00	30.00	90.00	7.56	0.00	-	7.56	(30.00)	(100.00)	(0.00)	(100.00)	(82.44)	(91.60)
10	Sub-Total	3,731.00	932.75	2,798.25	805.30	747.40	831.69	2,384.39	(101.06)	(10.83)	84.29	11.28	(413.86)	(14.79)
11	Other Financing Sources	-	-	-	45.00	45.00	45.00	135.00	45.00		-	-	135.00	
12	Foreign Excess Crude Savings Account (SURE-P)		-	-	45.00	45.00	45.00	135.00	45.00		-	-	135.00	
13	Total Revenue Available for Implementation	3,731.00	932.75	2,798.25	850.30	792.40	876.69	2,519.39	(56.06)	(6.01)	84.29	10.64	(278.86)	(9.97)

Source: Budget Office of the Federation and the OAGF, 2014

31. A total of N831.69 billion, excluding other funding sources, was received in the third quarter of 2014. This amount was N101.06 billion (or 10.83%) lower than the quarterly projection of N932.75 billion and also N84.29 billion (or 11.28%) higher than the actual receipt of N747.4 billion recorded in the second quarter of 2014. However, the aggregate revenue in the third quarter of 2014 was N97.84 billion (or 10.53%) lower than the N929.53 billion recorded in the third quarter of 2013.

Chart 3.5: Contributions to the FGN Budget Revenue in the third Quarter of 2014 (E*xcluding FGN's Unspent Balances and FGN's Balances in Special Accounts*)



Source: The OAGF and Budget Office of the Federation, 2014

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 2014 amounted to N245.63 billion. The inflow in the second quarter of 2014 was

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

N14.36 billion (or 6.21%) and N64.29 billion (or 35.45%) higher than N231.27 billion and N181.34 billion recorded in the second quarter of 2014 and third quarter of 2013 respectively. A total of N266.04 billion was withdrawn from the account in the third quarter of 2014. These data are presented in Table 3.6.

Table 3.6: Net Excess Crude Account

Description	2013 Actual (N' bns)				2014 Actual (N'bn)			
	First Quarter	Second Quarter	Third Quarter	Jan - Sept	First Quarter	Second Quarter	Third Quarter	Jan - Sept
Inflows								
Transfer to Excess Crude Oil Account	400.92	273.15	181.34	855.41	158.45	231.27	245.63	635.35
Outflows								0.00
Payment for Petroleum Product Subsidy	50.00	110.00	110.00	270.00	48.23	44.97	123.00	216.20
Augmentation: Distribution among tiers of Govt.	485.02	434.82	12.02	931.86	106.65	106.65	36.39	249.69
Transfer for Special Intervention Fund	71.10	106.65	106.65	284.40		3.55	106.65	110.20
Transfers Int. trf - SWF	-							0.00
Total Outflow	606.12	651.47	228.67	1,486.26	154.88	155.17	266.04	576.09
Net Excess Crude Account	-205.20	-378.32	-47.33	-630.85	3.57	76.10	-20.41	59.26

Source: Office of the Accountant General of the Federation, 2014

3.5 Expenditure Developments

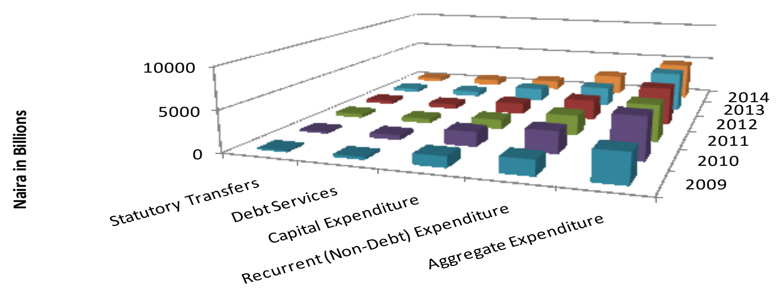
33. A total of N4,963.56 billion was appropriated for expenditure in the 2014 Budget. Of this amount, N4,695.19 billion was for the regular budget for 2014 while N268.37 billion was for the implementation of social safety net and specific infrastructure projects and programmes under the Subsidy Reinvestment and Empowerment Programme (SURE-P). The regular budget for 2014 is made up of N2,454.89 billion (or 52.29%) for Recurrent (Non-Debt) Expenditure, N712.0 billion (or 15.16%) for Debt Services, N408.69 billion (or 8.7%) for Statutory Transfers and N1,119.62 billion (or 23.85%) for Capital Expenditure.

