2017 FIRST QUARTER

BUDGET IMPLEMENTATION REPORT

BUDGET OFFICE OF THE FEDERATION

Ministry of Budget and National Planning

FOREWORD

It is indeed, my pleasure to present to you, the 2017 First Quarter Budget Implementation Report (BIR). The Budget is a key policy instrument for allocating public resources among competing socio-economic needs by Government. This Report therefore provides information on the utilization of budgetary resources by Government Agencies during the first quarter of the 2017 fiscal year. The 2017 Budget has the theme “Budget of Recovery and Growth” and is closely linked with the Economic Recovery and Growth Plan (ERGP) 2017 – 2020. The Budget, which is the second full year budget by the current administration, was designed to ensure the restoration of the Nigerian economy to the path of robust and sustainable growth.

The publication of this report is principally in fulfillment of Sections 30 and 50 of the Fiscal Responsibility Act (FRA), 2007 which requires the Budget Office of the Federation to prepare periodic Budget Implementation Reports to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). These reports are also to be widely disseminated to other stakeholders and the general public through electronic and other media.

I commend the Budget Office of the Federation (BOF) and other relevant Ministries Departments and Agencies (MDAs) for their hard work and efforts in preparing this First Quarter Implementation Report of the 2017 Budget. I also laud the important roles played by both the FRC and the NASS Joint Finance Committee in ensuring adherence to best practices in public financial management through their continuous collaboration in the production of these reports. I look forward to continuing our cooperative work in this regard.

Lastly, I urge the general public and readers of this Report to maintain active interest in tracking progress towards attainment of Government’s goals and objectives especially government’s management of public resources. I look forward to your active participation in the entire budget process.

Sen. Udoma Udo Udoma
Honourable Minister (Budget and National Planning)

PREFACE

The Fiscal Responsibility Act (FRA) 2007 mandates the Budget Office of the Federation (BOF) to monitor and evaluate the implementation of annual budgets and to produce periodic reports thereof. This 2017 first quarter Budget Implementation Report (BIR) is one of the in-year reports to be prepared by the BOF, and complement the Full-Year Budget Implementation Report. They are part of the efforts of the Ministry of Budget and National Planning (MBNP) to comply with the FRA 2007 and more importantly to promote budget transparency and credibility as a key component of Nigeria's commitment to the Open Government Partnership.

The 2016 fiscal year was particularly very challenging for the Nigerian economy with severe strains on revenue and external balances. Macroeconomic conditions however began to normalize towards the end of the 2016 fiscal year, particularly the performance of the oil sector. These were taken into account in the preparation of the 2017 Budget. Government was equally resolute to drive efficiency and delivery of high impact priority projects to restore and sustain growth while impacting positively on the lives of Nigerians.

The implementation of the 2017 Budget in the first quarter of the year was however very challenging as macroeconomic conditions, though improving, remained under stress. Tepid recovery was witnessed during the period with impact on revenue and employment generation. These, coupled with the late passage of the 2017 Budget, as well as the shortfall in expected oil and non-oil revenue receipts, adversely impacted budget implementation during the review period.

This Report is a product of the joint efforts of financial and statistical agencies of government which provided necessary macro-economic data, and the combined efforts of various departments of the Budget Office of the Federation, particularly Budget Monitoring and Evaluation Department as well as the National Monitoring and Evaluation Department of the MBNP. I applaud their efforts and wish them every success as they continue to carry out this important function.

Ben Akabueze
Director General (Budget Office of the Federation)

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AEs: *Advanced Economies*

B: *Billion*

BDC: *Bureau De-Change*

BIR: *Budget Implementation Report*

BOF: *Budget Office of the Federation*

CBN: *Central Bank of Nigeria*

CIT: *Company Income Tax*

DMO: *Debt Management Office*

ECA: *Excess Crude Account*

EMDEs: *Emerging Markets and Developing Economies*

FAAC: *Federation Account Allocation Committee*

FGN: *Federal Government of Nigeria*

FIRS: *Federal Inland Revenue Services*

FMF: *Federal Ministry of Finance*

FRC: *Fiscal Responsibility Commission*

GDP: *Gross Domestic Product*

IMF: *International Monetary Fund*

IPPIS: *Integrated Payroll and personnel Information Management System*

INEC: *Independent National Electoral Commission*

JVC: *Joint Venture*

M1: *Narrow Money Supply*

M2: *Broad Money Supply*

MB&NP: *Ministry of Budget and National Planning*

MBPD: *Million Barrels Per Day*

MDAs: *Ministries, Departments and Agencies*

MPR: *Monetary Policy Rate*

MTFF: *Medium Term Fiscal Framework*

NASS: *National Assembly*

NBS: *National Bureau of Statistics*

NCS: *Nigeria Customs Service*

NDDC: *Niger Delta Development Commission*

NFA: *Net Foreign Assets*

NHRC: *National Human Rights Commission*

NJC: *National Judiciary Commission*

NNPC: *Nigerian National Petroleum Corporation*

NTB: *Nigerian Treasury Bills*

OAGF: *Office of the Account General of the Federation*

OAN: *Other Assets Net*

OPEC: *Organization of Petroleum Exporting Countries*

PCC: *Public Complaint Commission*

PPT: *Petroleum Profit Tax*

PSC: *Production Sharing Contracts*

SC: *Service Contracts*

TSA: *Treasury Single Account*

UBEC: *Universal Basic Education Commission*

US: *United States*

VAT: *Value Added Tax*

ZBB: *Zero Base Budgeting*

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EXECUTIVE SUMMARY

The 2017 Budget was themed “Budget of Recovery and Growth” and is closely linked to the policies and programmes of Government as detailed in the Economic Recovery and Growth Plan (ERGP) 2017-2020. The Budget was therefore designed to diversify the economy by using oil revenues to augment resources needed to revive agriculture and industries. It represents a major step in delivering on the current Administration’s desired goals, through a strong partnership with key public and private sectors stakeholders, to create inclusive growth. It would enhance the process of re-balancing the economy, exiting recession and insulating it from future external and domestic shocks.

Nigeria’s real Gross Domestic Product (GDP) contracted by -0.52 percent (year-on-year) to ₦15.86 trillion in the first quarter of 2017. This reflect an improvement over the -0.67 percent and -1.58 percent recorded in the first and fourth quarters of 2016 respectively. The improvement was driven by the non-oil sector GDP which recovered in real terms, growing at 0.72 percent in the first quarter of 2017 compared to -0.18 percent recorded in the corresponding period in 2016. The contraction in Oil sector’s GDP remained -11.64 percent (year-on-year) from -4.81 percent in quarter one of 2016. This however represent a slowdown when compared with -23.04 percent, and -17.70 percent recorded in quarters three and four of 2016.

The key aggregate money supply indicators moderated in the review period as both the Broad Money Supply (M2) and the Narrow Money Supply (M1) fell relative to the fourth quarter in 2016. This combined with the tight monetary stance of the monetary authority to raise the overall money market indicators during the period. This however helped to stabilize the external sector of the economy and therefore increased the foreign reserve of the country. It also helped to moderate inflation which, though still very high, have begun to moderate in the first quarter of 2017. Headline inflation rate declined from 18.55 percent in December 2016 to 17.26 percent in March 2017.

Broad money supply significantly fell by 7.16 percent or ₦1.7 trillion from ₦23.72 trillion in December 2016 to ₦22.02 trillion in March 2017. This was driven by the crash in Net Foreign Asset (NFA) by ₦1.32 trillion or 14.81 percent to ₦7.57 trillion in March 2017 as against ₦8.89 trillion in December 2016. The decrease in M2 was however moderated by the increase in Net Domestic Credit (NDC) and Other Asset Net (OAN) which both registered the growth rates of 1.17 percent and 5.70 percent over the December 2016 levels to ₦27.47 trillion and ₦-13.02 trillion respectively in March 2017.

The average interbank call rate undulated widely increasing to 13.11 percent in March 2017 from 10.39 percent in December 2016 while the savings and average term deposit rates increased slightly from 4.18 percent and 9.22 percent in December 2016 to 4.23 percent and 9.71 percent in March 2017. The average prime and maximum lending rate rose from 17.09 percent and 28.55 percent in December to 17.43 percent and 30.18 percent in March 2017 respectively. This led to the widening of the gap between deposit and lending rates.

Nigeria's external trade improved significantly in the first quarter of 2017 as total trade rose by ₦2,163.33 billion or 69.14 percent to ₦5,292.40 billion in the first quarter of 2017. The increase was driven by significant expansion in imports which rose by ₦595.31 billion or 35.20 percent to ₦2,286.51 billion as well as the galloping of exports by ₦1,568.02 billion or 109.05 percent to ₦3,005.89 billion during the review period. This led to further improvements in trade balance to ₦719.38 billion indicating a ₦972.71 billion or 383.97 percent expansion in net trade from ₦-253.33 billion recorded in the corresponding period in 2016.

The average exchange rate of the Naira/Dollar weakened at the Official segment of the foreign exchange market from ₦305.2/US$ in December 2016 to ₦305.3/US$ and ₦306.4/US$ in February and March 2017 respectively. The rate however strengthened in the Bureau De-Change (BDC) segment of the market from ₦455.26/US$ in December 2016 to ₦429.48/US$ in March 2017 indicating a 5.66 percent appreciation over the rate in the preceding quarter. This could be attributed to improving Foreign Exchange (FOREX) inflow which helped to also improve Nigeria’s official gross (external) reserve during the period under review. The reserve, which has largely reversed the loss of the 2016 fiscal year, rose from US$25.85 billion in December 2016 to US$30.30 billion in March 2017. This reflects an increase of 17.21 percent or US$4.45 billion and could finance over six (6) months of imports cover.

The total public debt stock as at 31st March, 2017 stood at US$62,870.07 million (or ₦19,159.81 billion) representing an increase of ₦1,799.80 billion (or 10.37 percent) when compared to the US$57,391.53 million (or ₦17,360.01 billion) reported at the end of December 2016. The breakdown consisted of US$13,807.59 million (or ₦4,229.96 billion or 22.08 percent) for external debt while the balance of US$49,062.48 million (or ₦14,929.85 billion or 77.92 percent) was for domestic debt stock. The total public Debt/GDP remained sustainable at 17.96 percent as at the end of March 2017.

The implementation of the budget in the first half of 2017 continued to be adversely affected by the poor revenue outturn as oil production and exports remained low while the economy remained in recession impacting non-oil revenue. The price of crude oil at the international market however averaged US$53.78 per barrel in the first quarter of 2017, indicating an increase of US$4.31 per barrel or 8.71 percent and US$9.28 per barrel or 20.85 percent above the US$49.47 per barrel in the fourth quarter of 2016 and 44.5 budget benchmark respectively. Average oil production and lifting (including Condensates) in the first quarter of 2017 was however 1.75mbpd and 1.70mbpd respectively. This production figure indicates a shortfall of 0.45mbpd (or 20.45 percent) below the 2.2mbpd projected for the 2017 Budget.

Gross Oil Revenue therefore stood at ₦798.49 billion representing a ₦535.13 billion or 40.13 percent shortfall from ₦1,333.61 billion projected for prorata quarterly gross oil revenue in the 2017 Budget. The Federally collected non-oil revenue on gross basis equally slumped by ₦539.67 billion or 50.68 percent to ₦525.12 billion from ₦1,064.80 billion projected in the 2017 budget. The Independent Revenue continued to grossly underperform recording ₦21.89

billion in the review period, indicating a ₦180.00 billion or 89.16 percent decline from ₦201.89 billion projected in the 2017 Budget.

The sum of ₦380.01 billion excluding other funding sources, was therefore received to fund the budget in the first quarter of 2017 as against a projected quarterly share of ₦1,271.10 billion in the 2017 Budget. This amount was ₦891.09 billion (or 70.1 percent) lower than the quarterly projection but ₦38.83 billion (or 11.38 percent) higher than the ₦341.18 billion recorded in the fourth quarter of 2016. Total inflow available to fund the budget however stood at ₦974.51 billion indicating a ₦296.59 billion or 23.33 percent shortfall from the prorate budget projection for the period.

Government's resolve to cut down the growth in recurrent expenditures continued to be pursued using the 2017 Budget implementation. Strategic initiatives of Government including the roll-out of the Integrated Payroll and Personnel Information System (IPPIS) across MDAs, activation of more modules of the GIFMIS platform as well as the use of the Treasury Single Account (TSA) were all continued. A total of ₦252.99 billion was therefore spent on non-debt recurrent expenditure in the first quarter of 2017 representing a decrease of ₦494.74 billion (or 66.17 percent) below the quarterly estimate of ₦747.73 billion.

Total Debt Services in the first quarter of 2017, driven by ₦211.91 billion or 56.96 percent overshoot in domestic debt service payments, stood at ₦624.15 billion. This reflect a ₦208.18 billion or 50.05 percent increase from the ₦415.97 billion projected for the quarter. Other Federal Government expenditure during the review period include ₦64.0 billion released as statutory transfers, while no fund was released for capital projects/programmes due to the extension of 2016 capital budget implementation to 5th May, 2017 and the late passage of the 2017 Budget. Total outflow of government stood at ₦1,046.16 billion representing an ₦814.13 billion or 43.76 percent shortfall from ₦1,860.29 billion projected for the review period.

The inflow and outflow of fund for the Federal Government resulted in a fiscal deficit of ₦71.65 billion in the first quarter of 2017. This reflect a moderation in deficit to the tune of ₦517.54 billion or 87.84 percent of the projected ₦589.19 billion deficit for the period. A total of ₦120.0 billion was however realized from Domestic Borrowing (FGN Bond) while other sources of financing items did not materialize. This resulted in a ₦48.35 billion net surplus financing for the review period.

Overall, the Nigerian economy remained in a recession given the -0.52 percent growth in the first quarter of 2017. The economy is however already bottoming-out of the recession with recovery of the non-oil sector while the slide in oil sector GDP have begun to moderate. Legacy factors including infrastructure gap and general poor business environment as well as insecurity in the North-East region continued to adversely impact economic performance in the review period. This impacted budget performance especially inflow of revenue during the review period but is expected to improve in subsequent quarters.

1.0 INTRODUCTION

The global economic environment was generally dampened during the 2016 fiscal year, but macroeconomic conditions have begun to normalize particularly in the quarter under review. The normalization was driven by improving clarity in policies in key Advanced Economies (AEs), improving trade and financial conditions as well as the uptick in inflation in advanced economies.

The 2017 Budget was therefore prepared, bearing in mind, the experiences of 2016 budget preparation and implementation. The Budget was closely linked with the Economic Recovery and Growth Plan (ERGP) with its underlying philosophy of optimizing the use of local content and empowering local businesses. The zero-based budgeting system, adopted in 2016, was therefore sustained in 2017 to ensure Government expenditures are linked to the strategic reforms and policies in the Plan. The Budget was designed to expand partnership between public and private sector as well as development capital to leverage and catalyse resources for growth. Government is to focus on facilitating, enabling and supporting the economic activities through proper and well aligned fiscal, monetary and trade policies.

