

2012

FIRST QUARTER  
BUDGET  
IMPLEMENTATION  
REPORT

2012

# FOREWORD

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I am delighted to present you this Budget Implementation Report which is the first in the series for 2012. This Report presents information on the implementation of the 2012 Budget in the first quarter and provides information by which Government's performance in the management of public resources, as planned in the Budget, may be measured. In our continuing efforts to improve on transparency and accountability in the public sector, the Government commits to updating Nigerians on the public finances through various media including this Report.

Government is continuing to place emphasis on the monitoring and evaluation of its implementation of national budgets; and to ensure that Government's policies improve on the wellbeing of Nigerians. In this respect, we are focused on funding viable ongoing capital projects among other critical projects to ensure their continued implementation within the medium-term; and is building the necessary milestones to move towards a performance driven system. Under this system, emphasis is being placed on the impact of budgets on Nigerians, rather than the mere allocation and utilization of resources, so as to ensure greater value from government spending.

Pursuant to Section 30 of the *Fiscal Responsibility Act, 2007*, this Report is the product of diligent work conducted by the Budget Office of the Federation and I commend the team for their hard work and dedication. I also wish to recognize the active role the National Assembly's Joint Finance Committee and the Fiscal Responsibility Commission play in promoting best practice in public financial management and look forward to continuing our cooperative work in this regard.

Finally, I also commend the readers of this Report for taking time to examine its contents and evaluate the Governments performance in delivering on the promises inherent in the Budget. This way, we can all contribute towards ensuring government's delivery on its promises and contribute more meaningfully to the preparation and implementation of our national budgets.

**Dr. Ngozi Okonjo-Iweala**

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

# PREFACE

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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 implementation and render quarterly reports thereon. This Report, which is the first for the 2012 fiscal year, fulfils this obligation and also provides a means of demonstrating Government's commitment to the transparent and prudent management of public finances.

The 2012 Budget was crafted with a theme - fiscal consolidation and inclusive growth. To achieve this goal, the Budget was founded on four Pillars – macroeconomic stability, structural reforms, strengthening governance and institutions, and investing in priorities. As such, Government sought to improve on its revenue collections while scaling up spending to the priority sectors in order to ensure the completion of key ongoing and some flagship projects within the medium-term. A focal point was on encouraging domestic enterprise to thrive, improving on the business climate and so, encourage capital inflows while creating jobs.

Implementation of the 2012 Budget in the first quarter of 2012 was challenging on several fronts particularly as revenue receipts from both oil and non-oil sources were significantly below their projected estimates. On the expenditure side, the recurrent expenditures have been on track. However, following the extension of the period for implementation of the 2011 capital budget to 31 March 2012 and the late passage of the 2012 Budget, MDAs focused on the continued implementation of their 2011 capital projects while making procurement arrangements for their proposed 2012 capital projects. Going by our regular interactions, and Mr. President's personal push for optimal implementation of the Budget, I expect significant levels of MDAs' utilization of their capital votes from the second quarter.

This Report is a product of the collaborative efforts of the Budget Office and other agencies of Government which provide key financial and macroeconomic data, and concerted efforts of the various departments of the Budget Office of the Federation, particularly the Budget Monitoring and Evaluation unit. I commend their efforts and wish them every success as they continue to perform this important function.

**Dr. Bright Okogu**

*Director General, Budget Office of the Federation*

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# EXECUTIVE SUMMARY

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On the back of the global economic crisis and domestic challenges, the 2012 Budget was conceived to safeguard the domestic economy from the negative impact of the global economic crisis and translate the developmental plans of the government unveiled in the *Transformation Agenda* into concrete actions. It focuses on achieving fiscal consolidation and real growth of the economy and emphasizes on stimulating entrepreneurial activity as well as setting up a sustainable framework for Nigerians with creative tendencies to showcase their business acumen, build capacity and create jobs.

The economy has demonstrated continued resilience as evidenced by provisional data from the National Bureau of Statistics indicating a robust growth of 6.17% driven largely by the non-oil sector in the first quarter. In spite of fears of spiral inflation as a consequence of the partial withdrawal of subsidies and the increase to electricity tariff, the year-on-year headline inflation fell marginally from 13.3% in December 2011 to 12.6% at the end of the first quarter while the maximum lending rate as at March 2012 remained stable at the December 2011 level. Furthermore, the stock of external reserves ended on a high of US\$35.2 billion in March 2012 depicting an increase of US\$2.56 billion over US\$32.64 billion recorded in December 2011. Data from the Central Bank of Nigeria (CBN) shows that, relative to December 2011 broad money ( $M^2$ ) declined by N29,365.42 million (or 0.22%) in March 2012.

Data from the Office of the Accountant General of the Federation (OAGF) on the implementation of the 2012 Budget shows that a total of N1,257.87 billion was received into the Federation Account in the first quarter indicating a shortfall of N304.11 billion (or 19.47%) when compared to the quarterly projection of N1,561.98 billion. This largely contributed to the shortfall in receipts from Federation Account to fund the Federal budget by N206.65 billion (or 23.21%). A quarterly estimate of N890.25 billion was projected to fund the Budget but only N683.61 billion was realized in the first quarter of the year. This shortfall made the full implementation of the budget in the first quarter difficult and challenging.

On the expenditure side, the Budget Office, in line with extant financial regulations, made releases of recurrent and capital votes in the first quarter prior to the signing of the 2012 Appropriation Act in April, 2012. Recurrent expenditures are on track and that as at 31 March, 2012 a total of N301.66 billion had been released for the implementation of MDAs' capital projects and programmes. The sum of N148.52 billion (or 49.51%) of this amount had been cash-backed in the first quarter.

The implementation of the Budget in the first quarter suffered from the extension of the period for implementation of the 2011 capital expenditure to 31 March 2012; and the late passage of the 2012 Budget. These factors meant that MDAs focused on the implementation of their 2011 ongoing capital projects and programmes in the quarter while their procurement processes continued towards implementing their projects in the proposed 2012 Budget. Against this backdrop, utilization of the capital budget releases effectively commenced in April when the 2012 Budget was signed into law. Accordingly, this first Quarter Report focuses on the macroeconomic and financial analysis.

We expect the pace of budget implementation to pick up from the second quarter when MDAs will have had enough time to devote to the 2012 Budget. The usual field visits to inspect selected projects will be mounted so as to assess and report the physical implementation of projects and programmes.

# 1.0 INTRODUCTION

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

2. In doing this, the Budget was formulated taking the evolving global economic developments, which guided the assumptions in the *2012-2014 Fiscal Framework*, into consideration. As such, deliberate policy measures were taken to protect the domestic economy from the declining trend in global economy. These included focusing expenditure on developmental projects, the completion of viable ongoing capital projects and programmes, and among others, ensuring compliance with the *Fiscal Responsibility Act, 2007*, with particular regard to the fiscal deficit limit of 3% of GDP.

3. Consequently, Government increased the pace with which certain policy measures were being implemented, for instance, revision of the initial budget proposal which entailed 25% reduction to salaries of political office holders and the removal of provisions for certain administrative-type capital items from the Budget. Furthermore, a *White Paper Committee* was set up to guide the rationalization of MDAs in order to eliminate duplications in the rendition of government services based on the *Anya* and *Oronsaye Reports*. The measures also included increasing budget revenues by blocking leakages, improving corporate tax collection by institutionalising various reform programmes and boosting internally generated revenue. The implementation of the *Government Integrated Financial Management Information System (GIFMIS)* and the *Treasury Single Account (TSA)* in the period were also aimed at improving the online, real time capture of Government revenues and expenditures in a more transparent and efficient manner.

4. In recent years, the Government has been evolving policies aimed at improving the quality of capital expenditure. In this regard, the Government introduced a template and threshold for analysing and accepting new capital projects' financial and social benefit to Nigerians when implemented. The key considerations here include the projects' economic rate of return, job creation potentials and environmental sustainability. Expenditure on capital projects are also being prioritised, while attention will be focused on the completion of the large portfolio of viable on-going projects and identified flagship projects already captured in the Transformation Agenda of the government.

5. In accordance with the extant financial regulations, though the 2012 Budget was only signed into law on 13 April 2012, expenditure releases were made to the spending agencies from the first quarter of the year. However, with the extension of the period for implementation of the 2011 Budget to 31 March 2012, most MDAs focused attention on the implementation of their 2011 capital budget items while planning procurement activities for their 2012 capital budget items.

6. This Report covers the first quarter of 2012 Budget implementation. It also provides an insight into the Federal Government's revenue and expenditure targets and provides information on progress made with the capital budget implementation by MDAs. The rest of this Report is prepared as follows: *Chapter 2* presents a brief review of the macroeconomic environment under which the budget was implemented in the period; *Chapter 3* presents a detailed analysis of government's revenue receipts and expenditure in the first quarter of 2012 and *Chapter 4* gives a brief conclusion to the Report.

## 2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS

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Provisional data from the National Bureau of Statistics (NBS) as at the end of the first quarter indicated that the Nigerian economy grew by 6.17% when measured by the Real Gross Domestic Product (GDP). This growth is driven mainly by activities in the non-oil sector and represents a decline by 1.51% and 0.96% when compared with the 7.68% and 7.13% recorded in fourth and first quarters of 2011 respectively. Added to the security concerns in some parts of the country, the decline may be attributed to observed decline in economic activities which followed the partial removal of subsidy on petrol and the subsequent civil protest.