3.5.1 Non-Debt Recurrent Expenditure

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

34. While preparing the 2014 Budget, Government kept focus on its plan to deliberately check the growth of recurrent expenditures as specified in the 2014-2016 Fiscal Framework and Fiscal Strategy Paper. However, there is a limit to how far these efforts can go because of the persistent demands for wage increase by various labour unions. Moreover, government doesn't wish to retrench its workers so as to reduce the huge wage bill. Since the government was determined in cutting down the cost of governance it had formulated other measures such as reduction in overhead cost and to continue the roll-out of the Integrated Payroll and Personnel Information System (IPPIS) across MDAs which will eventually result to savings in personnel costs.

Chart 3.6: 2009 – 2014 Budget Expenditure Profile



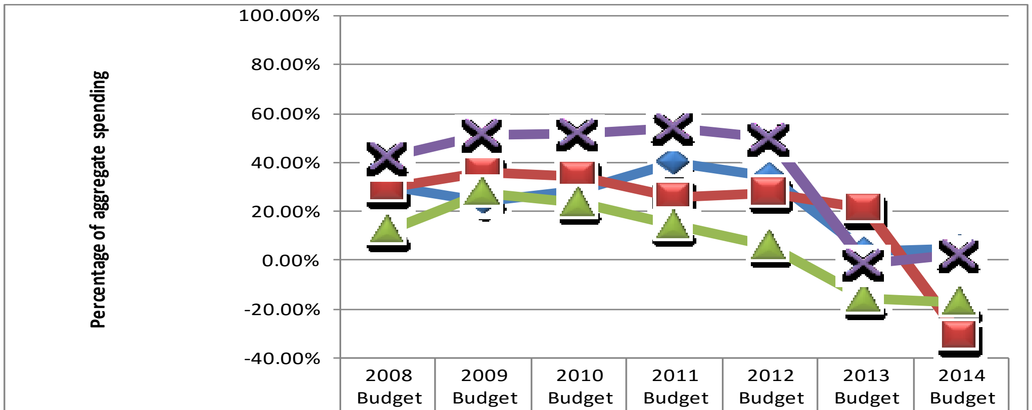
	Statutory Transfers	Debt Services	Capital Expenditure	Recurrent (Non-Debt) Expenditure	Aggregate Expenditure
2009	168.62	283.65	1,280.71	1,824.71	3,557.69
2010	183.58	542.38	1,764.69	2,669.01	5,159.66
2011	417.83	495.1	1,146.75	2,425.07	4,484.74
2012	372.59	559.58	1,339.99	2,425.05	4,697.21
2013	387.98	591.76	1,621.48	2,386.03	4,987.24
2014	408.69	712	1,119.62	2,454.89	4,695.19

Source: Budget Office of the Federation, 2014

35. Data from the OAGF shows that a total of N610.35 billion was expended on non-debt recurrent expenditure in the third quarter of 2014. This amount

represents a decrease of N3.37 billion (or 0.55%) below the quarterly estimate of N613.72 billion.

Chart 3.7: Personnel, Overhead and Capital Expenditure Trends (2008 – 2014)



	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget
Personnel Costs (MDAs)	29.88%	24.08%	28.66%	40.01%	33.89%	3.37%	4.79%
Capital Spending	29.66%	36.00%	34.20%	25.57%	27.47%	21.01%	-30.95%
Overheads	12%	27.20%	23.06%	14.07%	5.57%	-15.94%	-17.37%
Recurrent (Non Debt)	41.88%	51.28%	51.72%	54.07%	49.72%	-1.62%	2.06%

Source: BOF and OAGF, 2014

3.5.2 Debt Service

36. Provisional data from the Debt Management Office (DMO) reveals that as at 30th September, 2014, the Federal Government domestic debt stock stood at N7,651.1 billion representing an increase of N230.0 billion (or 3.1%) over the N7,421.1 billion recorded in the second quarter of 2014. The 2014 third quarter debt figure was also N618.22 billion (or 8.79%) above the N7,032.88 billion recorded in the same period of 2013. A breakdown of the domestic debt stock as at 30th September, 2014 shows that N4,599.84 billion (or 60.12%) is for FGN Bonds, N2,735.87 billion (or 35.76%) is for Nigeria Treasury Bills (NTBs) and N315.39 billion (or 4.12%) is for Treasury Bonds. The rise in domestic debt in the third quarter can be attributed to the issuance of additional Federal Government Bonds. During the quarter, a total of N112.0 billion was released for domestic debt servicing while the actual domestic debt