The Budget was equally designed to diversify the economy by using oil revenues to revive agriculture and industries. Consequently, Government targets to steady crude oil production at a minimum of 2.2 million barrels per day in 2017. It therefore continued the Administration's ongoing reforms to enhance the efficiency of the management of the oil and gas resources. To achieve this, Joint Venture cash-call regime was exited and a self-funding mechanism, which will allow for Cost Recovery, instituted. This is expected to boost exploration and production activities, with resultant net positive impact on government revenues.

Agriculture would remain at the heart of Government's efforts to diversify the economy with the sector's allocation being complemented by the existing productivity-boosting intervention funding at single digit interest rate.

Accordingly, agricultural policy and budget were directed at the integrated development of the agricultural sector by facilitating access to inputs, improving market access, providing equipment and storage as well as supporting the development of commodity exchanges. Emphasis was placed on industrialization and supporting SMEs through the expansion of existing, as well as the development of new Export Processing and Special Economic Zones in close partnership with the private sector. Greater importance was attached to integrated water resource management while more attention was also given to matters of the environment.

Government is also working with the private sector and State Governments to improve the skills of the labour force, especially young people to enable the creation of high quality and sustainable jobs. Government would also expand healthcare coverage through support to primary healthcare centres and expanding the National Health Insurance Scheme. Continuing cost containment was equally increasingly pursued through restricted travel costs, sitting allowances, and elimination of Ghost workers, among others.

Other key initiatives of the 2017 Budget include: focus on critical on-going infrastructure projects such as roads, railways, power, ICT, etc., that have quick positive effects on the economy; utilizing Special Economic Zones and Industrial Parks as vehicles to accelerate domestic economic activity for innovation and wealth creation; and contributing to food security and creating platform for agro-business in agriculture supply chains through the Agriculture Green Alternative Plan; among others. Capital expenditure was therefore significantly increased from ₦1,587.40 billion in the 2016 budget to ₦2,174.1 billion translating to 29.2 percent of the total budget exclusive of capital in Statutory Transfers.

The Budget, therefore, represents a major step in delivering on the current Administration’s desired goals through a strong partnership across the arms of government and between the public and private sectors to create inclusive growth. It would enhance the process of re-balancing the economy, exiting recession and insulating it from future external and domestic shocks. The implementation is however being hampered by the late passage of the budget.

This Report provides comprehensive information of the 2017 first quarter budget implementation. The other parts of the Report are arranged as follows: Following this, introductory section, section 2 reviews the macroeconomic performance, highlighting performance of the real, monetary and external sectors. Section 3 presents an analysis of government's revenue receipts and expenditure in the quarter under review, while section 4 is a brief conclusion of the Report.

2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

2.1 DEVELOPMENT IN THE GLOBAL ECONOMY

Global growth is projected to recover from 3.1 percent in 2016 to 3.5 percent and 3.6 percent in 2017 and 2018 respectively (International Monetary Fund's World Economic Outlook). This follows the rebound in world economic activities since the second half of 2016 and was driven by buoyant financial market and cyclical recovery in global investment, manufacturing and trade. Marked pickup is expected in Emerging Market and Developing Economies (EMDEs) where growth is projected to increase for the first time in five years to 4.5 percent and 4.8 percent in 2017 and 2018 respectively from 4.1 percent in 2016.

Growth in Advanced economies (AEs) is projected pick-up 0.3 percentage points to 2.0 percent in 2017 and 2018, primarily as a result of higher projected growth in the US. The upward revision of growth in US reflects expected fiscal policy easing and an uptick in confidence post November 2016 election and is projected to improve from 1.6 percent in 2016 to 2.3 percent and 2.5 percent in 2017 and 2018 respectively. Some binding structural impediments to global growth including low productivity growth and high inequality as well as pressure for inward looking policies in AEs, however present risks to recovery, particularly in the medium term.

World trade volume is expected to improve across major economic blocks in the near to medium term with expected increase in both import and exports. Global trade volume is projected to grow by 3.8 percent and 2.9 percent in 2017 and 2018 respectively from a growth of 2.2 percent in 2016. Consumer prices are projected to equally edged upwards in advanced economies but slight rate increase is expected in the EMDEs in the medium term. Financial markets are also projected to be buoyant with policy support expected to continue in China while fiscal expansion and deregulation are likely in the US.

Equity market therefore registered sizeable gains in AEs particularly for sectors that are exposed to potential fiscal stimulus measures as well as for financial stocks. Equity market in few EMDEs countries strengthened since August 2016 but generally remained below their post crisis peaks.

Developments in exchange rates suggest strengthening of the US Dollar in real effective terms by about 3.5 percent between August 2016 and late March 2017. The Euro and the Japanese Yen has however weakened over the period. Few emerging market currencies including those of Turkey and Malaysia have recently depreciated while currencies of commodity exporters like Russia have appreciated.

Low oil price persisted in 2016 but appears to be recovering alongside the pick-up in global economic activities especially from quarter three of 2016. Oil prices increased by about 20 percent between August 2016 and February 2017, in part due to the agreement by the Organization of the Petroleum Exporting Countries (OPEC) and other major producers to cut oil production. Stronger activity and expectations of more robust future global demand also contributed to strengthening oil prices since their ten-year low levels in early 2016. Overall, oil price is expected to grow by 28.9 percent in 2017 from -15.7 percent in 2016.

Overall, risk to global growth remains on the downside and is interconnected as well as mutually reinforcing. Economic policies are therefore critical to the expected recovery in order to starve-off the downside risks. The WEO suggests that domestic policies should, among others, strive to support demand and repair balance sheet; boast productivity, labour supply and investment through structural reforms. There is equally the need to ensure debt sustainability, adjust to lower commodity prices regime and address financial vulnerabilities in EMDEs.

2.2 DOMESTIC MACROECONOMIC PERFORMANCE

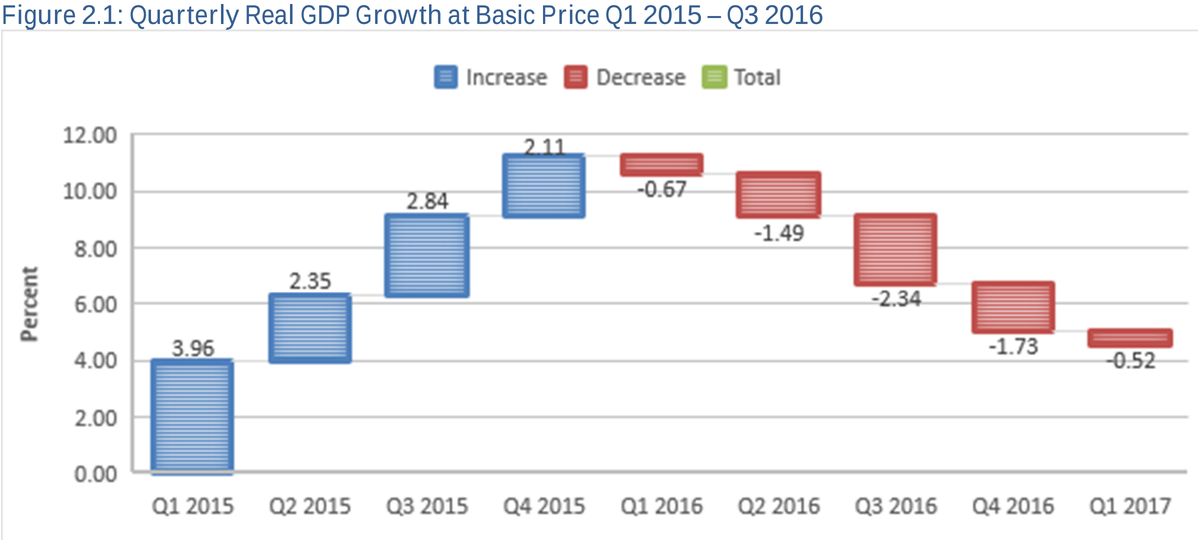
The Nigerian economic performance improved in the first quarter of 2017 indicating a sign that the nation was bottoming out from the recession of 2016.

This is largely in line with global trend and could be seen in the recovering macroeconomic indicators including moderation of the inflation rates, increase in external reserve, and the stability of the Naira exchange rate, among others. The GDP data for the review period indicates that economic activities were beginning to pick-up with the manufacturing sector performance showing signs of exiting the negative growth territory while growth in the Agric and Solid Mineral sectors have strengthened.

2.2.1 REAL SECTOR

The contraction of the nation's real Gross Domestic Product (GDP) receded to -0.52 percent (year-on-year) in the first quarter of 2017. This indicate a significant reduction in the deceleration of the country's GDP from -1.58 percent in the fourth quarter of 2016 and a mild deceleration when compared to -0.67 percent performance in the corresponding quarter of 2016 (figure 2.1).

Figure 2.1: Quarterly Real GDP Growth at Basic Price Q1 2015 – Q3 2016



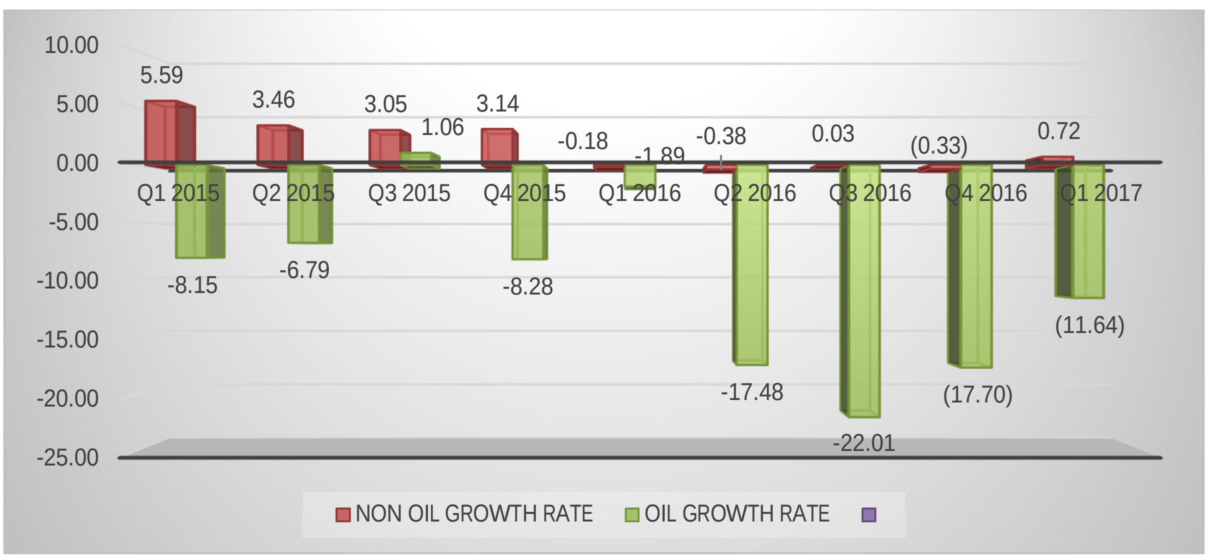
Source: NBS

Despite the continued contraction, the Nigerian GDP remains robust at ₦15.86 trillion in the first quarter of 2017 only contracting mildly when compared to ₦15.94 trillion in the corresponding quarter of 2016. GDP on nominal basis however continued to power given the high rate of inflation over the past 15 months. GDP at current basis prices rose to ₦26.03 trillion in the review period up from ₦22.24 trillion in the first quarter of 2016 indication an addition of ₦3.79 trillion or 17.06 percent to nominal GDP.

The mild contraction in GDP was driven by the large though moderating deceleration in the real GDP of the oil sector. The real growth of the oil sector GDP stood at -11.64 percent (year-on-year) in the first quarter of 2017 from -4.81 percent in quarter one of 2016. This however represent a slowing down in the moderation of oil sector GDP when compared with -23.04 percent, and -17.70 percent recorded in quarters three and four of 2016. The share of the oil sector to total GDP therefore moderated to 8.90 percent in the review period from 10.02 percent in the first quarter of 2016 but improve when compared to 6.75 percent in the preceding quarter. Overall, real oil sector GDP fell by ₦0.19 trillion to ₦1.41 trillion in the first quarter of 2017.

The non-oil sector GDP recovered in real terms, growing at 0.72 percent in the first quarter of 2017 compared to -0.18 percent recorded in the corresponding period in 2016. The share of the non-oil sector consequently rose to 91.10 percent of the nation's GDP from 89.98 percent in the first quarter of 2016.

Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate Q1 2015 – Q3 2016



Source: NBS

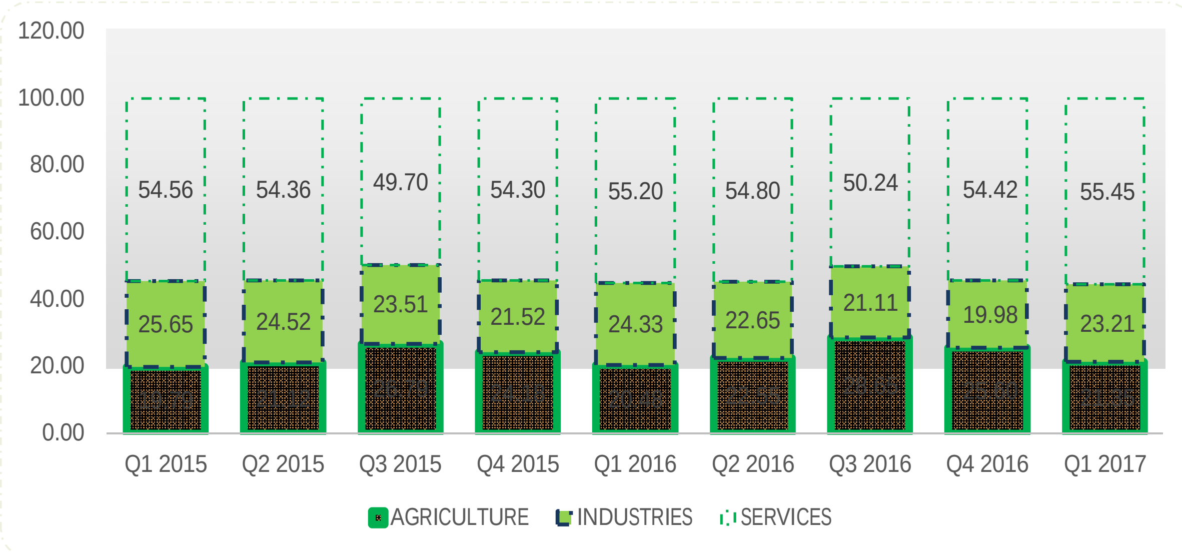
The performance of the non-oil sector was driven by the Agriculture sector which added 3.39 percent or ₦0.11 trillion to the ₦3.27 trillion GDP of the sector in the first half of 2017 with expansion of all the sub-sectors including Crop Production, Livestock, Forestry and Fishing. Growth was equally buoyed by the expansion in the Information and Communication sector by 2.73 percent while the Trade and the Real Estate sub-sectors constituted most of the drag on growth of the non-oil sector with -3.08 percent and -3.10 percent growths respectively in the review period. In broad terms, Services and Industry sectors however recorded negative growths of 0.37 percent and 4.19 percent respectively during the review period (figure 2.3).