8. The data indicated that the estimated crude oil production (including condensates and the associated gas components) decreased when compared with the corresponding period of 2011. This resulted in a decline in real terms of 2.32% in oil GDP growth in the first quarter of 2012 as against the marginal growth of 0.05% recorded in the corresponding period of 2011. On the other hand, the non-oil sector in the first quarter of 2012 recorded a 7.93% growth in real terms as against the 8.73% recorded in the same period of 2011. Despite this decline, the sector continued to be a major driver of economic growth in the first quarter of 2012. The 0.8% decrease in growth was due to decreases in activities in manufacturing, wholesale & retail trade and telecommunication, among others.

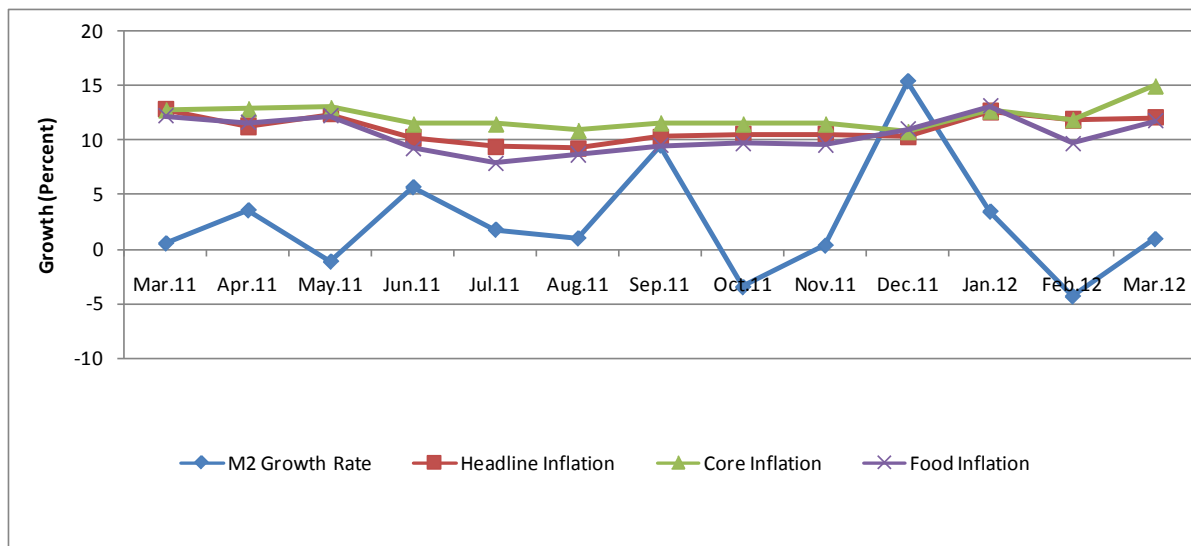
### *Inflation*

9. Inflationary threats re-emerged in the first quarter of 2012, having moderated in the fourth quarter of 2011. The year-on-year headline inflation rose from 10.3% in December 2011 to 12.6% in January, declined to 11.9% in February and then rose to 12.1% March 2012.

Similarly, the year-on-year food inflation rose from 11% in December 2011 to 13.1% in January, declined to 9.7% in February and then rose to 11.8% March. The year-on-year core inflation followed a similar trend of moving from 10.8% in December 2011 to 12.7%, 11.9% and 15% in January, February and March 2012 respectively.

10. This general inflationary trend in the first quarter of 2012 can be attributed to the effect of the partial removal of subsidy on petrol in January 2012. These trends are depicted in *Chart 1* below.

**Chart1:** Inflation and M<sup>2</sup> Growth Rate (March 2011 – March 2012)



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

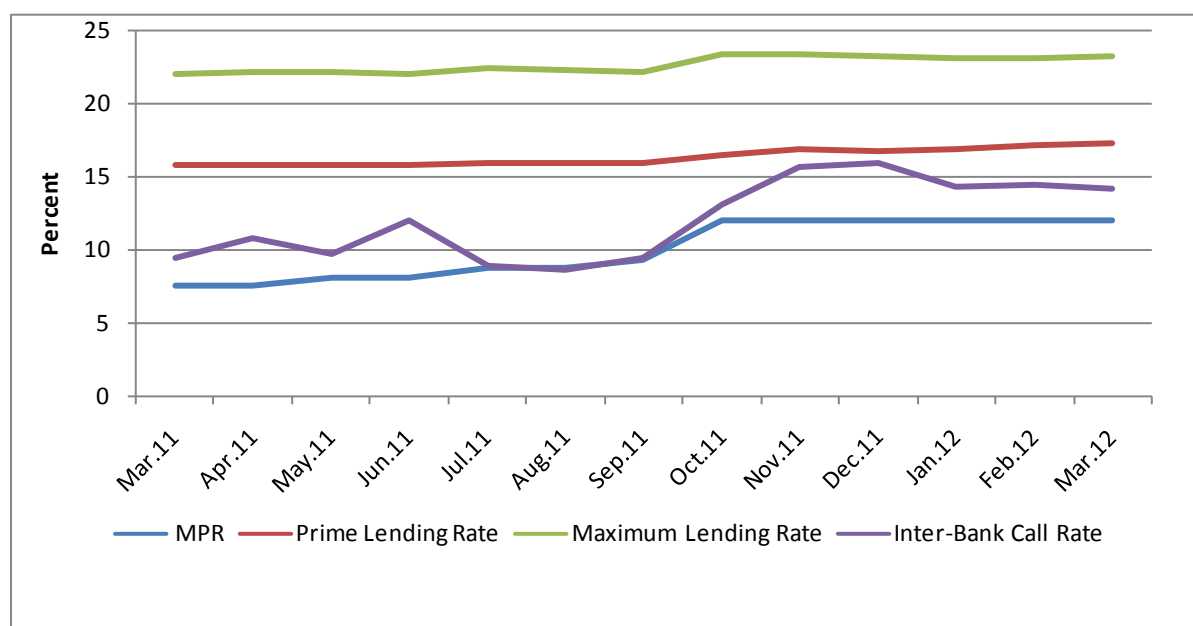
### *Money Supply*

11. Relative to the figure of N13,300,339.22 million as at December 2011, broad money supply (M<sup>2</sup>) grew by N454,953.98 million (or 3.42%) in January 2012 but declined by N146,551.72 million (or 1.1%) and N29,365.42 million (or 0.22%) in February and March 2012 when compared with N13,755,293.2 million, N13,153,787.5 million and N13,270,973.8 million recorded in January, February and March 2012 respectively.

## Interest Rates

12. The maximum lending rate declined from 23.21% in December 2011 to 23.08% and 23.13% in January and February 2012 respectively before rising to 23.21% in March 2012. On the other hand, prime lending rate rose from 16.75% in December 2011 to 16.92%, 17.11% and 17.28% in January, February and March 2012 respectively.

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



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

13. The overall stability in the money market rates within the quarter was essentially a reflection of the effectiveness of monetary policy implementation. The monetary policy rate (MPR) remained constant at 12% throughout the first quarter of 2012. The inter-bank call rate on the other hand, had been fluctuating from 15.85% in December 2011 to 14.19%, 14.35% and 14.13% in January, February and March 2012 respectively. These trends are presented in *Chart 2*.

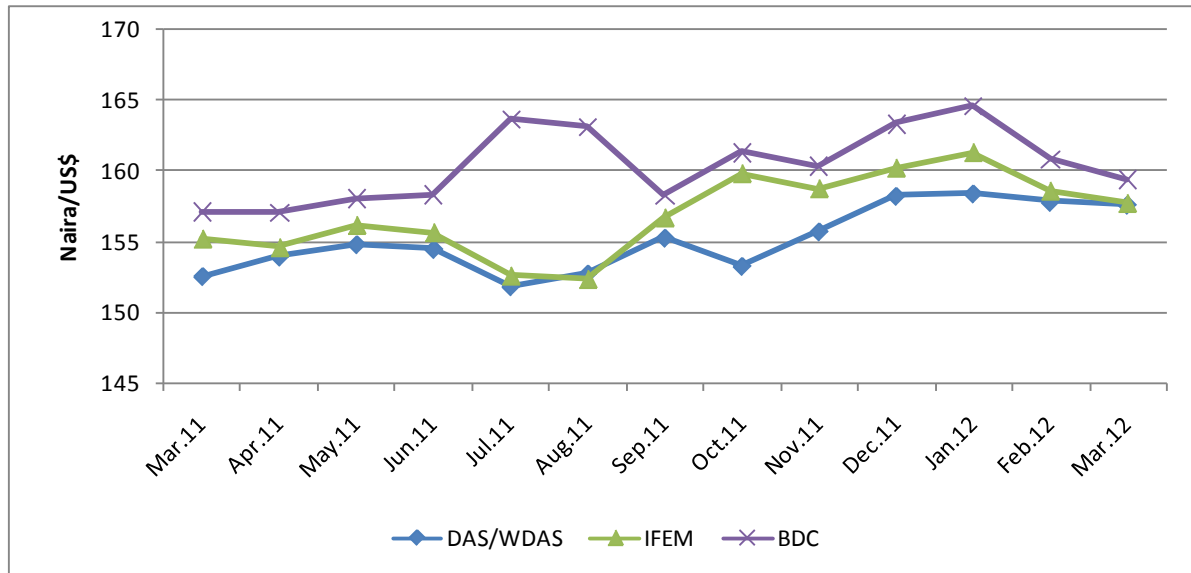
## Exchange Rates

14. The average official *Wholesale Dutch Auction System* (WDAS) Naira/Dollar exchange rate fluctuated between N158.40/US\$1 and

N157.60/US\$1 in the first quarter of 2012. The rate depreciated slightly from N158.23/US\$1 in December 2011 to N158.40/US\$1 in January 2012 but appreciated to N157.80/US\$1 and N157.60/US\$1 in February and March 2012 respectively. Similarly, the average Bureau de Change rate depreciated from N163.35/US\$1 in December 2011 to N164.62/US\$1 in January 2012 before appreciating to N160.85/US\$1 and N159.41/US\$1 in February and March 2012 respectively.