payment was N216.32 billion. The sum of N50.42 billion (or 30.39%) difference between the quarterly budgeted estimate of N165.9 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 30th September, 2014, stood at US$9,518.95 million representing an increase of US$141.84 million (or 1.51%) and US$1,254.61 million (or 15.18%) over the US$9,377.11 million and US$8,264.34 million recorded in the second quarter of 2014 and the third quarter of 2013 respectively. The increase was due mainly to the increases in multilateral and bilateral debt drawdown. A breakdown of the external debt stock as at 30th September, 2014 indicates that Multilateral Debts amounted to US$6,825.23 million (71.7%), Non-Paris Club Bilateral Debts amounted to US$1,187.85 million (or 12.48%) while Commercial and ICM (Euro-Bond) accounted for the balance of US$1,505.88 million (or 15.82%).

38. The actual external debt service payment in the third quarter of the year amounted to US$106.16 million. A breakdown of the payments shows that US$36.23 million (or 34.13%) was to Multilateral Creditors, US$24.3 million (or 22.89%) was to Non-Paris Bilateral Creditors and US$45.63 million (or 42.98%) was to Commercial Creditor.

39. The total public debt stock as at 30th September, 2014 stood at US$69.61 billion (or N10,841.25 billion). The breakdown consists of US$9.52 billion (or N1,482.58 billion or 13.68%) for external debt while the balance of US$60.09 billion (or N9,358.67 billion or 86.32%) was for domestic debt stock. The total net value of Debt/GDP (external and domestic) ratio of 13.51% (using the rebased GDP figure of 2014) as at the end of September 2014 was significantly below the global threshold of 40%.