Figure 2.3: Real GDP Growth by Broad Sectors Q1 2015 – Q1 2017

Source: NBS

The above growth rate led to a slight structural shift in the composition of the Nigerian GDP. Measured in terms of share to GDP, the Agric and Service sectors gained on the industrial sector in the quarter under review compared to the first quarter of 2016. The Agricultural sector added 0.81 percentage points to its share of GDP to 21.35 percent while service sector share of GDP expanded slightly by 0.08 percentage points to 55.45 percent in the first quarter of 2017. The Industrial sector's share of GDP however contracted by 0.89 percentage points to 23.21 percent of GDP in the period under review.

Figure 2.4: Sectoral Share of GDP



Source: NBS

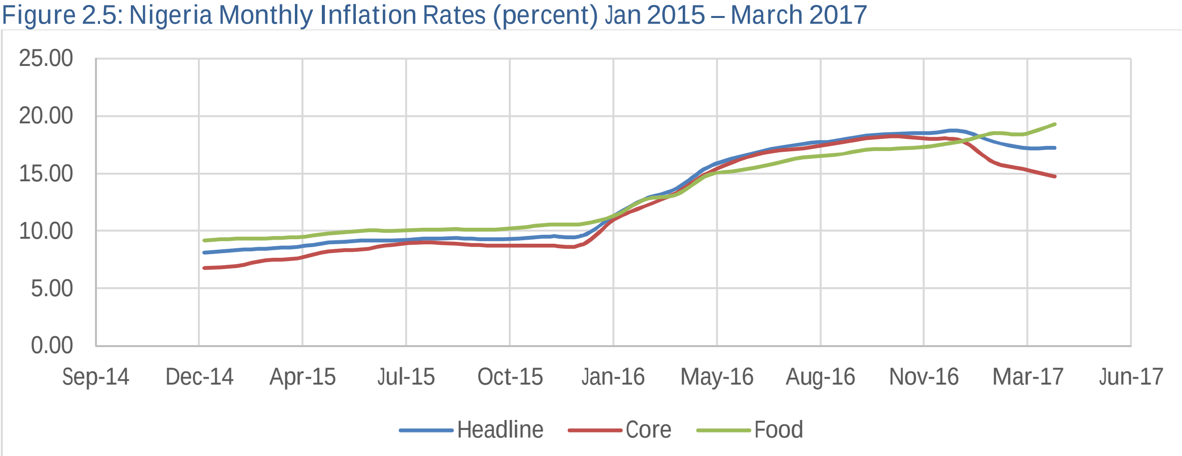
The improving performance of the Nigerian economy during the review period could be associated with the greater stability in Foreign Exchange market owing largely to the improving FOREX receipt from the oil sector. It however reflects the growing positive impact of government reform programmes to boost the Nigerian non-oil sector especially on Agriculture and Manufacturing which both have great potential for job creation. Efforts to ramp up the ease of doing business including greater focus on improving infrastructure provision as well as business processes in the country is expected to drive the return of the economy to a positive growth territory in the near to medium term.

2.3 Developments in Prices

The general price level, though still very high at the upper-band double-digit range, have begun to moderate in the first quarter of 2017. It however remained higher than the rate in the first quarter of 2016 and increased when measured in 12-months moving average. The moderation of headline inflation was driven by the consistent slide in core inflation in the period under review. This could largely be attributed to the base effect as well as the greater normalization of the exchange rate as supply eased on account of increased foreign exchange inflows and also to the slump in aggregate monetary indicators. The development could also be traced to the positive impact of government reform programmes particularly in the areas of food security.

Headline inflation rate moderated from 18.55 percent in December 2016 to 17.26 percent as end of quarter one 2017. The rate however remained higher than the 12.77 percent recorded at the end of quarter one in 2016. The moderation in inflation level over the preceding quarter was witnessed in non-food component of the commodity basket for the nation. The core inflation components, on year-on-year basis, moderated by 2.7 percentage points from 18.1 percent in December 2016 to 15.4 percent as at March 2017. The rate followed a consistent sliding pattern of 17.9 and 16.0 percent in January and February of 2017 respectively. Food inflation, on the other hand, was less stable during the review period, undulating in the three months of the quarter. Food inflation rose from 17.39 percent in December 2016 to 17.82 percent in January 2017 and further to 18.53 percent in February of the year, before falling slightly to 18.44 percent in March 2017.

Figure 2.5: Nigeria Monthly Inflation Rates (percent) Jan 2015 – March 2017



Source: NBS

The increase in price level worsened when measured on 12-months average basis for headline, core and food inflation in the first half of 2017. Headline inflation rate on 12-months average basis increased significantly from 9.8 percent and 15.7 percent in March and December 2016 respectively to 17.3 percent in March 2017. Similarly, Core inflation followed the same upward trend, increasing from 12.2 percent and 15.31 percent in March and December 2016 to 16.68 percent in March 2017. The food component of inflation on 12-months average basis equally exhibited substantial increase during the review period. The rate stood at 16.60 percent in March 2017, significantly rising from 10.47 percent and 14.95 percent in March and December 2016 respectively.

2.4 MONETARY SECTOR

The key aggregate money supply indicators moderated in the review period as both the Broad Money Supply (M2) and the Narrow Money Supply (M1) fell relative to the fourth quarter in 2016. This combined with the tight monetary stance of the monetary authority to raise the money market indicators including the deposit and lending rates. This however helped to stabilize the external sector of the economy and therefore increased the foreign reserve of the country. It also helped to moderate inflation during the review period.

Broad money supply significantly fell by 7.16 percent or ₦1.7 trillion from ₦23.72 trillion in December 2016 to ₦22.02 trillion in March 2017. This was driven by the crash in Net Foreign Asset (NFA) which stood at ₦7.57 trillion in March 2017 as against ₦8.89 trillion in December 2016. The development signifies a reduction of ₦1.32 trillion or 14.81 percent in NFA over the three months of the quarter. The decrease in M2 was however moderated by the increase in Net Domestic Credit (NDC) and Other Asset Net (OAN) which both registered the growth rates of 1.17 percent and 5.70 percent respectively over the December 2016 level to ₦27.47 trillion and ₦-13.02 trillion respectively in March 2017. The growth in NDC was driven by the growth of Credit to Government which expanded by 15.38 percent to mask the reduction in Credit to the Private Sector with a growth of -1.65 percent over the review period.

Narrow Money Supply also decelerated considerably during the review period. The M1 registered a 12.71 percent decline from ₦11.40 trillion in December 2016 to ₦9.96 trillion at the end of the first quarter 2017. The drop in M1 is traceable to the decline in both the Demand Deposit and the Currency Outside Bank by 8.76 percent and 13.46 percent to ₦1.82 trillion and ₦8.29 trillion as at

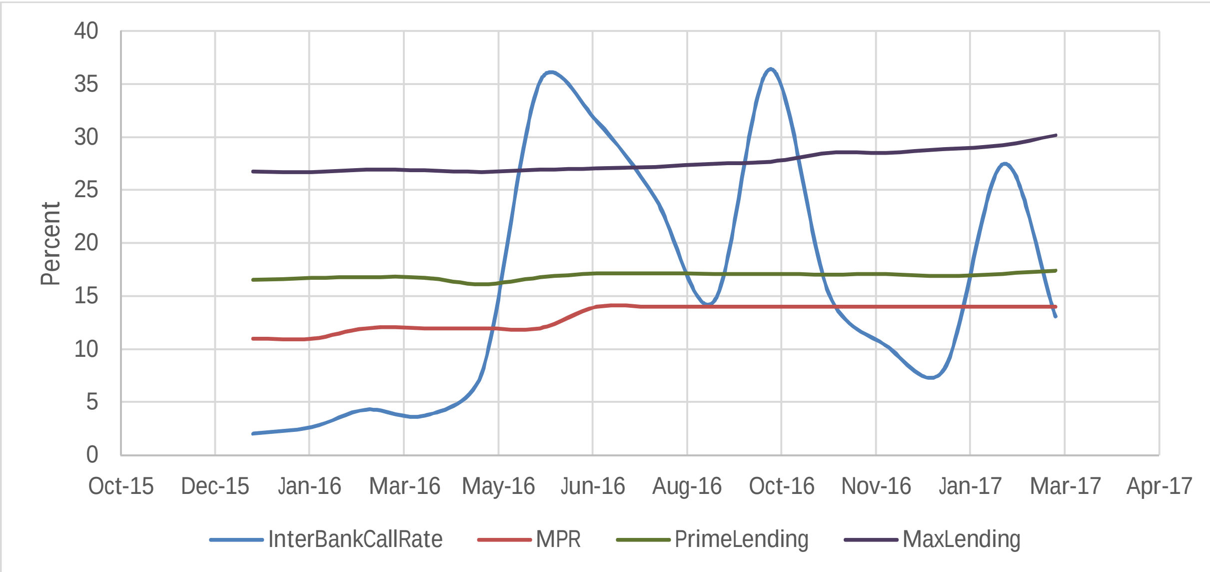
March 2017 from the December 2016 rates. When compared to the level at the end of quarter one 2016, both narrow and broad money supply expanded 10.11 percent and 7.59 percent respectively in March 2017.

2.4.1 Money Markey Developments

The Monetary Policy authority continued the restrictive monetary policy stance which was intensified from the third quarter of 2016 during the review period. The monetary policy Rate was retained at 14 percent since July 2016 when it was raised from 12 percent, while the asymmetric corridor around the MPR was kept at +200 and - 500 basis points. Other key monetary policy instruments were equally kept constant during the review period as the Cash Reserve Ratio (CRR) and the Liquidity Ratio stayed at 22.5 percent and 30.0 percent respectively. The current stance of monetary policy is expected to continue to help lock-in expectations of inflation and therefore engineer lower price increases and the gradual return of stability in the foreign exchange market.

The above developments led to across board increase in the deposit and lending rates in the economy. The average interbank call rate undulated widely increasing from 8.15 percent in January to 27.46 percent in February before closing the quarter at 13.11 percent in March 2017 from 10.39 percent in December 2016. The savings and average term deposit rates increased slightly from 4.18 percent and 9.22 percent in December 2016 to 4.23 percent and 9.71 percent in March 2017. The average prime lending rate decreased from 17.09 percent in December 2016 to 16.91 percent in January 2017 before rising to 17.13 percent and 17.43 percent in February and March 2017 respectively. The average maximum lending rate recorded a more significant and steady increases, going up from 28.55 percent in December 2016 to 30.18 percent in March 2017 (figure 2.2).

Figure 2.6: Interest Rates Trend (January 2016 – March 2017)



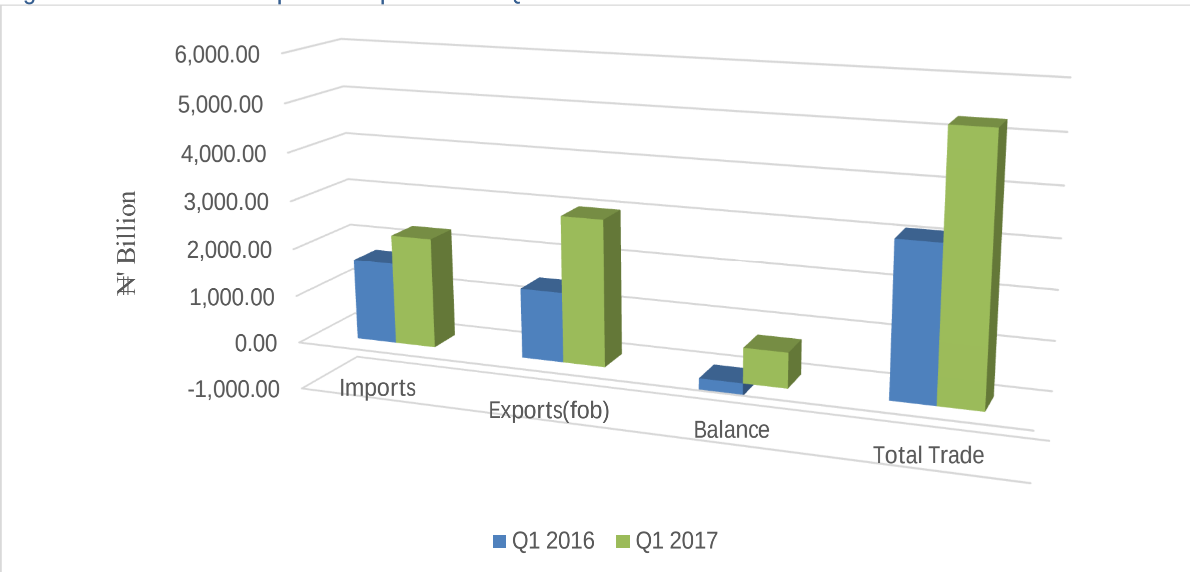
Source: CBN

2.5 EXTERNAL SECTOR

2.5.1 External Trade

Nigeria's external trade improved significantly in the first quarter of 2017. Total trade rose by ₦2,163.33 billion or 69.14 percent from ₦3,129.07 billion in the first quarter of 2016 to ₦5,292.40 billion in the first quarter of 2017. The increase was driven by significant expansion in both imports and exports during the review period. Imports increased by ₦595.31 billion or 35.20 percent to ₦2,286.51 billion in the first quarter of 2017 compare with ₦1,691.20 billion or a decline of 2.11 percent in the corresponding period in 2016. Exports equally galloped by ₦1,568.02 billion or 109.05 percent to ₦3,005.89 billion in the first quarter of 2017 from ₦1,437.87 billion or a growth decline of 46.05 percent in the corresponding period in 2016.