15. The average Inter Bank exchange rate appreciated from N162.27/US\$1 in December 2011 to N161.31/US\$1, N158.59/US\$1 and N157.72/US\$1 in January, February and March 2012 respectively. The appreciation of the official exchange rate within the quarter can be attributed to the inflow of foreign exchange partly due to the current high crude oil prices in the international market, tightening of the fuel subsidy regime which reduced the demand for foreign exchange and the general improvement in the policy environment to attract capital flows.

**Chart 3:** Naira/US\$ Exchange Rates Trend (March 2011 – March 2013)



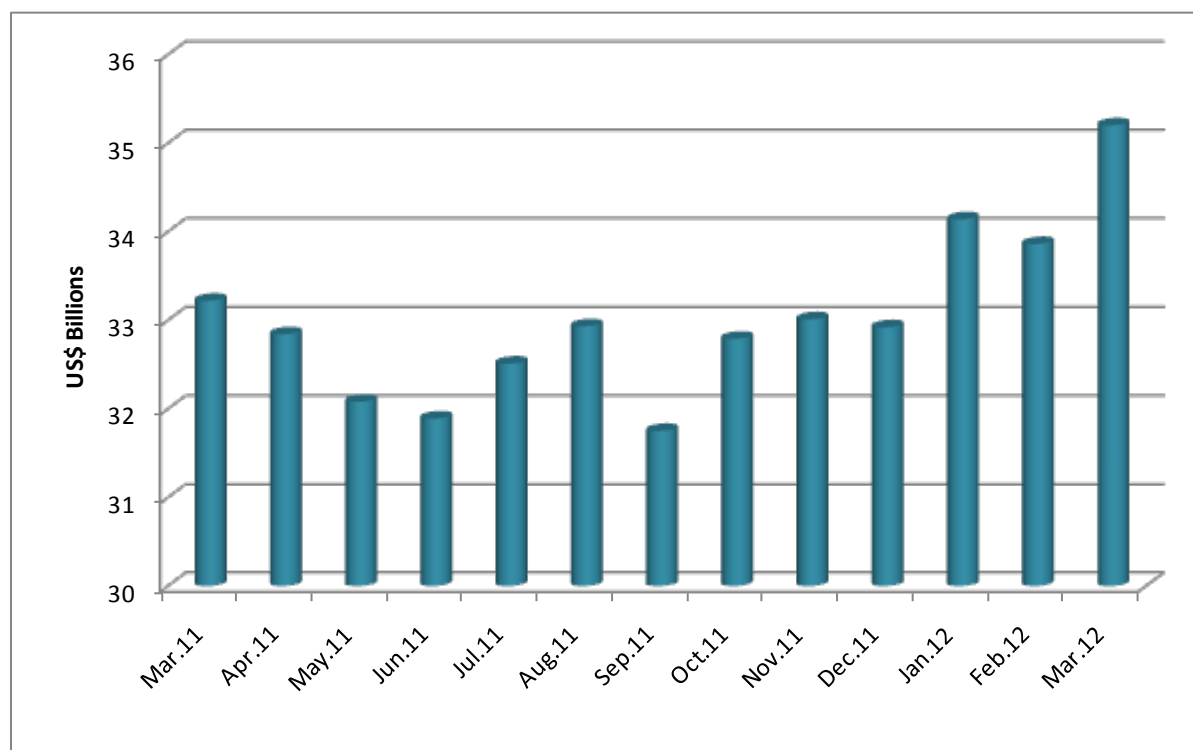
**Source:** Central Bank of Nigeria, 2012

### *Foreign Reserves*

16. As at the end of the first quarter of 2012, foreign exchange reserves amounted to US\$35.2 billion, depicting an increase of US\$2.56 billion (or

7.84%) over US\$32.64 billion recorded in December 2011. During the quarter, the level of foreign reserves were US\$34.14 billion, US\$33.86 billion and US\$35.2 billion in January, February and March 2012 respectively. The increase in foreign reserves in the first quarter of 2012 was a reflection of favourable oil prices, fuel subsidy reforms, inflows of capital in response to the removal of restrictions on repatriation of capital and high domestic interest rates as well as stable exchange rates. The level of external reserves as at end of March 2012 was sufficient to finance at least 6-months of imports of goods and services. This is well above the globally recommended threshold of 3 months import cover.

**Chart 4:** Level of External Reserves (March 2011 – March 2012)



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

## 3.0 FINANCIAL ANALYSIS OF THE 2012 BUDGET IMPLEMENTATION

### 3.1 Key Assumptions and Projections

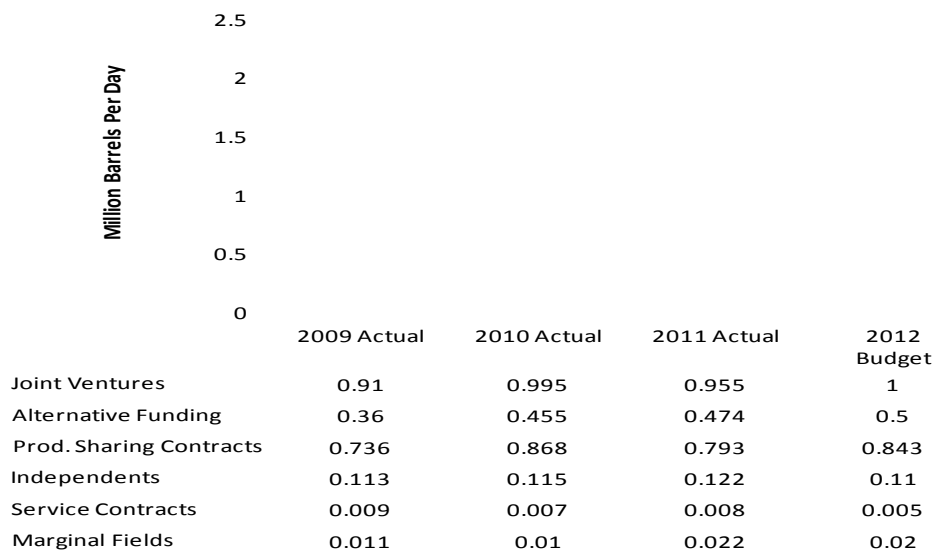
The 2012 Budget is based on the *2012-2014 Medium Term Fiscal Framework* (MTFF) which was prepared sequel to extensive consultations with relevant bodies in both the public and private sectors of the economy. Key macroeconomic targets and assumptions (see *Table 1* below) were also given critical considerations in preparing the framework.

**Table 1:** Key Assumptions and Targets for the 2012 Budget

<b>KEY ASSUMPTIONS &amp; TARGETS</b>	<b>2012</b>
Projected Production (in mbpd)	2.48
Budget Benchmark price (per barrel in US)	72
<b><i>Technical Cost of JV Pbl to Oil Companies</i></b>	
Operating expenses (T1) in US \$	10.24
Capital expenses (T2) in US \$	10.18
<b><i>Technical Cost of PSC Pbl to Oil Companies</i></b>	
Operating expenses (T1) in US \$	8.3
Capital expenses (T2) in US \$	19.68
Investment Tax Credit	5.22
<b><i>Technical Costs of SC Pbl to Oil Company</i></b>	
Operating expenses (T1) in US \$	22.26
Capital expenses (T2) in US \$	43.3
Investment Allowances	22.43
<b><i>Weighted Average Contribution rates</i></b>	
Weighted average rate of PPT-JV/AF/Independent/Marginal	85%
Weighted average rate of PPT-PSC Oil	51.65%
Weighted average rate of PPT-SC Oil	51.65%
Weighted average rate Royalties-JV/AF/Independent/Marginal	19.25%
Weighted average rate of Royalties -PSC Oil	2.34%
Weighted average rate of Royalties SC Oil	2.34%
Average exchange rate (NGN/US\$)	155
VAT Rate	5%
CIT Rate	30%

**Source:** BOF, NNPC, FIRS and NCS

**Chart 5: Budget Oil Production by Business Arrangements 2009 – 2012**



**Source:** NAPIMS/NNPC

### ***Budget Benchmark Oil Price and Production***

18. As has been the practice in recent years, the government adopted a conservative method of determining the benchmark price of oil for its annual budget in view of the international oil price volatility. This way, budget expenditures are cushioned from possible negative impact of oil market price drops. In this respect, the oil benchmark price for the 2012 Budget was projected at US\$72/barrel while oil production was fixed at 2.48 million barrels per day (mbpd), a marginal increase of 0.18 mbpd over the 2.3 mbpd projected for 2011.