Table 3.7: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at September 2014

S/NO	ITEMS	BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3RD Quarter Actual Vs Quarterly Budget		3RD Quarter Vs 2ND Quarter		Actual Vs Budget (3QRTS)	
		N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
A	TOTAL INFLOW	3,731.00	932.75	2,798.25	850.30	792.40	876.69	2,519.39	(56.06)	(6.01)	84.29	10.64	(278.86)	(9.97)
B	EXPENDITURE:		-	-	-	-	-	-	-		-		-	
	RECURRENT (NON-DEBT):		-	-	-	-	-	-	-		-		-	
1	Personnel Cost	1,769.04	442.26	1,326.78	315.91	437.22	456.22	1,209.34	13.96	3.16	19.00	4.35	(117.44)	(8.85)
2	Pension & Gratuities	187.45	46.86	140.59	38.16	35.72	41.42	115.30	(5.44)	(11.61)	5.70	15.96	(25.29)	(17.99)
3	Overhead Cost and Service Wide Vote	498.40	124.60	373.80	48.93	103.33	112.71	264.97	(11.89)	(9.54)	9.39	9.08	(108.83)	(29.11)
4	Sub-Total (Non-Debt)	2,454.89	613.72	1,841.17	403.00	576.26	610.35	1,589.62	(3.37)	(0.55)	34.09	5.92	(251.55)	(13.66)
5	Domestic Debts & Int. on Ways & Means	663.61	165.90	497.71	279.64	161.80	112.00	553.43	(53.91)	(32.49)	(49.80)	(30.78)	55.72	11.20
6	Foreign Debts	48.39	12.10	36.29	21.29	15.08	13.12	49.49	1.02	8.46	(1.96)	(13.01)	13.20	36.36
7	Sub-Total (Debt)	712.00	178.00	534.00	300.92	176.88	125.12	602.92	(52.88)	(29.71)	(51.76)	(29.26)	68.92	12.91
8	CAPITAL EXPENDITURE:		-	-	-	-	-	-	-		-		-	
9	Capital Releases (2013)		-	-	97.13	-	-	97.13	-		-		97.13	
10	*Capital Releases 2014	1,119.62	279.90	839.71	126.51	31.76	187.94	346.21	(91.96)	(32.86)	156.18	491.79	(493.50)	(58.77)
11	Sub-Total (Capital)	1,119.62	279.90	839.71	223.64	31.76	187.94	443.34	(91.96)	(32.86)	156.18	491.79	(396.38)	(47.20)
12	TRANSFER:		-	-	-	-	-	-	-		-		-	
13	Niger Delta Development Commission (NDDC)	61.94	15.49	46.46	-	15.49	-	15.49	(15.49)	(100.00)	(15.49)	(100.00)	(30.97)	(66.67)
14	National Judicial Council (NJC)	73.00	18.25	54.75	16.75	11.17	23.08	51.00	4.83	26.48	11.92	106.72	(3.75)	(6.85)
15	Universal Basic Education Commission (UBEC)	70.47	17.62	52.85	17.62	11.75	17.62	46.98	0.00	0.00	5.87	49.99	(5.87)	(11.11)
16	Independent National Electoral Commission (INEC)	45.00	11.25	33.75	7.50	8.54	17.71	33.75	6.46	57.43	9.17	107.41	-	-
17	National Assembly	150.00	37.50	112.50	37.50	37.50	49.50	124.50	12.00	32.00	12.00	32.00	12.00	10.67
18	Public Complaint Commission	6.93	1.73	5.20	0.73	0.24	2.48	3.45	0.74	42.96	2.23	914.75	(1.74)	(33.56)
19	National Human Right Commission	1.35	0.34	1.01	0.34	0.23	0.45	1.02	0.11	33.93	0.23	100.00	0.00	0.44
20	Sub-Total (Transfers)	408.69	102.17	306.52	80.44	84.91	110.84	276.18	8.67	8.48	25.93	30.54	(30.33)	(9.90)
21	TOTAL EXPENDITURE	4,695.19	1,173.80	3,521.39	1,008.00	869.81	1,034.25	2,912.05	(139.55)	(11.89)	164.44	18.91	(609.34)	(17.30)
22	Fiscal Deficit	(964.19)	(241.05)	(723.14)	(157.70)	(77.41)	(157.56)	(392.66)	83.49	(34.64)	(80.15)	103.54	330.48	(45.70)
C	FINANCING ITEMS		-	-	-	-	-	-	-		-		-	
1	Privitization Proceeds	15.00	3.75	11.25	-	-	-	-	(3.75)	(100.00)	-		(11.25)	(100.00)
2	Transfer B/O AGF		-	-	-	-	32.44	32.44	32.44		32.44		32.44	
3	Signature Bonus		-	-	-	-	-	-	-		-		-	
4	FGN Share from Stabilisation Fund	324.97	81.24	243.73	-	-	-	-	(81.24)	(100.00)	-		(243.73)	(100.00)
5	Domestic Borrowing (FGN Bond)	624.22	156.06	468.17	260.67	243.33	-	504.00	(156.06)	(100.00)	(243.33)	(100.00)	35.83	7.65
6	Borrowing from Development of Natural Resources Acctount		-	-	-	114.15	(36.70)	77.45	(36.70)		(150.85)	(132.15)	77.45	
7	Sub-Total	964.19	241.05	723.14	260.67	357.48	(4.26)	613.89	(245.30)	(101.77)	(361.74)	(101.19)	(109.25)	(15.11)
8	Net Deficit / Surplus	0.00	0.00	0.00	102.97	280.07	(161.81)	221.23	(161.81)		(441.88)	(157.78)	221.23	

Source: OAGF and Budget Office of the Federation, 2014

3.5.3 Statutory Transfers:

40. In the third quarter of 2014, a total of N110.84 billion was released as statutory transfers. A breakdown of the actual transfers in the third quarter indicates that N23.08 billion was to National Judicial Council (NJC), N17.62 billion was to the Universal Basic Education Commission (UBEC), N17.71 billion was to Independent Electoral Commission, N2.48 billion was to Public Complaint Commission, N0.45 billion was to National Human Right Commission and N49.5 billion was to the National Assembly. It is worthy to note 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 pursuance of the Administration's Transformation Agenda through the creation of jobs and engendering inclusive growth, Government like in the past budgets has continued in 2014 to channel the bulk of its finances to the structural reform of the economy and provision of critical infrastructure in the power, health, education, roads, rail and aviation sectors as well as the provision of physical and food security. As a result of this, a total of N1,119.62 billion was allocated to capital spending in the 2014 Budget.

MDAs' Capital Vote Utilization:

42. Data from the OAGF reveals that as at 30th September 2014, a total of N395.46 billion had been released and cash-backed through the First Quarter Development Capital Warrant of N161.67 billion, Second Quarter Development Capital Warrant of N174.71 billion and Authority to Incur Expenditure (AIEs) of N59.08 billion for the implementation of MDAs capital projects/programmes as contained in the 2014 Appropriation Act.