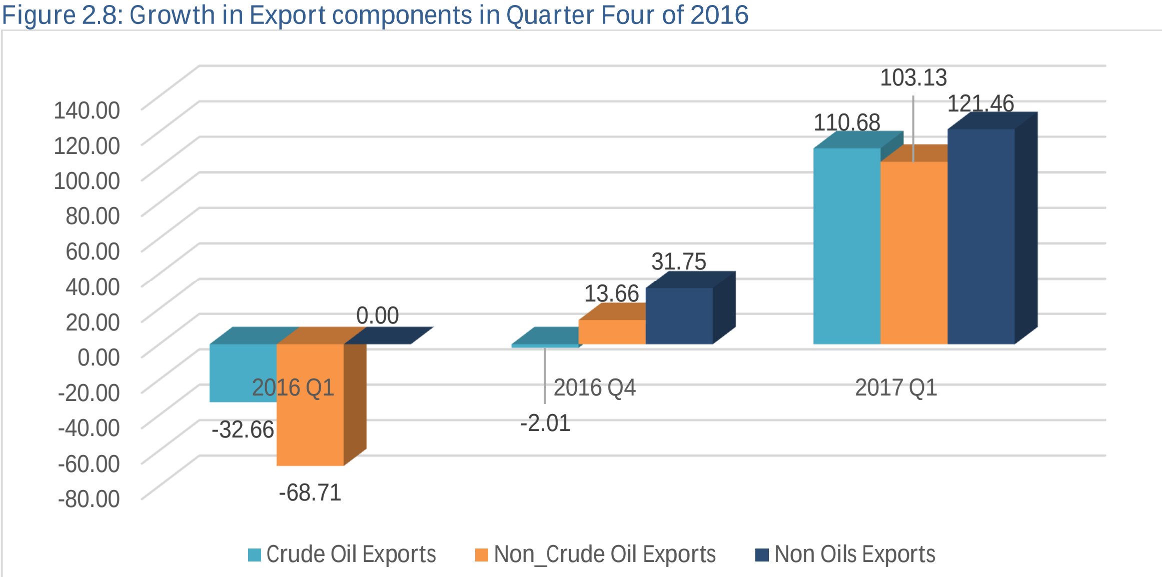
Figure 2.7: Growth in Export components in Quarter Four of 2016



Source: NBS

The above development led to further improvements in trade balance which recovered in the second half of 2016. Nigeria's trade balance rose to ₦719.38 billion indicating a ₦972.71 billion or 383.97 percent expansion in net trade from ₦-253.33 billion recorded in the corresponding period in 2016. Trade balanced rebound was driven by the recovery in exports from the third quarter of 2016, as oil export prices improves while non-oil export equally recovers.

Figure 2.8: Growth in Export components in Quarter Four of 2016



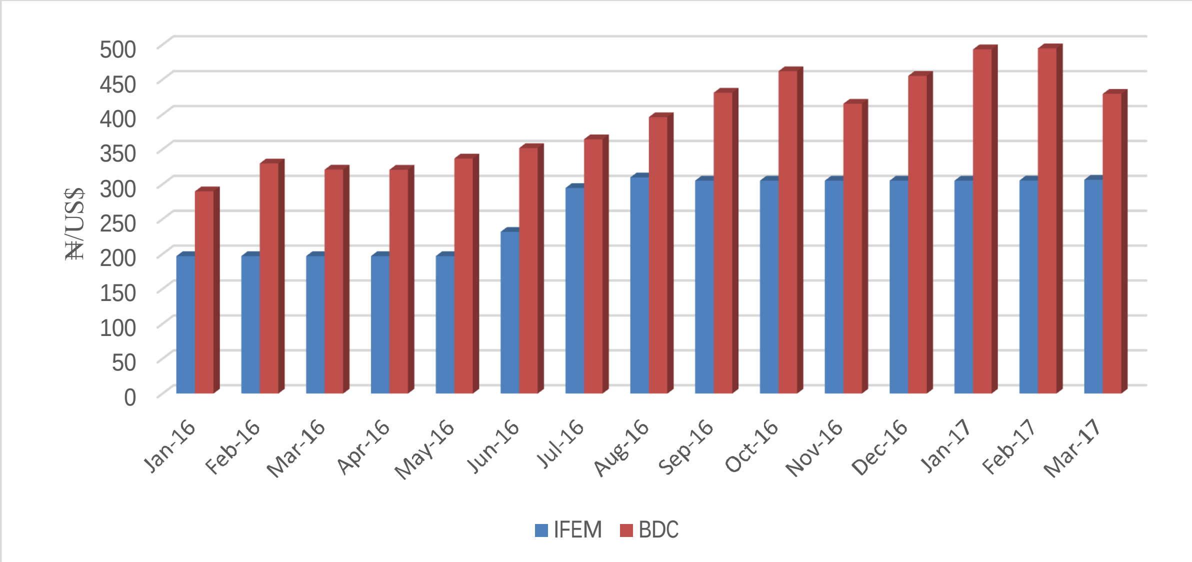
Source: NBS

Analysis by export components indicates significant improvements in crude, and non-crude and non-oil exports during the review period. Crude oil export improved significantly by ₦1,248.58 billion or 110.68 percent to ₦2,376.70 billion in first quarter of 2016, from ₦1,128.12 billion in first quarter of 2016. This indicates a significant recovery from a drop of ₦547.10 billion or 32.66 percent in the first quarter of 2016 but represent a sligt dip from ₦2,425.36 billion recorded in the preceding quarter. The non-crude and non-oil exports improved significantly by ₦319.44 billion or 103.13 percent and ₦93.61 billion or 121.46 percent to ₦629.19 billion and ₦170.68 billion during the review period.

2.5.2 Exchange Rates

The average exchange rate of the Naira/Dollar weakened at the Official segment of the foreign exchange market but strengthened in the Bureau De-Change (BDC) segment of the market during the period under review. The Naira/Dollar exchange rate at the Official/Inter-Bank markets stood at an average of ₦305.2/US$ in December 2016 but rose to an average of ₦305.3/US$ and ₦306.4/US$ in February and March 2017 respectively. The average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC) on the other hand depreciated from ₦455.26/US$ in December 2016 to ₦493.29/US$ and ₦494.7/US$ in January and February 2017 respectively. The rare however appreciated thereafter to ₦429.48/US$ in March 2017 indicating a 5.66 percent appreciation over the rate in the preceding quarter.

Figure 2.9: Naira/US$ Exchange Rates Trend (Sept. 2015 – Sept. 2016)

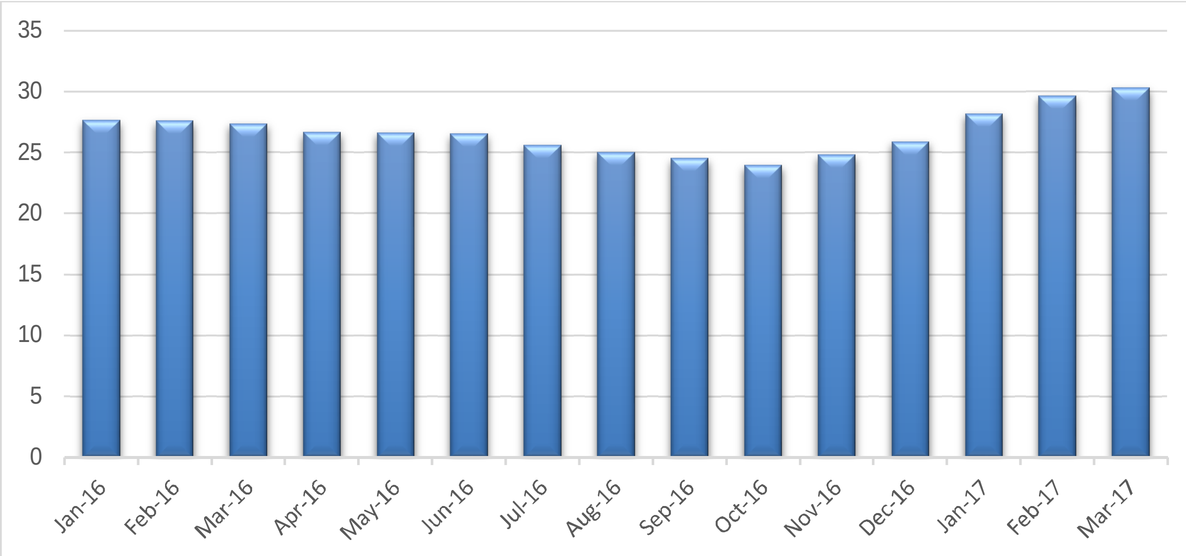


Source: CBN

2.5.3 External Reserves

Nigeria's official gross (external) reserve improved significantly during the period under review. The reserve, which has largely reversed the loss of the 2016 fiscal year, rose from US$25.85 billion in December 2016 to US$28.17 billion, US$29.65 billion and US$30.30 billion in January, February and March 2017. This reflects an increase of 17.21 percent or US$4.45 billion over the level at the end of the preceding quarter.

Figure 2.10: Gross External Reserves in Billion Dollars (Jan 2016 – Mar 2017)

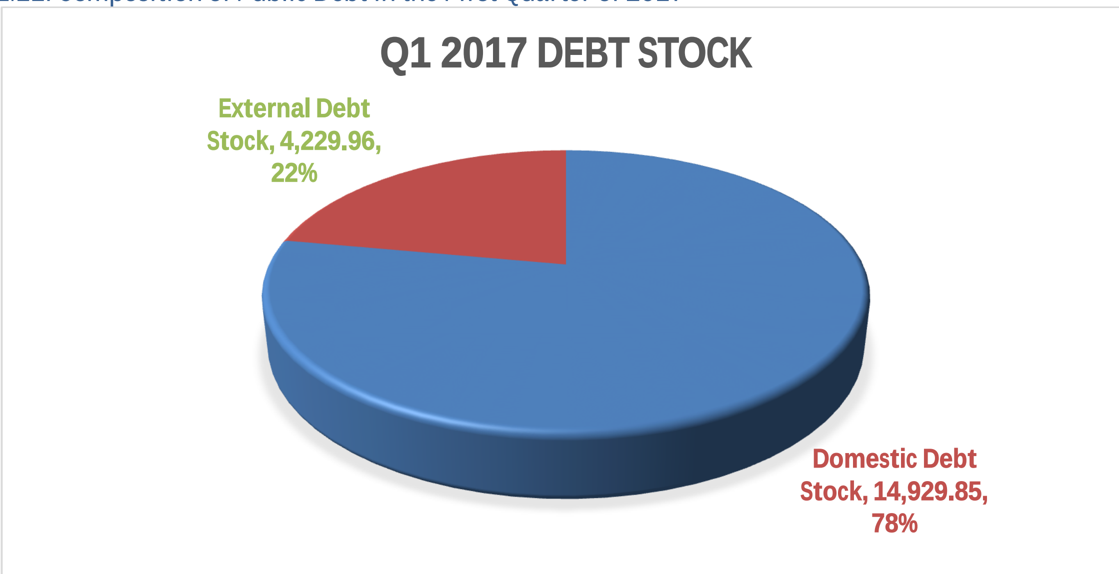


Source: CBN

The increasing level of external reserves could be attributed to the recovery in international oil price as well as increasing oil production as normalcy continued to return to the Niger Delta Region. These helped buoyed FOREX inflow. The tight monetary policy stance of government has equally stifled liquidity conditions in the banking system and therefore greatly minimized speculative actions. The foreign reserves level as at the end of March 2017 could therefore finance over six (6) months of imports which is well above the international threshold of 3-months import cover.

The total public debt stock as at 31st March, 2017 stood at US$62,870.07 million (or ₦19,159.81 billion) representing an increase of ₦1,799.80 billion (or 10.37 percent) when compared to the US$57,391.53 million (or ₦17,360.01 billion) reported at the end of December 2016. The breakdown consisted of US$13,807.59 million (or ₦4,229.96 billion or 22.08 percent) for external debt while the balance of US$49,062.48 million (or ₦14,929.85 billion or 77.92 percent) was for domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 17.96 percent as at the end of March 2017, and was significantly below the country specific threshold of 19.39 percent and international threshold of 56 percent.

Figure 2.11: Composition of Public Debt in the First Quarter of 2017



Source: DMO

Domestic debt stock as at 31st March, 2017 stood at ₦11,971.34 billion representing an increase of ₦913.14 billion (or 8.26 percent) above the ₦11,058.20 billion reported in the fourth quarter of 2016. The 2017 first quarter debt figure was also ₦2,001.29 billion (or 20.07 percent) above the ₦9,970.05 billion reported in the same period of 2016. The increase in the stock of domestic debt was as result of net issuances of Nigeria FGN Bonds, Nigerian Treasury Bills (NTBs) and the introduction of FGN Savings Bond. A breakdown of the domestic debt stock as at 31st March, 2017 showed that ₦8,177.75 billion (or 68.31 percent) is for FGN Bonds, ₦3,600.53 billion (or 30.08 percent) is for NTBs, ₦190.99 billion (or 1.6 percent) is for Treasury Bonds and ₦2.07 billion (or 0.02 percent) is for FGN Savings Bond.

Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 31st March, 2017, stood at US$13,807.59 million representing an increase of US$2,401.31 million (or 21.05 percent) and US$2,612.94 million (or 23.34 percent) above US$11,406.28 million and US$11,194.65 million recorded in the fourth and first quarters of 2016 respectively. A breakdown of the external debt stock as at 31st March, 2017 revealed that Multilateral Debts amounted to US$8,855.04 million (or 64.13 percent), Non-Paris Club Bilateral Debts amounted to US$1,952.55 million (or 14.14 percent) while Commercial (Euro-Bond) accounted for the balance of US$3,000.00 million (or 21.73 percent).

3.0 FINANCIAL ANALYSIS OF THE 2017 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2017 Budget was derived from the 2017-2019 Medium Term Fiscal Framework (MTFF) which was planned and prepared after several consultations with key stakeholders in the economy. Developments in the local as well as at the international levels were also taken into consideration in arriving at some of the key assumptions in the framework. The key Assumptions and Targets of the 2017 Budget is as tabulated in table 3.1.