19. A breakdown of the expected contributions of oil production estimates by business arrangement, is presented in *Chart 5* above while the details of the contributions and rates for the major oil taxes accruing to the Federal Government are presented in *Table 2* below.

**Table 2: Detailed Assumptions for Oil Production and Taxes (2012)**

<b>Share of Oil Production</b>	<b>Percentage</b>
Joint Ventures	40.39%
Alternative Funding	20.16%
Production Sharing Contracts	33.99%
Independents	4.43%
Service Contracts	0.21%
Marginal	0.81%
Total Production	100.00%
<b>PPT Rates</b>	
Weighted Average-JV/AF/Independent/Marginal	85.00%
Weighted Average -PSC	51.44%
Weighted Average -SC	85.00%
<b>Royalties Rates</b>	
Weighted Average-JV/AF/Independent/Marginal	19.25%
Weighted Average-PSC	2.24%
Weighted Average-SC Oil	18.50%

**Source:** NNPC and BOF

### 3.2 Analysis of Revenue Performance (Federation Accounts)

#### *Overview*

20. Crude oil price averaged US\$118.49 per barrel in the international market in the first quarter of 2012. This represents an increase of US\$9.18 (or 8.4%) and US\$13.33 (or 12.68%) over US\$109.31 and US\$105.16 per barrel recorded in the fourth and first quarter of 2011 respectively. It is expected that the recent upward trend in the price of oil will be sustained following the gradual recovery of the global economy, as well as geopolitical considerations.

21. Provisional data from the Nigerian National Petroleum Corporation indicate an average oil lifting (inclusive of Condensates) for the first quarter of 2012 was 2.33mbpd which is similar to the position for the fourth quarter of 2011 but lower than 2.49mbpd recorded in the first quarter of 2011 by 0.16mbpd. This level of oil lifting during the quarter is attributable to the activities of pipeline vandals, oil thieves and illegal oil bunkers. This position is expected to improve over the next quarters

following measures being implemented by the Government to checkmate these illegal activities.

22. The 2012 Fiscal Framework presents a gross federally collectible revenue estimate of N9,692.5 billion made up of N6,636.51 billion (or 68.47%) oil revenue and N3,055.99 billion (or 31.53%) non-oil revenue. The gross federally collectible revenue represents a shortfall of N944.62 billion (or 8.88%) below the actual gross revenue of N10,637.12 billion realised in 2011. A detailed breakdown of the actual gross revenue for 2011 showed that N8,848.61 billion (or 83.19%) came from oil revenue while the balance of N1,788.51 billion (or 16.81%) was realised from non-oil revenue sources. Below is an analysis of the actual performance of the oil and non-oil revenue receipts in the quarter.

### ***Oil Revenue Performance:***

#### ***First Quarter***

23. A review of the oil revenue in the first quarter of 2012 shows that Crude Oil Sales of N1,060.17 billion, Gas Sales of N98.16 billion, Royalties (Oil & Gas) of N250.56 billion and Petroleum Profit & Gas Taxes of N943.48 billion surpassed their respective quarterly estimates of N923.26 billion, N85.12 billion, N182.78 billion and N466.36 billion by N136.92 billion (or 14.83%), N13.03 billion (or 15.31%), N67.78 billion (or 37.08%) and N477.12 billion (or 102.31%). On the other hand, proceeds from Rent of N0.13 billion and Gas Flared Penalty of N0.49 billion and Other Oil & Gas Revenue of N0.19 billion were below their quarterly projections of N0.19 billion, N0.8 billion and N0.62 billion by N0.06 billion (or 32.9%), N0.31 billion (or 38.27%) and N0.43 billion (or 69.32%) respectively. Please see more details in *Table 3*.

#### ***Net oil revenue***

24. In the first quarter of 2012, the actual net oil revenue received into the Federation Account was N872.67 billion depicting a shortfall of N129.33 billion (or 12.91%) below the net projected quarterly estimate of

N1, 151.73 billion. This performance was also lower than the N968.26 billion recorded in the fourth quarter of 2011 by N95.59 billion (or 9.87%). The difference in oil revenue between the fourth quarter of 2011 and first quarter of 2012 can be ascribed to the fluctuation in the prices of crude oil in the international market as well as the shortfall in oil lifting caused by the activities of oil theft and pipeline vandalization observed during the first quarter.

### ***Year-to-date***

25. As at the end of the first quarter, actual crude oil sales of N1, 060.17 billion, gas sales of N98.16 billion, royalties of N250.56 billion and petroleum profit & gas taxes of N943.48 billion had been achieved. Comparatively, these exceeded the respective receipts of N946.43 billion, N64.66 billion, N245.17 billion and N688.58 billion in the first quarter of 2011 by N113.74 billion (or 12.02%), N33.5 billion (or 51.81%), N5.39 billion (or 2.2%) and N254.9 billion (or 37.02%).

### ***Non-Oil Revenue Performance***

26. In line with the ongoing Public Financial Management reforms, Government has been diversifying its revenue base to non-oil sources. As a deliberate measure, the ongoing reforms in the Ports aimed at encouraging Nigerian importers to route Nigeria-bound cargos through Nigerian ports rather than through neighbouring countries is gradually yielding results. In this respect, the contribution of the non-oil sector to funding the annual budget has been on the rise. *Table 4* and *Table 5* are indications of this thrust over the last seven years.

27. The Budget Office of the Federation/Federal Ministry of Finance in addition to monitoring activities of the non-oil revenue generating and revenue collecting agencies, holds regular bilateral meetings with them with the objective to enhance their collections/remittance efficiency and effectiveness. The outcomes of these, where a number of issues impeding the actualization of the set collection targets were addressed, are gradually impacting on non-oil revenue collections.

**Table 3: Net Distributable Revenue as at March, 2012**

S/NO	DESCRIPTION	BUDGET			ACTUAL 2012 First Quarter	VARIANCE	
		2011 Annual Budget	2012 Annual Budget	2012 Quarterly Budget		2012 1st Quarter Actual Vs Quarterly Budget	
A	<b>OIL REVENUE</b>	N'bn	N'bn	N'bn	N'bn	N'bn	%
1	Crude Oil Sales	3,819.87	3,693.02	923.26	1,060.17	136.92	14.83
2	Gas Sales	352.62	340.49	85.12	98.16	13.03	15.31
3	Royalties Oil & Gas	634.64	731.12	182.78	250.56	67.78	37.08
4	Rent	0.5	0.78	0.19	0.13	(0.06)	(32.90)
5	Gas flared Penalty	4.13	3.20	0.80	0.49	(0.31)	(38.27)
6	Other Oil & Gas Rev.	2	2.48	0.62	0.19	(0.43)	(69.32)
7	PPT & Gas Tax @CITA	2,001.78	1,865.42	466.36	943.48	477.12	102.31
8	<b>Sub-Total</b>	<b>6,815.45</b>	<b>6,636.51</b>	<b>1,659.13</b>	<b>2,353.18</b>	<b>694.05</b>	<b>41.83</b>
9	Joint Venture Cash calls and Others	810.00	1,141.51	285.38	261.06	(24.32)	(8.52)
10	Domestic Fuel Subsidy (NNPC/Marketer)	245.96	888.10	222.03	210.00	(12.03)	(5.42)
11	Under Remt of Funds by NNPC	-	-	-	31.15	31.15	
12	Gas Dev, Pre Insp. & Exploration Services	198.02	-	-	-	-	-
13	<b>Sub-Total</b>	<b>5,561.46</b>	<b>4,606.91</b>	<b>1,151.73</b>	<b>1,850.98</b>	<b>699.26</b>	<b>60.71</b>
14	Transfer to Excess A/C			-	847.91	847.91	
15	Balance of Oil Revenue	5,561.46	4,606.91	1,151.73	1,003.07	(148.66)	(12.91)
16	13% Derivation of Net Oil Revenue	722.99	598.90	149.72	130.40	(19.33)	(12.91)
17	<b>TO FEDERATION ACCOUNT (OIL)</b>	<b>4,838.47</b>	<b>4,008.01</b>	<b>1,002.00</b>	<b>872.67</b>	<b>(129.33)</b>	<b>(12.91)</b>
B	<b>NON-OIL REVENUE</b>			-	-	-	
18	VAT	770.09	802.86	200.72	170.98	(29.74)	(14.82)
19	Main Customs: Import, Excise & Fees	450	600.58	150.15	109.28	(40.87)	(27.22)
20	Corporate Tax: CIT, Stamp Duties & CGT	702.25	828.18	207.05	124.41	(82.63)	(39.91)
21	Special Levies (Customs)		116.07	29.02	-	(29.02)	(100.00)
22	<b>Sub-Total</b>	<b>1,922.34</b>	<b>2,347.70</b>	<b>586.92</b>	<b>404.67</b>	<b>(182.26)</b>	<b>(31.05)</b>
23	Collection Cost and Other Deductions	94.71	120.21	30.05	19.47	(10.59)	(35.23)
24	Cost of Collection (VAT)	30.8	32.11	8.03	6.84	(1.19)	(14.82)
25	7% NCS Cost of Collection	31.5	50.17	12.54	7.65	(4.89)	(39.01)
26	FIRS Tax Refunds	4.5	5.00	1.25	-	(1.25)	(100.00)
27	4% FIRS Cost of Collection	27.91	32.93	8.23	4.98	(3.26)	(39.55)
28	<b>TO FEDERATION A/C (NON-OIL)</b>	<b>1,088.34</b>	<b>1,456.74</b>	<b>364.19</b>	<b>221.06</b>	<b>(143.12)</b>	<b>(39.30)</b>
29	Total VAT Pool	739.29	770.75	192.69	164.14	(28.55)	(14.82)
30	Net Non-Oil Revenue	1,827.62	2,227.49	556.87	385.20	(171.67)	(30.83)
31	Sub-Total: FEDERATION	5,926.81	5,464.75	1,366.19	1,093.74	(272.45)	(19.94)
32	Add: Balances of Special Account	15.61	12.44	3.11	-	(3.11)	(100.00)
33	<b>TOTAL FEDERATION ACCOUNT</b>	<b>5,942.42</b>	<b>5,477.19</b>	<b>1,369.30</b>	<b>1,093.74</b>	<b>(275.56)</b>	<b>(20.12)</b>
C	<b>TOTAL DISTRIBUTION</b>						
1	Federation Account	5,942.42	5,477.19	1,369.30	1,093.74	(275.56)	(20.12)
2	VAT Pool Account	739.29	770.75	192.69	164.14	(28.55)	(14.82)
3	<b>GRAND TOTAL</b>	<b>6,681.71</b>	<b>6,247.94</b>	<b>1,561.98</b>	<b>1,257.87</b>	<b>(304.11)</b>	<b>(19.47)</b>