Performance as at 30th September, 2014

43. The data also shows that N345.22 billion (or 87.55%) of the total amount cash-backed had been utilized by MDAs as at 30th September 2014. *Appendix 1* to this Report shows the funds released to and utilized by MDAs in the period. An analysis of forty-nine (49) MDAs reported upon by the Office of the Accountant-General of the Federation (OAGF) shows different levels of utilization among the MDAs. Nineteen (or 38.78%) of the MDAs including: Presidency, Women Affairs, Federal Capital Territory Administration, Foreign & Inter Government Affairs, Communication Technology, Works, Office of National Security Adviser, Niger Delta, National Sports Commission, Code of Conduct Bureau, Code of Conduct Tribunal, Police Service Commission, National Planning Commission and National Population Commission had utilized more than the overall average utilization rate of 87.55% of the amount cash-backed. Nine out of these, including Federal Capital Territory Administration, Presidency, Foreign & Inter Government Affairs, National Wages & Salaries, Niger Delta, Code of Conduct Bureau, Code of Conduct Tribunal, Police Service Commission and Ministry of Special Duties had utilized over 97% of their respective cash-backed funds.

44. The utilization report also shows that 42 MDAs (or 85.71%), which include Office of the Secretary to Government of the Federation, Youth Development, Agriculture, Water Resources, Defence, Education, Health, Finance, Trade & Investment, Interior, Power, Science & Technology, Transport, Petroleum, Housing, Environment, Tourism, Culture & national Orientation and Fiscal Responsibility Commission had utilized above 60% of their cash-backed funds. Seven (or 14.29%) of MDAs including Police Formation, Justice, Mines & Steel, Aviation, Federal Civil Service Commission and Revenue Mobilization Commission had a utilization rate of less than 60%. *Table 3.8* below is an extract from *Appendix 1* highlighting the utilization rates of ten MDAs considered to be key to the actualization of the Government's Transformation agenda.

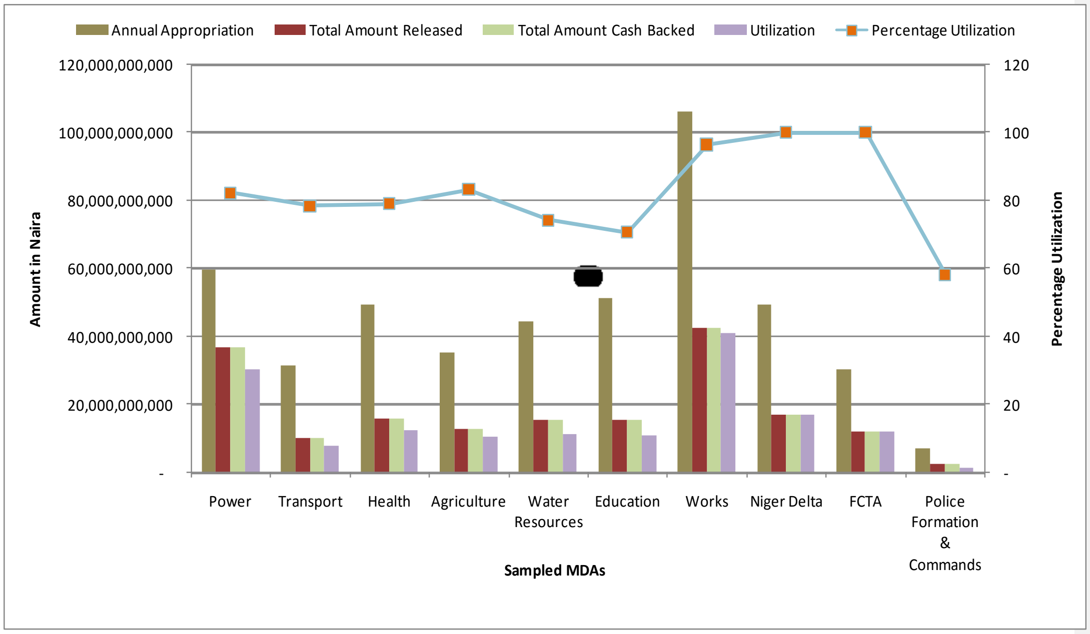
45. In addition to the regular budget, an extra provision of N268.37 billion (N180 billion as additional revenue and N88.37 billion as carryover of outstanding provisions from 2013 budget) was made for major capital and social programmes under the SURE-P window, and this assisted in the area of infrastructure development in the third quarter of 2014. A total of N226.46 billion (or 84.38%) of the appropriated sum was released while N151.49 billion (or 66.89%) of the released amount was utilized as at 30th September, 2014.