Table 3.1: Key Assumptions and Targets for the 2017 Budget

KEY ASSUMPTION & TARGETS	2016	2017
Projected Production (in mbpd)	2.2	2.20
Budget Benchmark Price (per barrel in US)	38	44.50
Technical Cost of JVC Pbl to Oil Companies		
Operating Expenses (T1) in US $	10.29	9.94
Capital Expenses (T2) in US $	11.12	11.12
Technical Cost of PSC Pbl to Oil Companies		
Operating Expenses (T1) in US $	8.22	9.20
Capital Expenses (T2) in US $	19.62	18.46
Investment Tax Credit	4.94	5.80
Technical Costs of SC pbl to Oil Company		
Operating Expenses (T1) in US $	18.62	22.09
Capital Expenses (T2) in US $	2.44	3.04
Investment Allowances	2.996	1.18
Weighted Average Contribution Rates		
Weighted Average Rate of PPT - JV Oil	85%	85%
Weighted Average Rate of PPT - PSC Oil	50.17%	50.2%
Weighted Average Rate of PPT - SC Oil	85%	85%
Weighted Average Rate of PPT - Independent (Indigenous)	85%	85%
Weighted Average Rate of PPT - Marginal	51.6%	51.6%
Royalty Rates		
Weighted Average Rate of Royalties - JV Oil	19.1%	19.1%
Weighted Average Rate of Royalties - PSC	4.5%	4.5%
Weighted Average Rate of Royalties - SC Oil	18.5%	18.5%
Weighted Average Rate of Royalties -Independent	19.3%	19.3%
Weighted Average Rate of Royalties - Marginal	9.3%	9.3%
Average Exchange Rate (NGN/US$)	197	305
VAT Rate	5%	5%
CIT Rate	30%	30%

Source: BOF, NNPC, FIRS and NCS, 2017

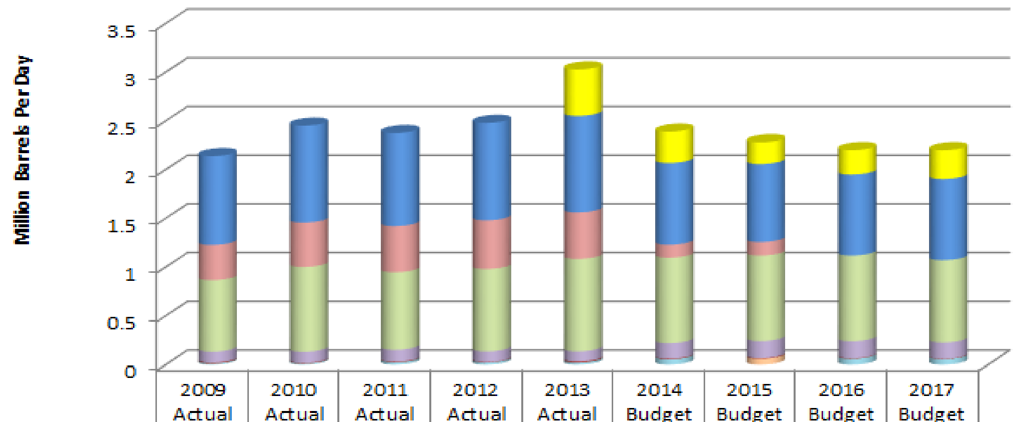
3.1.1 Budget Benchmark Oil Price and Production

As a result of the volatile nature of oil price in the world market, Government continued the use of benchmark oil production and prices for its yearly budgets. This was to insulate budget expenditures from the uncertainties in the price of oil at the global market. The budget benchmark price of oil for the 2017 Budget was therefore fixed at US$44.50/barrel while oil production was pegged at the same level with that of the 2016 Budget of 2.2 million barrels per day (mbpd).

Government policy to increase efficiency and therefore reduce cost in the oil sector was reflected in the budget framework for 2017 fiscal year. The Technical Cost comprising average of operating expenses and capital expenses were moderated during the 2017 fiscal year compare to the rates in 2016 for both Joint Ventures (JVs) and Production Sharing Contracts (PSCs). The average expenses [Capital (T1) and Operating (T2)] for the JVs production arrangement fell from US$21.41 per barrel in 2016 to 21.04 per barrel in 2017 indicating a US$0.37 decline over the period. The average expenses for the PSC equally moderated mildly to USD27.66 in 2017 from 27.84 in 2016. This is expected to be further driven down in the near to medium term to complement efforts at increasing revenue inflow for the country.

The share of oil production by business arrangements remained relatively stable with the JVs and PSCs dominating at approximately 38 percent each. Information on expected contributions of oil production by business arrangements are presented in Figure *3.1* while the analysis of contributions and duties for key oil taxes that are projected to accrue to the Federation are also represented in *Table 3.2*. These rates remained largely unchanged with the rates in the 2016 budget framework except for exchange rate. The projected exchange rate was increased to 305/US$ in 2017 from 197/US$ in 2016.

Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2017



	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2015 Budget	2016 Budget	2017 Budget
Modified Carry Arrangement					0.476	0.32	0.223	0.252	0.298
Joint Ventures	0.91	0.995	0.955	1	0.991	0.837	0.798	0.830	0.831
Alternative Funding	0.36	0.455	0.474	0.5	0.477	0.135	0.141	0	0
Prod. Sharing Contracts	0.736	0.868	0.793	0.843	0.947	0.875	0.876	0.878	0.843
Independents	0.113	0.115	0.122	0.11	0.104	0.16	0.176	0.176	0.168
Service Contracts	0.009	0.007	0.008	0.005	0.013	0.008	0.007	0.006	0.005
Marginal Fields	0.011	0.01	0.022	0.02	0.019	0.053	0.059	0.059	0.055

Source: NAPIMS/NNPC, 2017

Table 3.2: Detailed Assumptions for Oil Production and Taxes (2017)

Share of Oil Production	***2017 Production Volume (mbpd)***	***2017 Percentage***
Joint Ventures	0.831	37.77%
Alternative Funding		
Modified Carry Arrangement	0.298	13.55%
Production Sharing Contracts	0.843	38.32%
Independents	0.168	7.64%
Service Contracts	0.005	0.23%
Marginal	0.055	2.50%
Total Production	2.200	100.00%
PPT Rates		
Weigthed Average -JV/AF/Independent/Marginal		74%
Weigthed Average -PSC		50.20%
Weigthed Average -SC		85%
Royalties Rates		
Weigthed Average-JV/AF/Independent/Marginal		15.9%
Weigthed Average-PSC		4.5%
Weigthed Average-SC Oil		19.3%

Source: NNPC and BOF, 2017

3.2 Analysis of Revenue Performance

3.2.1 Performance of Key Oil Revenue Parameters

The price of crude oil at the international market averaged US$53.78 per barrel in the first quarter of 2017, indicating an increase of US$4.31 per barrel (or 8.71 percent) above the US$49.47 per barrel in the fourth quarter of 2016. This also represent an increase of US$19.89 per barrel (or 58.69 percent) and US$9.28 per barrel or 20.85 percent compared to US$33.89 per barrel recorded in the first quarters of 2016 and US$44.5 budget benchmark, respectively. The improvement in crude oil price during the period could be attributed to the projected increase in demand of oil and the 2016 OPEC decision to cut down on world oil output.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) showed that the average oil production and lifting (including Condensates) in the first quarter of 2017 was 1.75mbpd and 1.70mbpd respectively. The oil production figure indicates a shortfall of 0.45mbpd (or 20.45 percent) below the 2.2mbpd projected for the 2017 Budget. The volume of oil production in the period was also 0.01mbpd and 0.26mbpd below the 2.01mbpd and 1.76mbpd reported in the first and fourth quarters of 2016 respectively. The reduction in the quantity of oil production during the quarter as against the predicted budget figure could be ascribed to legacy issues of crude oil theft, illegal bunkering, pipeline vandalism.

3.3 Aggregate Revenue of the Federation

The 2017 Fiscal Framework projected a gross Federally Collectible Revenue of ₦10,737.10 billion, consisting of ₦5,334.45 billion (or 49.68 percent) oil revenue and ₦5,402.65 billion (or 50.32 percent) non-oil revenue. Gross oil revenue stood at ₦798.49 billion indicating a ₦535.13 billion or 40.13 percent shortfall from ₦1,333.61 billion prorate revenue projection in the budget. It was however above the equivalent level in the same period of 2016. The low performance as against the quarterly estimate can be attributed to the drop in oil lifting figures due to fall in demand, persistent crude oil theft and vandalism of pipelines in the

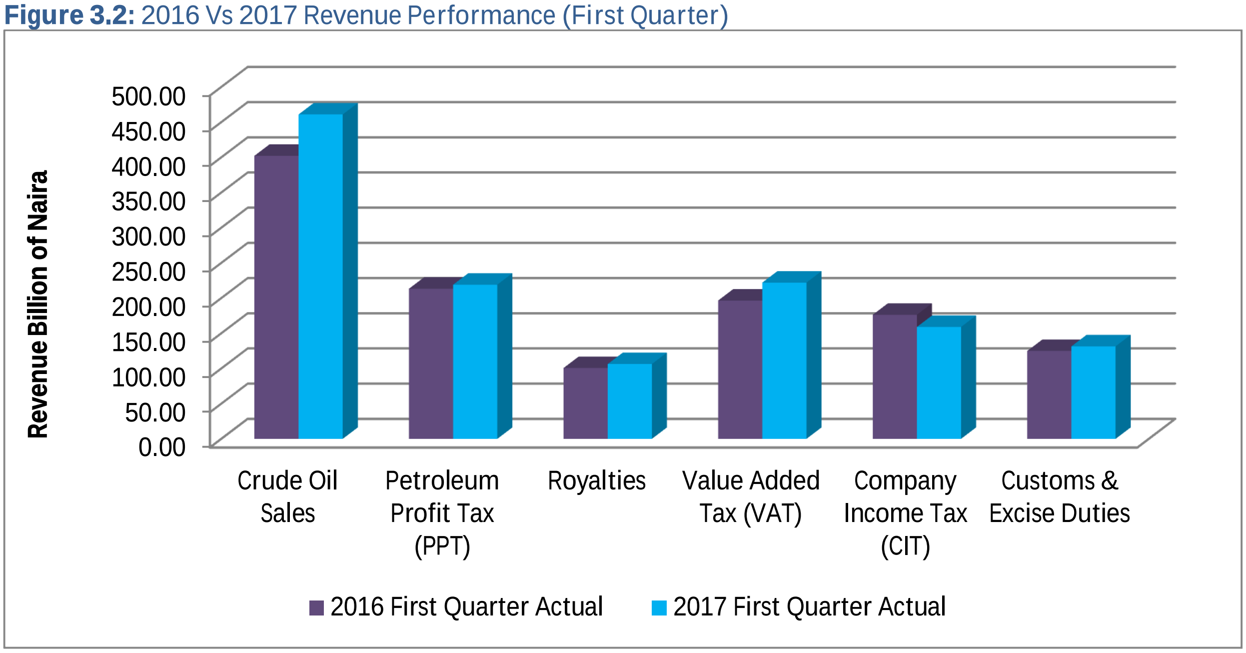
Niger Delta region during the period. The aggregate gross non-oil revenue for the same period revealed a decrease from the prorate budget estimate but an increase of ₦17.07 billion or 3.36 percent above the corresponding figure recorded in 2016 *Table 3.3.*

Table 3.3: Performance of Revenue in the First Quarter of 2017 Vs 2016

Revenue Items	2016	2017	Variance	
	1st Quarter Actual	1st Quarter Actual	1st Quarter 2017 Vs 1st Quarter 2016	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	402.18	460.95	58.77	14.61
Petroleum Profit Tax (PPT)	213.35	219.07	5.72	2.68
Royalties	100.69	106.30	5.61	5.57
Gross Oil Revenue	724.64	798.49	73.85	10.19
Net Oil Receipts	487.62	396.95	-90.67	-18.59
Non-Oil Revenue	-	-		
Value Added Tax (VAT)	196.57	222.00	25.43	12.94
Company Income Tax (CIT)	176.26	158.95	-17.31	-9.82
Customs & Excise Duties	124.94	131.47	6.53	5.23
Gross Non-Oil Revenue	508.05	525.12	17.07	3.36
Net Non-Oil Receipts	483.67	492.97	9.3	1.92

Source: OAGF and Budget Office of the Federation, 2017

Figure 3.2: 2016 Vs 2017 Revenue Performance (First Quarter)



Source: OAGF and Budget Office of the Federation, 2017

3.4 Oil Revenue Performance

A decomposition of the Gross Oil Revenue shows that Crude Oil Sales of ₦460.95 was above its quarterly estimate of ₦420.82 billion by ₦40.13 billion (or 9.53 percent). The other remaining oil revenue items however fell below their respective quarterly projections. Gas Sales of ₦10.27 billion, Royalties (Oil &Gas) of ₦106.30 billion, Rent of ₦0.02 billion, Gas Flared Penalty of ₦0.73 billion, Petroleum Profit and Gas Taxes of ₦219.07 billion and Other Oil & Gas Revenue of ₦1.13 billion fell below their quarterly estimates of ₦136.12 billion, ₦224.96 billion, ₦0.42 billion, ₦1.18 billion, ₦312.21 billion and ₦1.46 billion by ₦125.84 billion (or 92.45 percent), ₦118.65 billion (or 52.74 percent), ₦0.40 billion (or 94.52 percent), ₦0.45 billion (or 38.07 percent), ₦93.14 billion (or 29.83 percent) and ₦0.33 billion (or 22.54 percent) respectively. On the other hand, Licenses and Early License Renewal yielded nothing in the quarter (*Table 3.3)*.

3.4.1 Net Oil Revenue:

The actual Net Oil Revenue that accrued into the Federation Account in the first quarter of 2017 was ₦396.95 billion, signifying a decrease of ₦696.96 billion (or 63.71 percent) below the estimated quarterly projection of ₦1,093.91 billion. However, the net oil revenue in the first quarter of 2017 was higher than the ₦273.64 billion net oil revenue reported in the fourth quarter of 2016 by ₦123.31 billion (or 45.06 percent). This could be attributed to the recovery in crude oil price at the international market. The poor oil revenue performance in the first quarter of 2017 as against the quarterly projection could be attributed to the nonachievement of the oil production benchmark. These data are presented in *Table 3.4*.

3.5 Non-Oil Revenue Performance

Gross non-oil revenue of ₦525.12 billion was collected in the first quarter of 2017. This denotes a shortfall of ₦539.67 billion (or 50.68 percent) below the quarterly estimate of ₦1,064.80 billion. A breakdown of the non-oil revenue items revealed that all the non-oil revenue items fell below their quarterly expected projections. Value Added Tax of ₦222.0 billion, Company Income Tax of ₦158.95 billion were below their quarterly estimates of ₦450.0 billion, ₦435.51 billion by ₦228.0 billion (or 50.67 percent), ₦276.56 billion (or 63.50 percent), respectively. This indicate that the VAT and CIT jointly contributed ₦504.56 billion or 93.49 percent to total shortfall in non-oil revenue during the quarter. The performance of these revenue subheads is expected to improve in subsequent quarters as company returns are mostly made in the third quarter of the year while VAT arears for 2017 is still being expected.

The analysis of the performance of other non-oil revenue sub-heads indicate that Customs & Excise Duties of ₦131.47 billion and Special Levies of ₦12.70 billion fell short of their quarterly estimates of ₦153.84 billion and ₦25.44 billion by ₦22.37 billion (or 14.54 percent) and ₦12.74 billion (or 50.08 percent) respectively. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC and Solid Minerals & Other Mining Revenue which had quarterly projections of ₦15.25 billion and ₦0.63 billion respectively yielded nothing in the quarter.

When compared with their corresponding 2016 fourth quarter performances, only Value Added Tax surpassed its quarterly projection by ₦12.53 billion (or 5.98 percent). Company Income Tax, Customs & Excise Duties and Special Levies all fell by ₦27.78 billion (or 14.88 percent), ₦10.47 percent (or 7.38 percent) and ₦1.98 billion (or 13.49 percent) respectively. The improved performances of Value Added Tax in the first quarter of 2017 as against 2016 fourth quarter figure could be ascribed to the expansion in the tax base and the improved performance of the Federal Inland Revenue Service (FIRS) during the period. However, it is expected that this trend together with other remaining non-oil revenue items will get better in the second quarter of 2017 following the expected release of funds for 2017 capital projects/programmes.