Source: OAGF and Budget Office of the Federation

**Table 4: Actual performance of Non-Oil Revenue category (2005-2011)**

Description	2005	2006	2007	2008	2009	2010	2011	7 - Year Average
	N' m	N' m	N' m	N' m	N' m	N' m	N' m	N' m
Customs Duties & Excise	228,645.20	176,297.90	248,941.30	274,407.60	278,940.00	309,193.00	422,090.00	276,930.71
Company Income Tax	162,166.30	244,807.80	327,040.20	416,825.50	564,950.00	657,278.00	716,920.00	441,426.83
Value Added Tax	189,969.40	230,370.30	301,709.60	404,527.80	468,388.90	562,857.00	649,500.00	401,046.14
Education Tax	21,849.00	23,950.00	50,650.00	59,387.00	61,058.20	-	-	30,984.89
FGN Independent Revenue	52,483.20	106,600.00	152,290.00	198,234.20	64,114.70	153,551.90	182,490.00	129,966.29

**Source:** OAGF and BOF

**Table 5: Percentage Growth in Non-Oil Revenues (2006-2011)**

Description	2006	2007	2008	2009	2010	2011	6-Year Average
Customs Duties & Excise	-22.89%	41.20%	10.23%	1.65%	10.85%	36.51%	12.93%
Company Income Tax	50.96%	33.59%	27.45%	35.54%	16.34%	9.07%	28.83%
Value Added Tax	21.27%	30.97%	34.08%	15.79%	20.17%	15.39%	22.94%
FGN Independent Revenue	103.11%	42.86%	30.17%	-67.66%	139.50%	18.85%	44.47%

**Source:** OAGF and BOF

28. In the quarter under review, the actual gross non-oil revenue was N404.67 billion indicating an underperformance of N182.26 billion (or 31.05%) below the quarterly estimate of N586.92 billion. A breakdown of the non-oil revenue items shows that the value added tax of N170.98 billion, customs & excise duties of N109.28 billion and company income tax of N124.41 billion were lower than their respective quarterly estimates of N200.72 billion, N150.15 billion and N207.05 billion by N29.74 billion (or 14.28%), N40.87 billion (or 27.22%) and N82.63 billion (or 39.91%).

29. When compared with the 2011 fourth quarter performances of N164.69 billion, N114.88 billion and N200.47 billion, we observe a growth in Value Added Tax receipts by N6.29 billion (or 3.82%) while Customs & Excise Duties and Company Income Tax fell by N5.6 billion (or 4.87%) and N76.06 billion (or 37.94%) respectively in the first quarter of 2012. This lower performance in CIT and Customs receipts is attributable to the higher frequency of company year ends and the volume of imports at the calendar year ends than other periods of the year as the quarterly trend indicates.

### ***Comparative Revenue Performance Analysis***

30. Despite the lower than projected performance of some revenue items in the first quarter of 2012, data from the Office of the Accountant General of the Federation (OAGF) show that the actual revenue receipts in the first quarter surpassed receipts recorded in the same quarter of 2011. A review of the gross oil and non-oil revenue receipts in the first quarter of 2012 indicates an improved performance of N417.51 billion (or 21.57%) and N39.8 billion (or 10.91%) respectively over N1,935.67 billion and N364.87 billion recorded in the same period of 2011. These data are presented in *Table 7* below.

31. A further breakdown of the actual performances in the first quarter of 2012 revealed that crude oil sales of N1,060.17 billion, petroleum profit tax of N943.48 billion and royalties of N250.56 billion exceeded their respective performances of N946.43 billion, N688.58 billion and N245.42 billion in same period of 2011 by N113.74 billion, N254.9 billion and N5.39 billion. Similarly, value added tax of N170.98 billion and customs & excise duties of N109.28 billion exceeded their 2011 performances of N147.41 billion and N91.41 billion by N23.57 billion and N17.87 billion respectively. On the other hand, company income tax of N124.41 billion was lower than N126.04 billion received in same period of 2011 by N1.63 billion (or 1.29%).

32. The improvement in oil revenues in the first quarter of 2012 over that of the same period in 2011 can be attributed to the higher price of oil

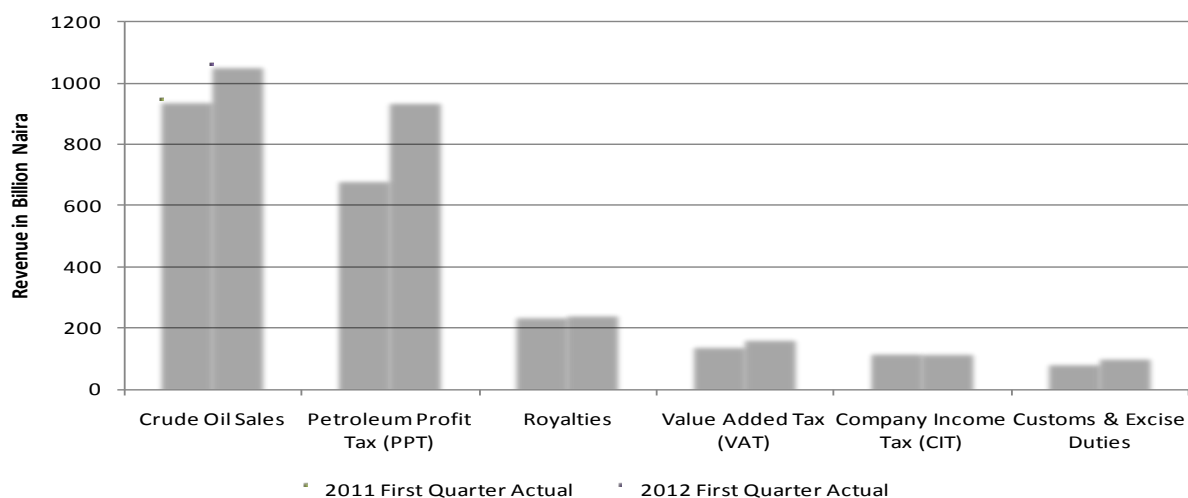
in the international market as well as sustained growth in production levels. Similarly, the progress recorded in the non-oil revenue items over that of 2011 can also be ascribed to an increase in economic activities as well as an enhanced efficiency and effectiveness in revenue collection by the revenue collecting agencies such as the Nigeria Customs Service and the Federal Inland Revenue Service.