Table 3.8: A Sample of MDAs' Capital Budget Utilization (as at 30th September, 2014)

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	59,814,290,389	36,918,636,214	36,918,636,214	30,366,589,834	50.77	82.25	82.25
Transport	31,808,108,913	10,378,493,468	10,378,493,468	8,141,413,152	25.60	78.45	78.45
Health	49,517,380,725	15,865,055,227	15,865,055,227	12,529,133,206	25.30	78.97	78.97
Agriculture	35,551,172,583	12,814,678,005	12,814,678,005	10,661,753,211	29.99	83.20	83.20
Water Resources	44,570,772,579	15,446,808,952	15,446,808,952	11,452,015,255	25.69	74.14	74.14
Education	51,281,035,231	15,686,598,061	15,686,598,061	11,077,062,035	21.60	70.61	70.61
Works	106,321,203,055	42,518,528,118	42,518,528,118	40,986,940,131	38.55	96.40	96.40
Niger Delta	49,403,704,194	17,180,795,199	17,180,795,199	17,174,095,858	34.76	99.96	99.96
FCTA	30,410,000,000	12,149,764,433	12,149,764,433	12,140,437,467	39.92	99.92	99.92
Police Formation & Commands	7,340,000,000	2,701,661,449	2,701,661,449	1,572,481,029	21.42	58.20	58.20
Total Average Utilization (by all MDAs)					30.92	87.55	87.55

Source: OAGF and BOF, 2014

Chart 3.8: Pictorial Representation of Selected MDAs Utilization



Source: BOF and OAGF, 2014

3.5.5 Performance of the Financing Items:

46. The 2014 Fiscal Framework portrays a quarterly deficit of N241.05 billion to be financed through Privatization Proceeds of N3.75 billion, FGN's Share from the Stabilization Fund Account of N81.24 billion and Domestic Borrowing (FGN Bond) of N156.06 billion.

47. In the third quarter, a deficit of N4.26 billion was recorded from financing item sources implying a decrease of N245.31billion (or 101.77%) below the quarterly estimate of N241.05 billion. The financing item was realized from Transfer B/O AGF of N32.44 billion and Borrowing from Development of Natural Resources Account of –N36.7 billion. Other financing item sources like Privatization Proceed, Signature Bonus, FGN Share from Stabilization Fund Account and Domestic Borrowing (FGN Bond) yielded nothing in the quarter.

5.0 CONCLUSION

Although global economic activities continued to be dominated by strong risk factors that can hinder growth, the National Bureau of Statistics (NBS) reported that the domestic economy remained strong and resilient. On an aggregate basis, the economy when measured by the Real Gross Domestic Product (GDP) grew by 6.23% (year-on-year) in the third quarter of 2014. This performance is 1.06% higher and 0.31% lower when compared with the rates recorded in the third quarter of 2013 and Second Quarter of 2014 respectively. The non-oil sector remained the major driver of growth recording 7.5% in contrast to the oil sector, which contracted by 3.6%. The country's external reserve was also on track at a sustainable level of about US$38.28 billion during the period.

48. Provisional data from the OAGF shows that a net distributable sum of N1,638.88 billion accrued to the Federation Account for distribution among the three tiers of government in the quarter, signifying a shortfall of about N122.62 billion when compared with N1,761.5 billion projected for the quarter. This follows from the shortfall in net oil and non-oil revenue of N48.49 billion and N73.44 billion respectively. This shortfall also affected the implementation of the federal budget which was underfunded by about N101.06 billion (or 10.83%) in the quarter as against quarterly estimate of N932.75 billion.

49. The implementation of recurrent expenditures in the third quarter was on course. A total of N395.46 billion out of the N839.71 billion projected for capital budget implementation for the three quarter period of the year was released and cash backed while N346.22 billion (or 87.55%) was utilized by the MDAs as at 30th September 2014.

50. This provisional report focused on reporting the macroeconomic situation and financial analysis of the execution of the Budget. The Budget Office of the Federation, in collaboration with MDAs, Civil Society Organizations and media representatives will soon embark on physical monitoring and evaluation of selected capital projects for the quarter. Their findings will be pull-together and consolidated with this interim report and published in due course.