Table 3.4: Net Distributable Revenue as at March, 2017 (Oil Revenue at Benchmark Assumptions)

S/NO	ITEMS	BUDGET			ACTUAL		VARIANCE	
		2016 Annual Budget	2017 Annual Budget	2017 Quarterly Budget	2016 First Quarter	2017 First Quarter	2017 First Quarter Actual Vs Quarterly Budget	
A	OIL REVENUE	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%
1	Crude Oil Sales: Export	1,778.30	1,683.29	420.82	402.18	460.95	40.13	9.53
2	Crude oil sales: Domestic							
3	Gas Sales (NLNG Feedstock Sales & Upstream Liquid Gas)	644.34	544.47	136.12	6.37	10.27	(125.84)	(92.45)
4	Oil Royalties & Gas Royalties	501.71	899.82	224.96	100.69	106.30	(118.65)	(52.74)
5	Rent	1.08	1.68	0.42	0.16	0.02	(0.40)	(94.52)
6	Gas Flared Penalty	3.05	4.73	1.18	0.37	0.73	(0.45)	(38.07)
7	PPT & Gas Income @ 30% CITA	602.56	1,248.83	312.21	213.35	219.07	(93.14)	(29.83)
8	Other Oil and Gas Revenue	3.78	5.86	1.46	1.52	1.13	(0.33)	(22.54)
9	Licenses & Early License Renewal		945.78	236.45	-		(236.45)	(100.00)
10	Sub-Total	3,534.83	5,334.45	1,333.61	724.64	798.49	(535.13)	(40.13)
11	DEDUCTIONS			-		-	-	
12	Joint Venture Cash Calls	1,094.32	-	-	159.93	237.65	237.65	
13	National Domestic Gas Development	280.94	-	-		-	-	
14	Gas Infrastructure Development& Other Gas Expenses	305.07	305.00	76.25		-	(76.25)	(100.00)
15	Crude Oil Pre-Export Inspection Agency Expense	3.94	-	-		-	-	
16	Arreas of 2015 Subsidy on Domestic Consumption	150.00	-	-		-	-	
17	DPR Cost of Collection	-	-	-	4.23	6.60	6.60	
18	Tranfer of Lagos State 13% Derivation	-	-	-		0.09	0.09	
19	Sub-Total	1,700.57	5,029.45	1,257.36	560.49	554.15	(703.21)	(55.93)
20	Transfer to Excess Crude Oil on PPT from Oil			-		97.89	97.89	
21	Balance of Oil Revenue	1,700.57	5,029.45	1,257.36	560.49	456.26	(801.10)	(63.71)
22	13% Derivation of Net Oil Revenue	221.07	653.83	163.46	72.86	59.32	(104.14)	(63.71)
23	TO FEDERATION ACCOUNT (OIL)	1,479.49	4,375.62	1,093.91	487.62	396.95	(696.96)	(63.71)
B	DIVIDEND BY COMPANIES / INVESTMENTS FUNDED BY FAAC			-		-	-	
24	Divident by Companies /Investments Funded by FAAC	197.00	61.00	15.25	-	-	(15.25)	(100.00)
25	TO FEDERATION ACCOUNT (DIVIDEND BY COMPANIES/INVESTMENTS)	197.00	61.00	15.25	-	-	(15.25)	(100.00)
C	SOLID MINERALS & OTHER MINNING REVENUE			-		-	-	
26	Total Solid Mineral Revenue	16.36	2.52	0.63	-	-	(0.63)	(100.00)
27	Less 13% Derivation	2.13	0.33	0.08	-	-	(0.08)	(100.00)
28	TO FEDERATION ACCOUNT (SOLID MINERALS)	14.23	2.20	0.55	-	-	(0.55)	(100.00)
D	NON-OIL REVENUE			-		-	-	
29	Value Added Tax (VAT)	1,475.03	1,800.00	450.00	196.57	222.00	(228.00)	(50.67)
30	Corporate Income Tax (CIT, Stamp Duties & CGT)	1,877.02	1,742.05	435.51	176.26	158.95	(276.56)	(63.50)
31	Customs: Import, Excise & Fees	723.72	615.37	153.84	124.94	131.47	(22.37)	(14.54)
32	Special Levies (Federation Account)	138.69	101.77	25.44	10.29	12.70	(12.74)	(50.08)
33	Sub-Total	4,214.46	4,259.19	1,064.80	508.05	525.12	(539.67)	(50.68)
34	Cost of Collection and Other Deductions	207.81	198.63	49.66	24.38	32.16	(17.50)	(35.24)
35	Cost of Collection (VAT)	59.00	72.00	18.00	7.86	8.88	(9.12)	(50.67)
36	4% Cost of Collection (CIT)	63.44	56.43	14.11	7.05	6.86	(7.25)	(51.35)
37	7% Cost of Collection (Customs and Special Levies)	60.37	50.20	12.55	9.47	10.17	(2.39)	(19.00)
38	FIRS Tax Refunds	25.00	20.00	5.00	-	6.25	1.25	25.00
39	TO FEDERATION ACCOUNT (NON-OIL)	2,590.62	2,332.56	583.14	294.97	279.84	(303.30)	(52.01)
40	Total VAT Pool	1,416.03	1,728.00	432.00	188.71	213.12	(218.88)	(50.67)
41	Net Non-Oil Revenue	4,006.65	4,060.56	1,015.14	483.67	492.97	(522.17)	(51.44)
42	Sub-Total: FEDERATION ACCOUNT	4,281.34	6,771.38	1,692.84	782.59	676.79	(1,016.05)	(60.02)
43	Actual Balances in Special Accounts	22.25	13.70	3.42	-	-	(3.42)	(100.00)
44	TOTAL FEDERATION ACCOUNT	4,303.58	6,785.07	1,696.27	782.59	676.79	(1,019.48)	(60.10)
E	TOTAL DISTRIBUTION			-	-	-	-	
1	Federation Account	4,303.58	6,785.07	1,696.27	782.59	676.79	(1,019.48)	(60.10)
2	VAT Pool Account	1,416.03	1,728.00	432.00	188.71	213.12	(218.88)	(50.67)
3	GRAND TOTAL	5,719.61	8,513.07	2,128.27	971.30	889.91	(1,238.35)	(58.19)

Source: OAGF and Budget Office of the Federation, 2017

Table 3.5: Actual Performance of Non-Oil Revenue Categories (First Quarter) 2009 - 2016

Description	FIRST QUARTER (ACTUAL)								
	2009	2010	2011	2012	2013	2014	2015	2016	8 - Year Average
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn
Customs & Excise Duties	28.17	32.41	41.23	49.29	49.59	54.86	60.07	56.35	46.50
Company Income Tax	47.19	61.57	58.69	57.93	73.72	82.93	81.45	82.04	68.19
Value Added Tax	15.24	18.71	19.81	22.98	24.94	28.73	26.30	26.42	22.89
FGN Independent Revenue	29.16	15.95	33.45	99.78	65.03	121.13	280.63	47.52	86.58

Source: OAGF and BOF, 2017

Further analysis of first quarter non-oil revenue performance indicate that the key non-oil revenue sub-heads have significant improvement over the past decade particularly in areas of Customs, CIT and VAT, while independent revenue was volatile Table 3.5 and 3.6.

Table 3.6: Percentage Growth in Non-Oil Revenue Performances (First Quarter) 2010 – 2016

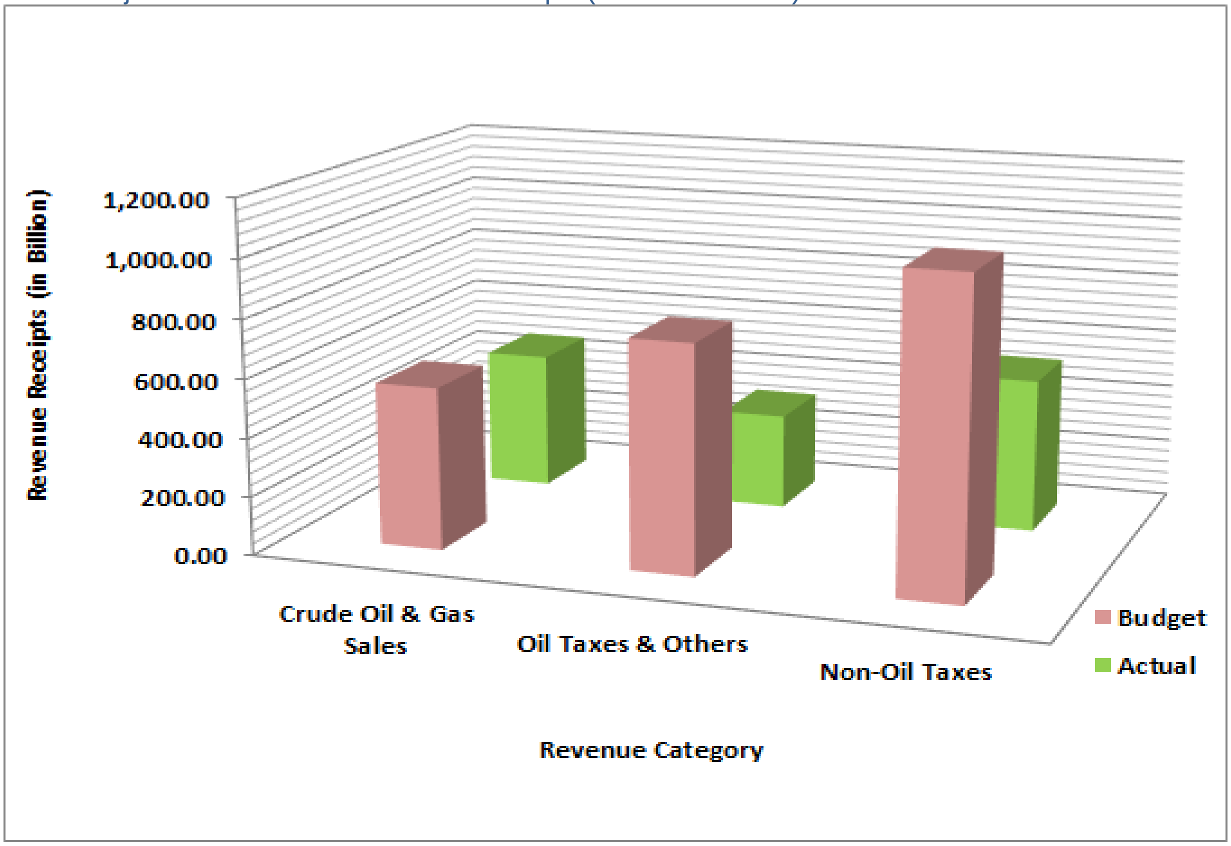
Description	2010	2011	2012	2013	2014	2015	2016	7 - Year Average
Customs & Excise Duties	15.05%	27.21%	19.55%	0.61%	10.63%	9.50%	-6.19%	10.91%
Company Income Tax	30.47%	-4.68%	-1.29%	27.26%	12.49%	-1.78%	0.72%	9.03%
Value Added Tax	22.77%	5.88%	16.00%	8.53%	15.20%	-8.46%	0.46%	8.62%
FGN Independent Revenue	-45.30%	109.72%	198.30%	-34.83%	86.27%	131.68%	-83.07%	51.82%

Source: OAGF and BOF, 2017

Comparative Revenue Performance Analysis

Analysis of the actual performance of revenue categorizations compared with their budgeted estimates as at March 2017 reveal underperformance for crude oil sale, oil tax and other oil revenues and non-oil tax (Figure 3.3).

Figure 3.3: Projected Vs Actual FAAC Revenue Receipts (as at March 2017)



Source: Budget Office of the Federation, 2017

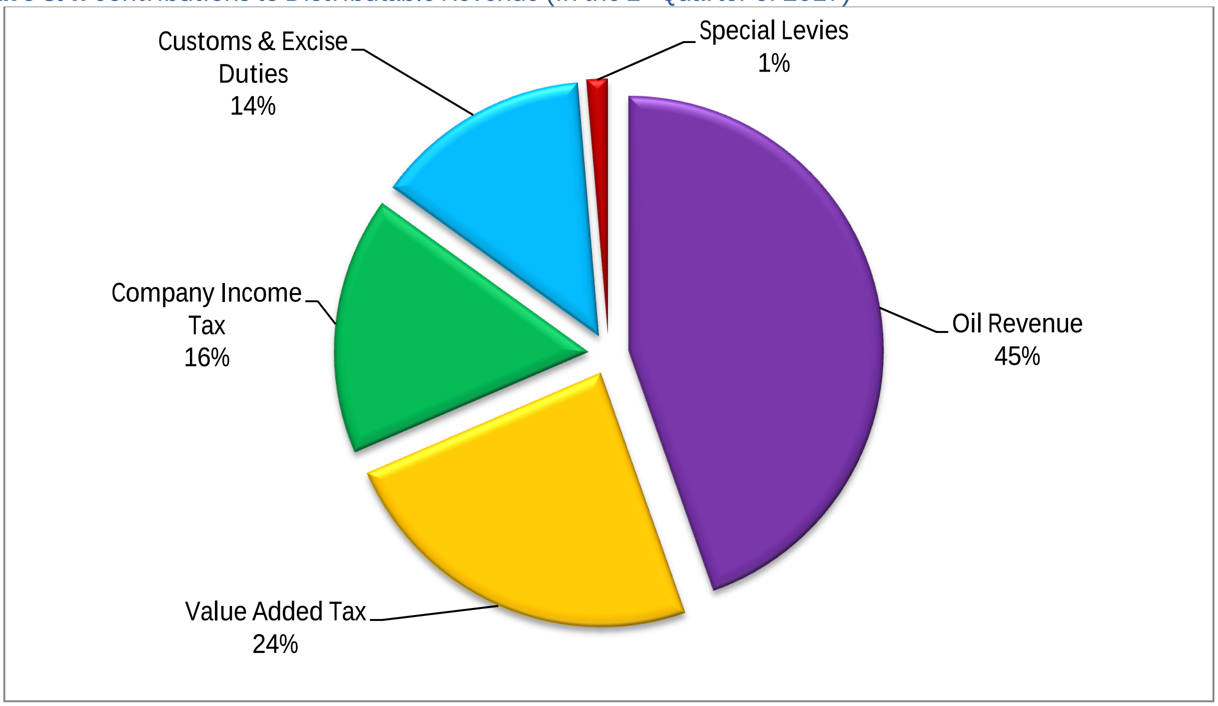
Distributable Revenue:

The net distributable revenue is the balance of funds in the Federation Account available for sharing among the three tiers of government after the deduction of all costs. A net sum of ₦889.91billion was available for distribution in the first quarter of 2017. This denoted a shortfall of ₦1,238.35 billion (or 58.19 percent) from ₦2,128.27 billion prorate revenue for the period. This is driven by significant reduction in the inflow into the Federation Account from both the oil and non-oil sector. Oil and non-oil sector revenue accruing to the Federation account fell by ₦696.96 billion or 63.71 percent and ₦303.30 billion or 52.01 percent to ₦396.95 billion and ₦279.84 billion respectively during the review period.

*T*he percentage contribution of the different revenue classifications to distributable revenue in the first quarter of 2017 is presented in figure 3.4. Oil

Revenue, Customs CIT, VAT and Special Levies contributed 45 percent, 14 percent, 16 percent, 24 percent and a percent respectively.