**Table 6:** Performance of Revenue items (First Quarter of 2012 Vs 2011)

Revenue Items	2011	2012	Variance	
	2nd Quarter	2nd Quarter	2nd Quarter 2012 Vs	2nd Quarter 2011
	N'bn	N'bn	N'bn	%
<b>Oil Revenue</b>				
Crude Oil Sales	1,058.56	902.70	-155.86	-17.27
Petroleum Profit Tax (PPT)	502.41	680.58	178.17	26.18
Royalties	260.26	285.55	25.29	8.86
<b>Gross Oil Revenue</b>	1,891.28	1,958.74	67.46	3.44
<b>Net Oil Receipts</b>	726.44	991.8	265.36	26.76
<b>Non-Oil Revenue</b>				
Value Added Tax (VAT)	159.7	181.77	22.07	12.14
Company Income Tax (CIT)	133.46	157.41	23.95	15.22
Customs & Excise Duties	102.92	117.69	14.77	12.55
<b>Gross Non-Oil Revenue</b>	396.07	456.88	60.81	13.31
<b>Net Non-Oil Receipts</b>	377.14	435.07	57.93	13.32

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

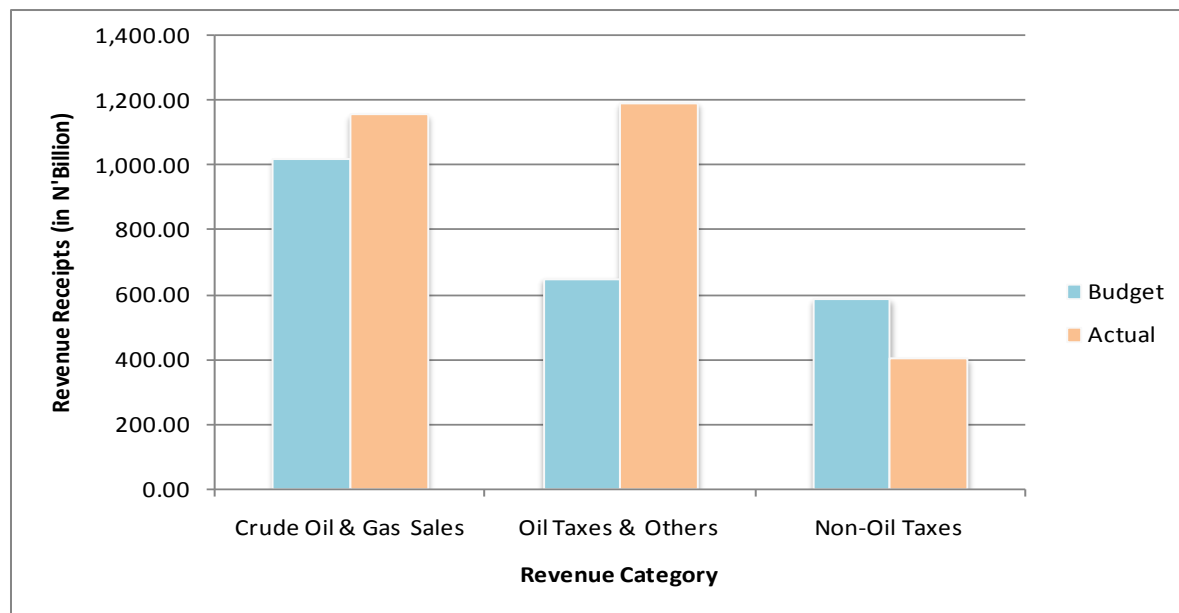
**Chart 6:** 2011 Vs 2012 Revenue Performance (First Quarter)



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

33. *Chart 7* is a graphical illustration of the actual performance of revenue categories compared to their budgeted estimates as at March 2012.

**Chart 7:** Projected Vs Actual FAAC Revenue Receipts (as at March 2012)



**Source:** Budget Office of the Federation

### ***Distributable Revenue***

34. Net distributable revenue is the proceeds in the Federation Account that is available for distribution among the three tiers of government after all relevant deductions. A net sum of N1,257.87 billion accrued for distribution among the three tiers of government in the first quarter of 2012. This implies a shortfall of N304.11 billion (or 19.47%) when compared with the quarterly projection of N1, 561.98 billion. In relation to the quarterly projections, the shortfall in net revenue receipts in the oil and non-oil categories impacted negatively on the funds available for distribution in the first quarter.

35. Comparatively, the distributable revenue of N1,257.87 billion for the first quarter of 2012 exceeded the sum of N1, 091.77 billion distributed in the first quarter of 2011 by N166.1 billion (or 15.21%).

36. *Chart 8* below reveals the percentage contribution of the revenue categories to distributable revenue in the first quarter of 2012.

**Chart 8:** Contributions to Distributable Revenue (in the First Quarter of 2012)



**Source:** Budget Office of the Federation

### 3.3 FGN Budget Revenue Sources

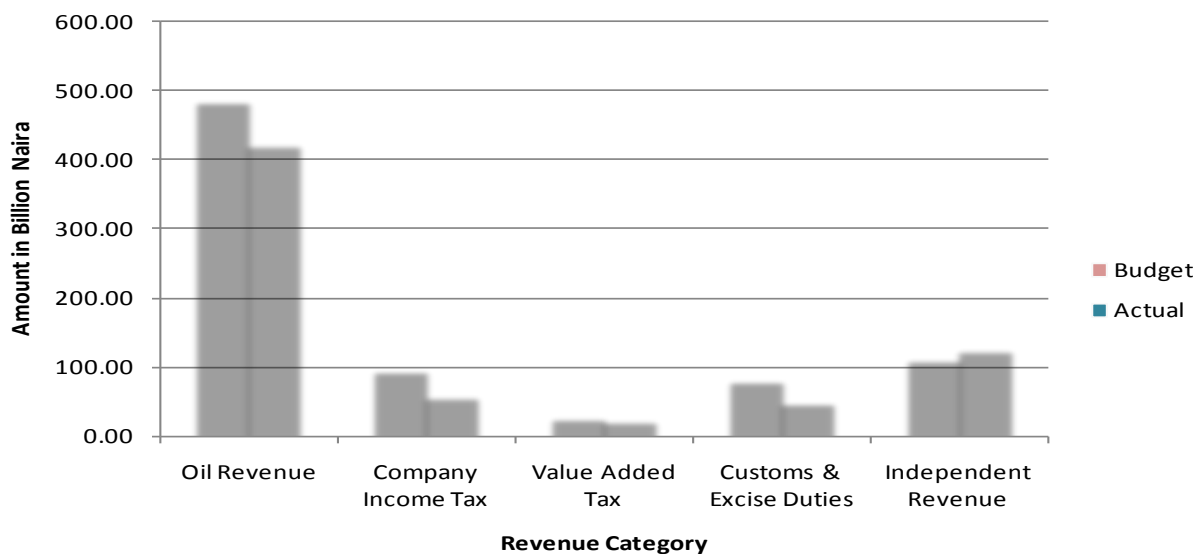
37. In line with the approved Fiscal Framework for 2012, the sum of N3,561.02 billion was projected to fund the Federal Budget, implying a quarterly share of N890.25 billion. In the first quarter of 2012, the Federal Government had a share of N423.25 billion from oil sources. This was lower than the quarterly estimate of N485.97 billion by N62.73 billion (or 12.91%). Similarly, the FGN share of the value added tax (VAT) of N22.98 billion, customs & excise duties of N49.29 billion and company income tax of N57.93 billion were short of their respective quarterly estimates of N26.98 billion, N80.81 billion and N95.82 billion by N4 billion, N31.52 billion and N37.89 billion. On the other hand, the receipt of N125.43 billion from its independent revenue sources exceeded the quarterly projection of N111.7 billion by N13.74 billion. These data are presented in *Table 7*.

**Table 7: FGN Revenue as at March 2012**

S/NO	DESCRIPTION	BUDGET			ACTUAL	VARIANCE	
		2011 Annual Budget	2012 Budget	2012 Quarterly Budget	2012 First Quarter	1st Quarter Vs Quarterly Budget	Actual
<b>1</b>	<b>Inflows to fund the Federal Budget (CRF)</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>N'bn</b>	<b>%</b>
2	FGN Share of Oil Revenue	2,346.66	1,943.88	485.97	423.25	(62.73)	(12.91)
3	FGN Share of Non-Oil Revenue	860.27	820.46	205.11	130.19	(74.92)	(36.53)
4	FGN Share of Value Added Tax (VAT)	103.5	107.90	26.98	22.98	(4.00)	(14.82)
5	FGN Share of Customs	202.97	323.25	80.81	49.29	(31.52)	(39.01)
6	FGN Share of Company Income Tax (CIT)	324.87	383.27	95.82	57.93	(37.89)	(39.55)
7	FGN Share of Actual Balances in Special Accounts	7.57	6.03	1.51	-	(1.51)	(100.00)
8	FGN Independent Revenue	228.93	446.78	111.70	125.43	13.74	12.30
9	FGN Bal of Special Accts as at 31/12/11	13.61	43.11	10.78	-	(10.78)	(100.00)
10	Unspent Balance from Previous FY	120	306.79	76.70	4.73	(71.97)	(93.83)
<b>11</b>	<b>Sub-Total</b>	<b>3,348.11</b>	<b>3,561.02</b>	<b>890.25</b>	<b>683.61</b>	<b>(206.65)</b>	<b>(23.21)</b>
<b>12</b>	<b>Other Financing Sources</b>	-	-	-	<b>217.54</b>	<b>217.54</b>	-
13	Savings (Augmentation)	-	-	-	185.89	185.89	-
14	Excess Crude Proceeds	-	-	-	31.65	31.65	-
<b>15</b>	<b>Total Funds Available for Budget Implementation</b>	<b>3,348.11</b>	<b>3,561.02</b>	<b>890.25</b>	<b>901.15</b>	<b>10.89</b>	<b>1.22</b>

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

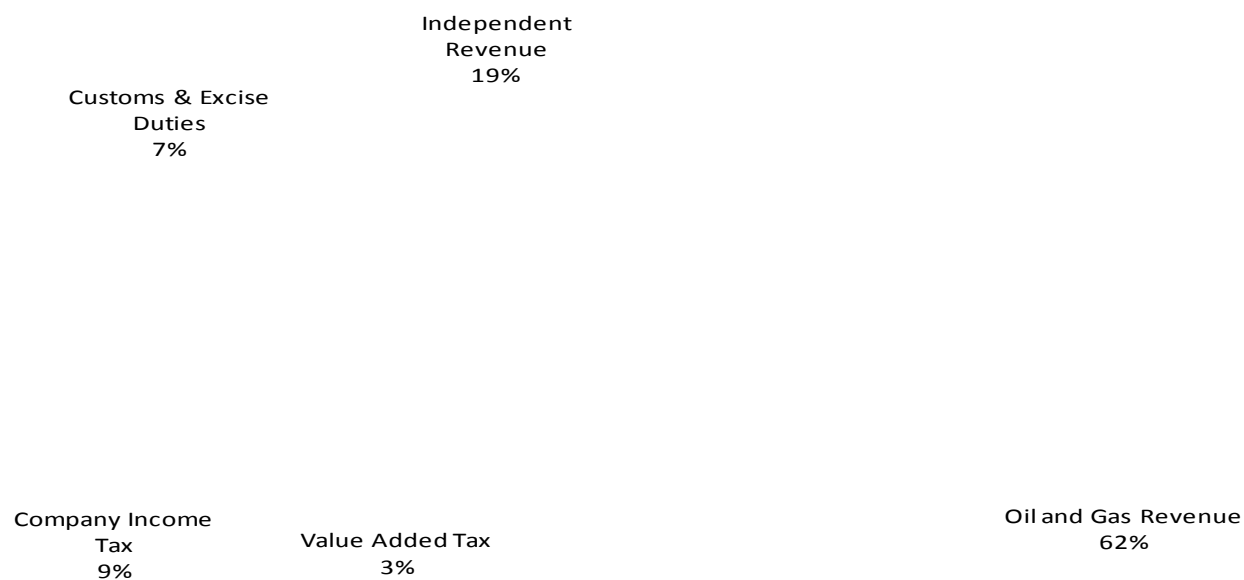
**Chart 9: FGN Revenue (Budget Vs Actual as at March 2012)**



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

38. A total of N683.61 billion, excluding other funding sources, was received in the first quarter of 2012. Following the relatively lower receipts from the oil and non-oil sources in the first quarter, this amount fell short of the quarterly estimate of N890.25 billion by N206.65 billion (or 23.21%). However, the aggregate revenue in the first quarter of 2012 was higher than the N522.38 billion recorded in the first quarter of 2011 by N161.23 billion (or 30.86%). The difference between the 2012 first quarter and 2011 fourth quarter actual performances is attributable to the oil production levels within the periods. Secondly, the historical trend indicates that receipts from the non-oil revenue items improve gradually in the course of the year. It is expected that this situation will improve in the subsequent quarters of 2012. *Chart 10* is a graphic representation of the respective revenue contributions to the FGN budget in the first quarter of 2012.

**Chart 10:** Contribution to the FGN Budget Revenue in the first Quarter of 2012  
(excluding FGN's Unspent Balances and FGN's Balances in Special Accounts)



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

### 3.4 Excess Crude Account

39. The Excess Crude Account (ECA) is a stabilization fund that was initiated to free the annual budget from shocks that may arise from shortfalls in oil revenue receipts due to changes that may occur in the prices of oil at the international market. The ECA was also designed to serve as a means of saving for the future. Excess oil revenue over the budget benchmark price and volume is saved in this account. In the first quarter of 2012, crude oil price at the international market averaged US\$118.49 per barrel, the budget benchmark oil production was projected at 2.48 mbpd while actual production (*including Condensates*) averaged 2.33 mbpd.

40. Inflows into the ECA in the first quarter of 2012 amounted to N847.91 billion, representing an increase of N58.59 billion (or 7.42%) over the N789.32 billion received in the fourth quarter of 2011. Similarly, the receipts in the first quarter of 2012 was higher than the N739.4 billion received in the same period of 2011 by N108.51 billion (or 14.68%). A total of N831.4 billion was withdrawn from the excess crude account in the first quarter of 2012. These data are presented in *Table 8*.

**Table 8:** Inflow into the Excess Crude Account

Description	2011 Actual (N' bns)		2012 Actual (N' bns)
	First Quarter	Fourth Quarter	First Quarter
<b>Inflows</b>			
<i>Transfer to Excess Crude Oil Account</i>	<b>739.40</b>	<b>789.32</b>	<b>847.91</b>
<b>Outflows</b>			
Payment for Petroleum Product Subsidy	41.4	42	149
Augmentation: Distribution among tiers of govt.	8.01	707.07	674.11
Transfer for Special Intervention Fund			8.29
Transfers Int. trf - SWF		0.14	
<b>Total Outflow</b>	<b>49.41</b>	<b>749.21</b>	<b>831.4</b>

- US\$1.5billion of the total amount converted at N155.7/US\$, \*\* US\$3.22 million converted at N155.7/US\$

Source: OAGF & BOF

### 3.5 Expenditure Developments and Revision

41. A total of N4,877.21 billion was appropriated for expenditure in 2012. Of this amount, N4,697.21 billion was for the regular budget for 2012 while N180 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 2012 is made up of N2, 425.05 billion (or 49.72%) for recurrent (non-debt) expenditure, N559.58 billion (or 11.47%) for recurrent (debt services) expenditure, N372.59 billion (or 7.64%) for Statutory Transfers, and N1,339.99 billion (or 27.47%) for Capital expenditure. *Chart 11* below is a graphical presentation of the trend in expenditure plans from 2009.

42. Though the Budget was only signed into law in April 2012, implementation commenced earlier in the year with recurrent and capital warrant releases, in line with the extant financial regulations. However, with the extension of the period for implementation of the 2011 capital budget to 31 March 2012, most MDAs focused on the full implementation of their 2011 capital projects and programmes. It is important to note that the actual amounts released for capital expenditure in the period was guided largely by the level of revenue inflows and financing items to fund the Budget.

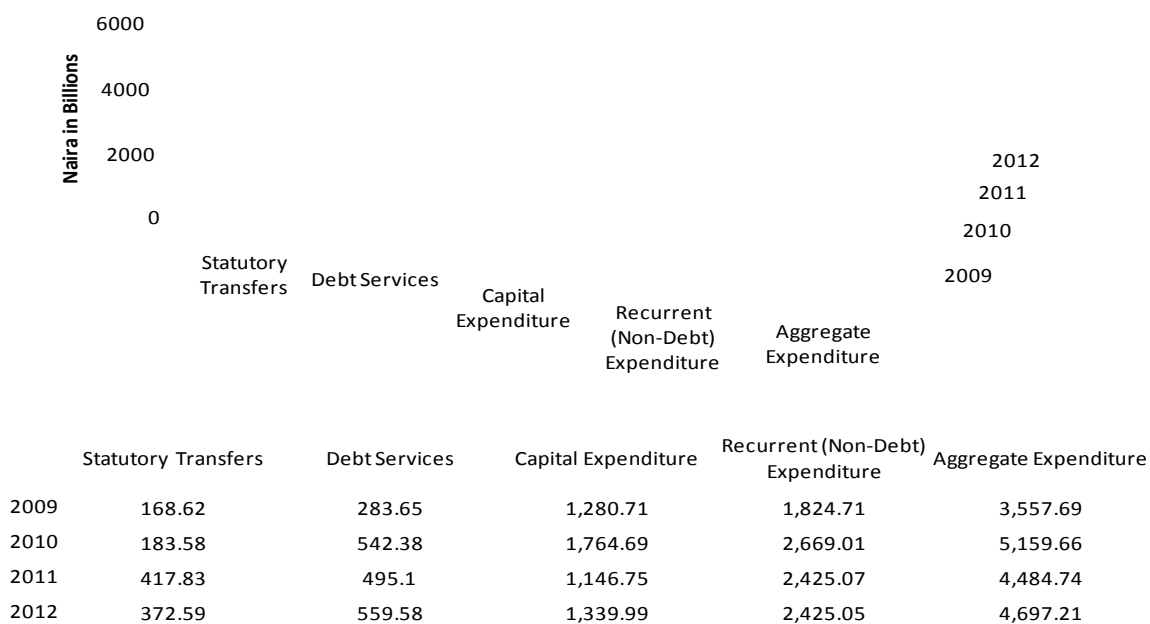
#### 3.5.1 Non-Debt Recurrent Expenditure

43. In crafting the 2012 Budget, Government maintained focus on its plan to strategically check the growth of recurrent expenditures as indicated in the *2012-2014 Fiscal Framework and Fiscal Strategy Paper*. To achieve this, MDAs were to spend more efficiently within their overhead expenditure limits for 2011. As such, measures including the rationalization of recurrent expenditure votes on overseas trainings and travels and the extension of the *Integrated Payroll and Personnel Information System* (IPPIS) to more MDAs were implemented.