Figure 3.4: Contributions to Distributable Revenue (in the 1st Quarter of 2017)



Source: Budget Office of the Federation, 2017

3.6 Excess Crude Account:

The Excess Crude Account (ECA) recorded an inflow in the sum of ₦97.89 billion in the first quarter of 2017. This is attributable to the improvements in the oil price in the international market. The sum of US$250.0 million or (₦76.25 billion) was however withdrawn from the account in the first quarter of 2017 and transferred to the Nigeria Sovereign Investment Authority. A total of US$2.87 million also accrued as interest into the ECA in the first quarter of 2017. These and other transactions in the ECA resulted in a closing balance of US$2,209.86 million as at 31st March, 2017 (Table 3.7).

Table 3.7: Net Excess Crude Account

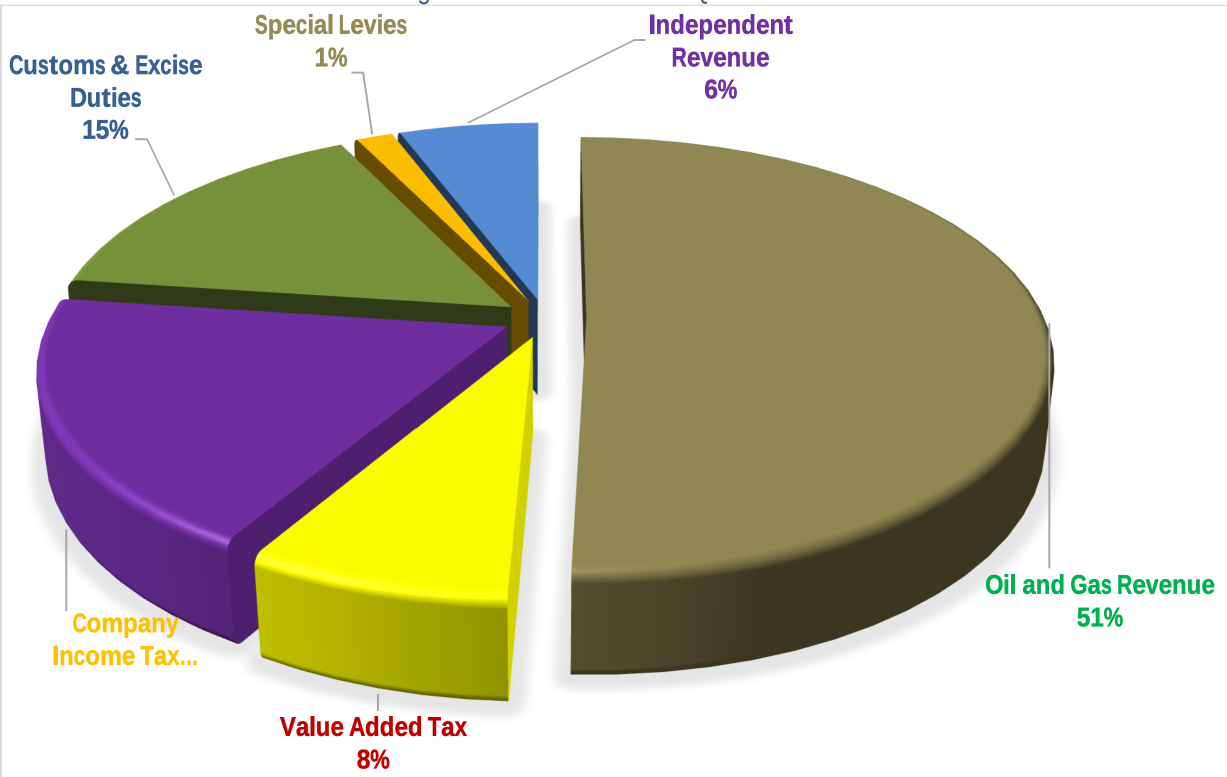
Description	2016 Actual (N'bn)		2017 Actual (N'bn)
	First Quarter	Fourth Quarter	First Quarter
Inflows			
Transfer to Excess Crude Oil Account	0	97.24	97.89
Outflows			
Payment for Petroleum Product Subsidy	0	0	0
Augmentation: Distribution among tiers of Govt.	0	0	0
Transfer for Special Intervention Fund	0	0	0
Transfers Int. trf - SWF	0	0	0
Transfer to Nigeria Sovereign Investment Authority	0	0	US$250. 0 million (or N76.25 billion)
Total Outflow	0	0	US$250. 0 million (or N76.25 billion)
Net Excess Crude Account	0	97.24	21.64

Source: Office of the Accountant General of the Federation, 2017

3.7 FGN Budget Revenue:

Based on the approved 2017 Budget framework, the sum of ₦5,084.40 billion was projected to fund the Federal Budget, indicating a quarterly share of ₦1,271.10 billion. A total of ₦380.01 billion, excluding other funding sources, was received in the first quarter of 2017. This amount was ₦891.09 billion (or 70.1 percent) lower than the quarterly projection but ₦38.83 billion (or 11.38 percent) higher than the ₦341.18 billion recorded in the fourth quarter of 2016. The aggregate revenue in the first quarter of 2017 was also ₦73.49 billion (or 16.21 percent) below the ₦453.50 billion reported in the first quarter of 2016. Total inflow available to fund the budget however stood at ₦974.51 billion indicating a ₦296.59 billion or 23.33 percent shortfall from the prorate budget projection for the period.

Figure 3.5: Contributions to the FGN Budget Revenue in the First Quarter of 2017

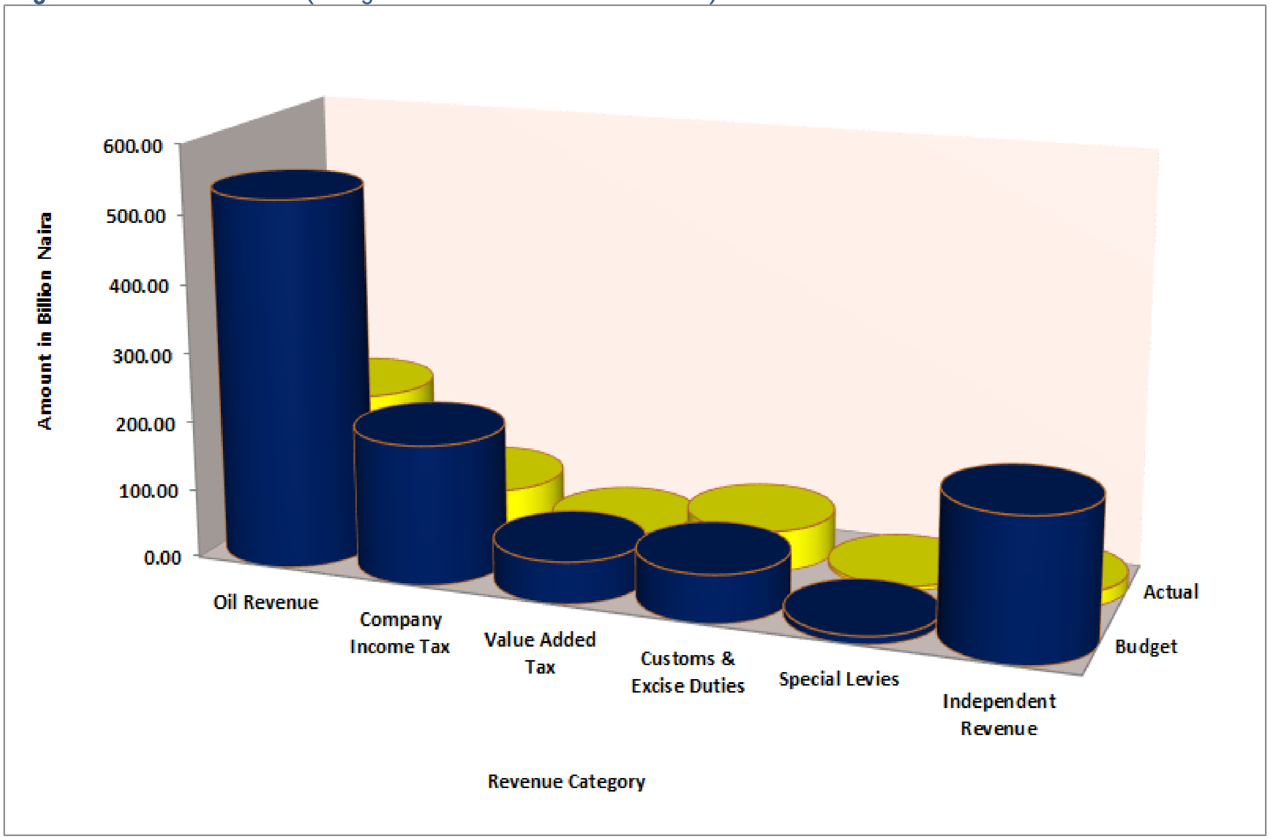


Source: The OAGF and Budget Office of the Federation, 2017

Note: This is e*xcluding FGN's Unspent Balances and FGN's Balances in Special Accounts*

The sum of ₦192.52 billion received from oil sources in the first half of 2017, was lower than the quarterly estimate of ₦530.54 billion by ₦338.02 billion (or 63.71 percent). All the non-oil revenue items equally fell below their quarterly budget projections. FGN Share of VAT of ₦29.84 billion, Customs & Excise Duties of ₦59.30 billion, Special Levies of ₦5.73 billion and Company Income Tax of ₦70.73 billion were below their corresponding quarterly budget estimates of ₦60.48 billion, ₦69.39 billion, ₦11.48 billion and ₦201.96 billion by ₦30.64 billion (or 50.67 percent), ₦10.09 billion (or 14.54 percent), ₦5.75 billion (or 50.08 percent) and ₦131.22 billion (or 64.98 percent). On the other hand, FGN Share of Company Investment by FAAC, FGN Share of Solid Minerals Revenue and Share of Actual Balances in Special Accounts yielded nothing in the quarter. This followed similar pattern of their respective performances at the Federation Account level (*Table 3.8).*

Figure 3.6: FGN Revenue (Budget Vs Actual as at March 2017)



Source: The OAGF and Budget Office of the Federation, 2017

Table 3.8: Inflows to the 2016 Federal Budget as at March 2017

S/NO	DESCRIPTION	BUDGET			ACTUAL		VARIANCE	
		2016 Budget	2017 Budget	2017 Quarterly Budget	2016 First Quarter	2017 First Quarter	2017 First Quarter Actual Vs Quarterly Budget	
1	Inflow for the Federal Budget (CRF)	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%
2	FGN Share of Oil Revenue	717.55	2,122.18	530.54	236.50	192.52	(338.02)	(63.71)
	FGN Share of Non-Oil Revenue	1,567.93	1,410.51	352.63	169.48	165.60	(187.03)	(53.04)
4	FGN Share of Company / Investment FAAC	95.55	29.59	7.40	-	-	(7.40)	(100.00)
5	FGN Share of Solid Minerals Revenue	6.90	1.07	0.27	-	-	(0.27)	(100.00)
6	FGN Share of Value Added Tax (VAT)	198.24	241.92	60.48	26.42	29.84	(30.64)	(50.67)
7	FGN Share of Customs	326.44	277.56	69.39	56.35	59.30	(10.09)	(14.54)
8	FGN Share of special Levies (Federation Accounts)	62.56	45.91	11.48	4.64	5.73	(5.75)	(50.08)
9	FGN Share of Company Income Tax (CIT)	867.46	807.82	201.96	82.06	70.73	(131.22)	(64.98)
10	FGN Share of Actual Balances in Special Accounts	10.79	6.64	1.66	-	-	(1.66)	(100.00)
11	FGN Independent Revenue	1,505.88	807.57	201.89	47.52	21.89	(180.00)	(89.16)
12	FGN Balance of Special Accounts as at 31/12/15:	14.38	14.79	3.70	-	-	(3.70)	(100.00)
13	Unspent Balance from Previous Fiscal Year	50.00	50.00	12.50	-	-	(12.50)	(100.00)
14	FGN Recoveries	-	565.06	141.27	-	-	(141.27)	(100.00)
15	FGN Share of Signature Bonus	-	114.30	28.57	-	-	(28.57)	(100.00)
16	Sub-Total	3,855.74	5,084.40	1,271.10	453.50	380.01	(891.09)	(70.10)
17	Other Financing Sources	-	-	-	36.56	117.71	117.71	
18	NNPC Refund to FGN			-	17.48	5.83	5.83	
19	Share from Excess PPT			-		45.99	45.99	
	Receipts from LNG				14.26			
20	Exchange Rate Difference			-	4.81	22.84	22.84	
21	Settlement of State Component of Coupon Payment			-		41.57	41.57	
22	Transfer from Capital Development Account to CRF			-		1.48	1.48	
23	TOTAL RETAINED REVENUE	3,855.74	5,084.40	1,271.10	490.05	497.71	(773.39)	(60.84)
24	TSA/Pool A/C	-		-	45.93	9.98	9.98	
25	Refund of Paris Club Overdeduction to CRF			-	-	466.82	466.82	
26	TOTAL INFLOW	3,855.74	5,084.40	1,271.10	535.98	974.51	(296.59)	(23.33)

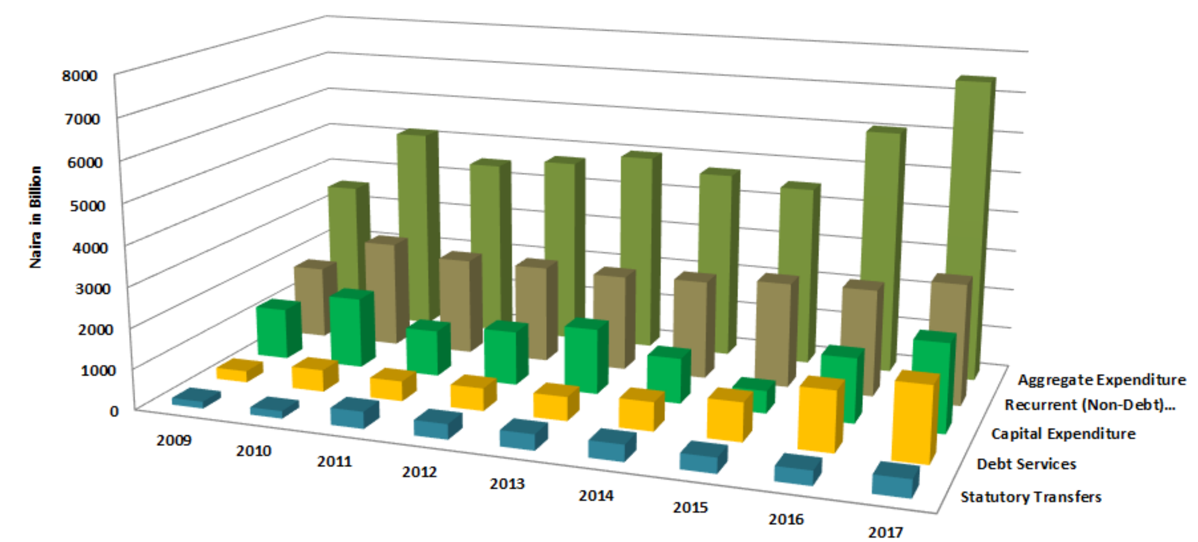
Page 1

Source: Budget Office of the Federation and the OAGF, 2017

3.5 Expenditure Developments:

A total of ₦7,441.18 billion was appropriated for expenditure in the 2017 Budget. This comprises of ₦2,990.92 billion (or 40.19 percent) for Recurrent (Non-Debt) Expenditure, ₦1,841.35 billion (or 24.75 percent) for Debt Services, ₦434.41 billion (or 5.84 percent) for Statutory Transfers and ₦2,174.50 billion (or 29.22 percent) for Capital Expenditure. This translates to a prorate expenditure outlay of ₦1,860.29 billion in the first quarter of 2017. Actual expenditure outflow of ₦1,046.16 billion was recorded translating a ₦814.13 billion or 43.76 percent expenditure shortfall for the period. The detail breakdown is presented in Figure 3.7.

Figure 3.7: 2009 – 2017 Budget Expenditure Profile



	2009	2010	2011	2012	2013	2014	2015	2016	2017
Statutory Transfers	168.62	183.58	417.83	372.59	387.98	408.69	375.62	351.37	434.41
Debt Services	283.65	542.38	495.1	559.58	591.76	712	953.62	1,475.32	1,841.35
Capital Expenditure	1,280.71	1,764.69	1,146.75	1,339.99	1,621.48	1,119.62	557.00	1,587.40	2,174.50
Recurrent (Non-Debt) Expenditure	1,824.71	2,669.01	2,425.07	2,425.05	2,386.03	2,454.89	2,607.13	2,646.39	2,990.92
Aggregate Expenditure	3,557.69	5,159.66	4,484.74	4,697.21	4,987.24	4,695.19	4,493.36	6,060.48	7,441.18

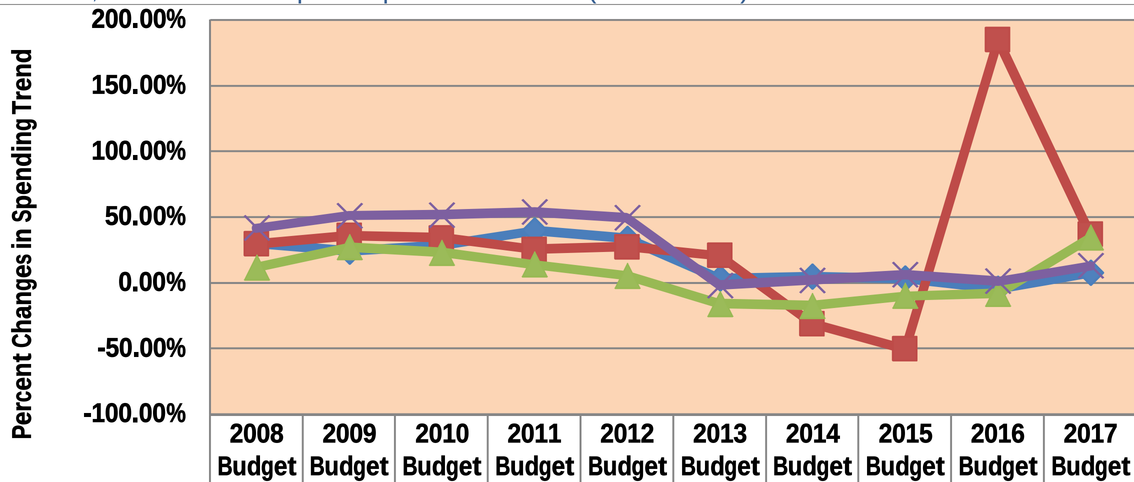
Source: Budget Office of the Federation, 2017

3.5.1 Non-Debt Recurrent Expenditure:

Government's resolve to cut down the growth in recurrent expenditures as stated in the 2017-2019 Fiscal Framework and Fiscal Strategy Paper continued to be pursued using the 2017 Budget implementation. The strategic initiatives of Government aimed at cutting down of recurrent costs were vigorously pursued during the period. This include the continued roll-out of the Integrated Payroll and Personnel Information System (IPPIS) across MDAs which is expected to bring about some savings in personnel costs, activation of more module of the GIFMIS platform as well as the use of the Treasury Single Account (TSA).

A total of ₦252.99 billion was spent on non-debt recurrent expenditure in the first quarter of 2017. This amount revealed a decrease of ₦494.74 billion (or 66.17 percent) below the quarterly estimate of ₦747.73 billion (details in Figure 3.8).

Figure 3.8: Personnel, Overhead and Capital Expenditure Trends (2008 – 2017)



	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget
Personnel Costs (MDAs)	29.88%	24.08%	28.66%	40.01%	33.89%	3.37%	4.79%	3.46%	-4.47%	7.76%
Capital Spending	29.66%	36.00%	34.20%	25.57%	27.47%	21.01%	-30.95%	-50.25%	184.99%	36.99%
Overheads	12%	27.20%	23.06%	14.07%	5.57%	-15.94%	-17.37%	-9.65%	-8%	34.55%
Recurrent (Non Debt)	41.88%	51.28%	51.72%	54.07%	49.72%	-1.62%	2.06%	6.20%	1.51%	13.02%

Source: BOF and OAGF, 2017

3.5.2 Debt Service:

Total Debt Services in the first quarter of 2017 stood at ₦624.15 billion reflecting a ₦208.18 billion or 50.05 percent increase from the ₦415.97 billion projected for the quarter. This was driven by an overshoot in the domestic debt service payment compared to prorate budget estimates. A total of ₦372.0 billion was proposed for domestic debt servicing in the quarter under review but ₦583.91 billion was actually used for the servicing of the debts. This indicated a difference of ₦211.91 billion or 56.96 percent above the quarterly estimate and may be attributed to early maturity.

The sum of ₦43.97 billion was proposed for the servicing of external debt in the quarter under review. Actual external debt service payment however amounted to US$127.92 million indicating a difference of ₦3.73 billion or 8.49 percent below the quarterly projection.

Table 3.9: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at March 2017

S/N	ITEMS	BUDGET			ACTUAL		VARIANCE	
		2016 Budget	2017 Budget	2017 Quarterly Budget	2016 First Quarter	2017 First Quarter	2017 First Quarter Actual Vs Quarterly Budget	
		N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%
A	TOTAL RETAINED REVENUE	3,855.74	5,084.40	1,271.10	490.05	497.71	(773.39)	(60.84)
B	TSA/Pool A/C			-	45.93	9.98	9.98	
C	Refund of Paris Club Over-Deduction to CRF			-	-	466.82	466.82	
D	TOTAL INFLOW	3,855.74	5,084.40	1,271.10	535.98	974.51	(296.59)	(23.33)
F	EXPENDITURE:							
1	RECURRENT NON DEBT:			-		-	-	
2	Personnel Cost	1,748.33	1,884.07	471.02	364.74	179.84	(291.18)	(61.82)
3	Pension & Gratuities Including Service Wide Pension	298.11	281.61	70.40	31.95	36.18	(34.22)	(48.61)
4	Overhead Cost	163.39	219.84	54.96	27.04	23.62	(31.34)	(57.02)
5	Other Service Wide Vote Including Presidential Amnesty (Bal Fig) and Refund to Special Accounts	136.56	255.40	63.85	25.83	13.35	(50.50)	(79.10)
6	Special Intervention (Recurrent)	300.00	350.00	87.50	-	-	(87.50)	(100.00)
7	Sub-Total (Non-Debt)	2,646.39	2,990.92	747.73	449.57	252.99	(494.74)	(66.17)
8	Domestic Debts & Int. on Ways & Means	1,307.40	1,488.00	372.00	349.36	583.91	211.91	56.96
9	Foreign Debts	54.48	175.88	43.97	15.45	40.24	(3.73)	(8.49)
10	Sub-Total (Debt Service)	1,361.88	1,663.89	415.97	364.81	624.15	208.18	50.05
11	Sinking Fund toRretire Maturing Loans	113.44	177.46	44.37	-	-	(44.37)	(100.00)
12	Sub-Total (Recurrent Debt)	1,475.32	1,841.35	460.34	364.81	624.15	163.81	35.59
13	Total Recurrent	4,121.71	4,832.27	1,208.07	814.38	877.14	(330.93)	(27.39)
14	*Capital Releases 2016	1,587.40		-	71.84	-	-	
15	*Capital Releases 2017	-	2,174.50	543.62			(543.62)	(100.00)
16	Sub-Total (Capital)	1,587.40	2,174.50	543.62	71.84	-	(543.62)	(100.00)
17	TRANSFERS:			-		-	-	
18	Niger Delta Development Commission (NDDC)	41.05	64.02	16.01	6.84	10.23	(5.78)	(36.10)
19	National Judicial Council (NJC)	70.00	100.00	25.00	11.67	10.83	(14.17)	(56.67)
20	Universal Basic Education	77.11	95.19	23.80	12.85	15.41	(8.39)	(35.24)
21	Independent National Election Commision (INEC)	45.00	45.00	11.25	7.50	7.50	(3.75)	(33.33)
22	National Assembly (NASS)	115.00	125.00	31.25	19.17	19.17	(12.08)	(38.67)
23	Public Complaint Commission (PCC)	2.00	4.00	1.00	-	0.67	(0.33)	(33.30)
24	National Human Right Commission (NHRC)	1.21	1.20	0.30	0.20	0.20	(0.10)	(33.67)
25	Sub-Total (Transfers)	351.37	434.41	108.60	58.23	64.00	(44.60)	(41.07)
26	TOTAL EXPENDITURE	6,060.48	7,441.18	1,860.29	944.45	941.14	(919.15)	(49.41)
27	Refund to MDAs and Banks			-	-	16.69	16.69	
28	Reimbursement of Paris Club Overdeduction			-	-	88.33	88.33	
29	TOTAL OUTFLOW	6,060.48	7,441.18	1,860.29	944.45	1,046.16	(814.13)	(43.76)
30	Fiscal Deficit	(2,204.74)	(2,356.77)	(589.19)	(408.48)	(71.65)	517.54	(87.84)
F	FINANCING ITEMS			-		-	-	
1	Privitization Proceeds	10.00	10.00	2.50	5.92	-	(2.50)	(100.00)
2	Signature Bonus	0.74		-		-	-	
	Borrowing from Special Accounts				(3.49)			
3	Foreign Borrowing	635.88	1,067.50	266.88		-	(266.88)	(100.00)
4	Domestic Borrowing (FGN Bond)	1,182.80	1,254.27	313.57	300.00	120.00	(193.57)	(61.73)
5	Refunds/Recoveries from Strategic Alliance Contracts	137.90		-		-	-	
6	FGN Share of JV AssetsTransfered to NDPC (NNPC/CBN)	162.43		-		-	-	
7	Recoveries of Other Misappropriated Funds	50.00		-	-	-	-	
	Deficit Funding for 2015 Supplementary Appropriation Act				300.00			
8	Proceed of Sale of Government Properties	25.00	25.00	6.25	-	-	(6.25)	(100.00)
9	Sub-Total	2,204.74	2,356.77	589.19	602.44	120.00	(469.19)	(79.63)
10	*Net Deficit / Surplus*	-	0.00	0.00	193.97	48.35	48.35	(167.47)

Source: OAGF and Budget Office of the Federation, 2017

3.5.3 Statutory Transfers:

A total of ₦64.0 billion was released as statutory transfers in the first quarter of 2017. A breakdown of the actual transfers in the first quarter indicated that ₦10.23 billion was to Niger Delta Development Commission (NDDC), ₦10.83 billion was to National Judicial Council (NJC), ₦15.41 billion was to Universal Basic Education Commission (UBEC), ₦7.50 billion was to Independent Electoral Commission (INEC), ₦19.17 billion was to National Assembly (NASS), ₦0.67 billion was to Public Complaint Commission (PCC) and ₦0.20 billion was to the National Human Right Commission (NHRC).

3.5.4 Capital Expenditure Performance

Greater portion of Government's available budgetary resources were directed to structural reform of the economy and the provision of critical infrastructure in the roads, power, housing, rail and aviation sectors as well as the provision of physical and food security. In view of this, a total of ₦2,174.50 billion was allocated to capital spending in the 2017 Budget.

MDAs' Capital Vote Utilization:

No fund was however released for capital for projects/programmes under the 2017 Budget in the quarter under review. This was due to the extension of 2016 capital budget implementation to 5th May, 2017 and the late passage of the 2017 Budget.

3.5.5 Performance of the Financing Items:

The 2017 Fiscal Framework estimated a quarterly fiscal deficit of ₦589.19 billion to be financed through earnings from Privatization Proceeds of ₦2.50 billion, Foreign Borrowing of ₦266.88 billion, Domestic Borrowing (FGN Bond) of ₦313.57 billion and Sale of Government Properties of ₦6.25 billion.

The inflow and outflow of fund for the Federal Government resulted in a fiscal deficit of ₦71.65 billion in the first quarter of 2017. This reflect a moderation in deficit to the tune of ₦517.54 billion or 87.84 percent of the projected ₦589.19

billion deficit for the period. A total of ₦120.0 billion was however realized from Domestic Borrowing (FGN Bond) while other sources of financing items did not materialize. This resulted in a ₦48.35 billion net surplus financing for the review period.

4.0 CONCLUSION

The negative GDP growth which started in 2016 still continued in the first quarter of 2017. Data from the National Bureau of Statistics (NBS) showed that the economy contracted marginally by 0.52 percent in the first quarter of 2017. The real growth of the oil sector GDP stood at -11.64 percent (year-on-year) in the first quarter of 2017 reflecting moderation in the contraction of the sector. The performance of the non-oil sector was driven largely by the Agriculture, and Information and Communication Technology sectors recovered to a positive growth territory in the review period. The performance of the Nigerian economy in the first quarter of 2017 therefore suggested that the nation was coming out of the recession which it experienced in 2016 fiscal year.

The Federal Government continued to meet its non-discretionary expenditures even as budget implementation continued to be adversely impacted by poor revenue outturn. The economic performance in the quarter reflect improved outlook and prospects for revenue and therefore budget implementation in the 2017 fiscal year. Revenue performance of the non-oil sector is projected to improve in subsequent quarters and combined with the recovery in oil production and prices would result in sustainable implementation of the 2017 Budget.

The MBNP will continue to drive increased openness, transparency and accountability in budget preparation, implementation, Monitoring and evaluation and feedback. In that regards, strict adherence to budget implementation guidelines and the governance framework on monitoring capital budget implementation will continue to be pursued. Efforts would also be directed at enhancing efficiency in budget implementation, while engendering effective project management planning geared towards improving the level of capital budget implementation in 2017.