44. Notwithstanding the above measures, the minimum wage increase approved in 2010 continued to pose considerable challenge to achieving

government's budget objectives. Provisions for recurrent expenditure, in absolute and relative terms, have been on the increase in recent times. However, the ratio of recurrent expenditure to aggregate expenditure is expected to be reduced gradually in future budgets in line with the medium-term plan. *Chart 11* illustrates the trend in recent years.

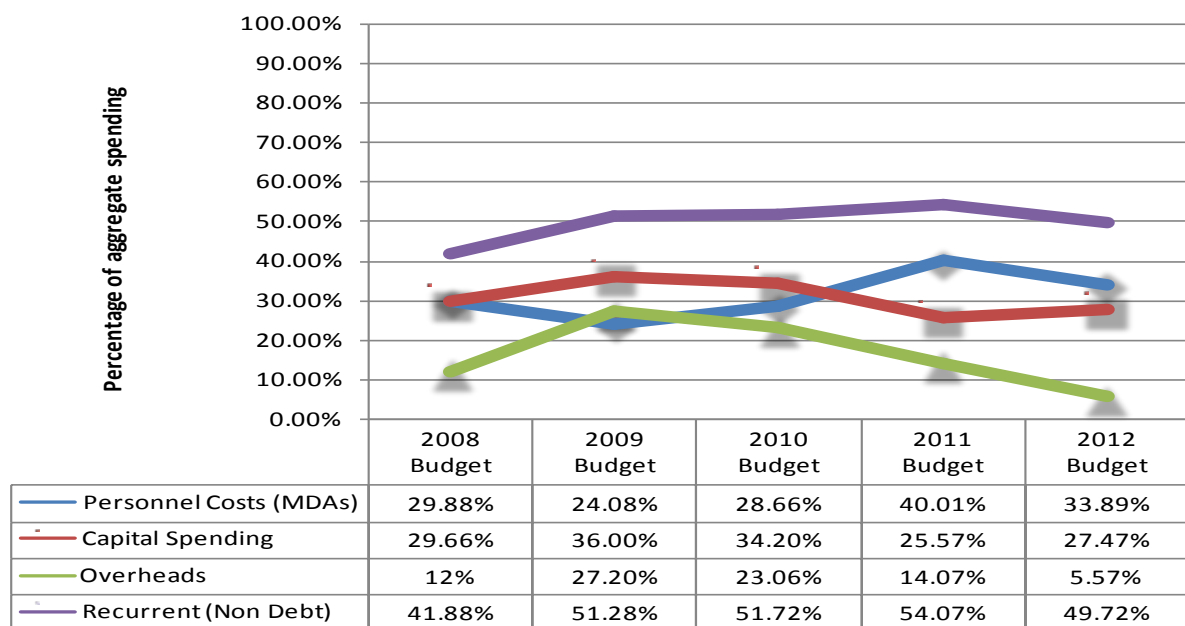
**Chart 11:** 2009 Budget - 2012 Budget Expenditure Profile



**Source:** Budget Office of the Federation

45. Data from the OAGF indicate that a total of N544.9 billion was expended on non-debt recurrent expenditure in the first quarter of 2012. This amount represents a decline of N61.36 billion (or 10.12%) from the quarterly estimate of N606.26 billion.

**Chart 12: Personnel, Overhead and Capital Expenditure Trends (2008 – 2012)**



**Source:** BOF and OAGF

### 3.5.2 Debt Service

46. Provisional data from the Debt Management Office revealed that as at 31<sup>st</sup> March 2012, the Federal Government domestic debt stock stood at N5,966.77 billion. This figure implies an increase of N343.93 billion (or 6.12%) and N1, 097.75 billion (or 22.55%) over the N5,622.84 billion and N4,869.02 billion recorded in the fourth and first quarters of 2011 respectively. The rise in aggregate domestic debt stock in the first quarter of 2012 over that of the fourth quarter of 2011 was due mainly to the net issuance of additional FGN bonds of N124.65 billion and NTBs of N219.28 billion. A breakdown of the domestic debt stock as at 31<sup>st</sup> March showed that N3,665.85 billion (or 61.44%) was for FGN Bonds, N1,947.19 billion (or 32.63%) was for Nigerian Treasury Bills (NTBs) and N353.73 billion (or 5.93%) was for Treasury Bonds.

The sum of N95.09 billion was released for domestic debt servicing in the first quarter of 2012.

**Table 9: FGN Budget Expenditure and Fiscal Account as at March 2012**

S/NO	DESCRIPTION	2011 BUDGET		2012 BUDGET		2012 ACTUAL		VARIANCE	
		Annual	Annual	Quarterly	First Quarter	1st Quarter Actual Vs Quarterly Budget			
		=N=b	=N=b	=N=b	=N=b	=N=b	%		
<b>A</b>	<b>TOTAL INFLOW</b>	<b>3,348.11</b>	<b>3,561.02</b>	<b>890.25</b>	<b>901.15</b>	<b>10.90</b>	<b>1.22</b>		
<b>B</b>	<b>EXPENDITURE</b>								
1	Personnel Cost & Pension	2,425.07	2,425.05	606.26	544.90	(61.36)	(10.12)		
2	Overhead+SWV+MYTO								
<b>3</b>	<b>Sub-Total (Non-Debt)</b>	<b>2,425.07</b>	<b>2,425.05</b>	<b>606.26</b>	<b>544.90</b>	<b>(61.36)</b>	<b>(10.12)</b>		
4	Domestic Debts & Int. on Ways & Means	450.01	511.98	128.00	95.09	(32.90)	(25.71)		
5	Foreign Debts	45.09	47.60	11.90	-	(11.90)	(100.00)		
<b>6</b>	<b>Sub-Total (Debt)</b>	<b>495.10</b>	<b>559.58</b>	<b>139.90</b>	<b>95.09</b>	<b>(44.80)</b>	<b>(32.03)</b>		
<b>7</b>	<b>CAPITAL EXPENDITURE:</b>								
8	*Capital Releases 2012		1,339.99	335.00	155.38	(179.62)	(53.62)		
9	*Capital Releases 2011	1,146.75		-	-	-			
<b>10</b>	<b>Sub-Total (Capital)</b>	<b>1,146.75</b>	<b>1,339.99</b>	<b>335.00</b>	<b>155.38</b>	<b>(179.62)</b>	<b>(53.62)</b>		
<b>11</b>	<b>TRANSFERS:</b>								
12	NDDC	56.08	48.67	12.17	-	(12.17)	(100.00)		
13	National Judicial Council	95	75.00	18.75	21.25	2.50	13.33		
14	Universal Basic Education	64.57	63.12	15.78	16.14	0.36	2.30		
15	Ind. Nat. Elect. Comm.	52.18	35.00	8.75	10.00	1.25	14.29		
16	Natioal Human Rights Comm.		0.80	0.20	-	(0.20)	(100.00)		
17	National Assembly	150	150.00	37.50	37.65	0.15	0.39		
<b>18</b>	<b>Sub-Total (Transfers)</b>	<b>417.83</b>	<b>372.59</b>	<b>93.15</b>	<b>85.04</b>	<b>(8.11)</b>	<b>(8.71)</b>		
<b>19</b>	<b>TOTAL EXPENDITURE</b>	<b>4,484.75</b>	<b>4,697.21</b>	<b>1,174.30</b>	<b>880.41</b>	<b>(293.89)</b>	<b>(25.03)</b>		
<b>20</b>	<b>Deficit /( Surplus)</b>	<b>(1,136.64)</b>	<b>(1,136.19)</b>	<b>(284.05)</b>	<b>20.74</b>	<b>304.79</b>	<b>(107.30)</b>		
<b>C</b>	<b>FINANCING ITEMS</b>								
1	Privitization Proceeds	16.91	10.00	2.50	3.50	1.00	40.00		
2	Signature Bonus	42.44	75.00	18.75	-	(18.75)	(100.00)		
3	FGN Share from Stabilisation Fund Account	225	306.76	76.69	-	(76.69)	(100.00)		
4	Domestic borrowing (FGN Bond)	852.27	744.44	186.11	200.00	13.89	7.46		
<b>5</b>	<b>Sub-Total</b>	<b>1,136.64</b>	<b>1,136.19</b>	<b>284.05</b>	<b>203.50</b>	<b>(80.55)</b>	<b>(28.36)</b>		
<b>6</b>	<b>Net Deficit / Surplus</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>224.24</b>	<b>224.24</b>			

Source: OAGF and Budget Office

47. As at 31<sup>st</sup> March 2012, Nigeria's external debt stock stood at US\$5,993.54 million, indicating an increase of US\$326.96 million (or 5.77%) over US\$5,666.58 million recorded in the fourth quarter of 2011. The increase was due mainly to the increases in multilateral debt drawdown. A breakdown of the external debt stock in the first quarter of 2012 showed that multilateral debts amounted to US\$4,925.08 million (or 82.17%), Non-Paris Club (Bilateral and Commercial) Debts amounted to US\$568.47 million (or 9.48%) while ICM accounted for the balance of US\$500.0 million (or 8.34%).

48. The external debt service payments in the first quarter of the year amounted to US\$94.9 million. A breakdown of the payments indicated that US\$56.96 million (or 60.02%) was to Multilateral Creditors, US\$27.38 million (or 28.85%) was to Non-Paris Club Bilateral Creditors, US\$10.57 million (or 11.14%) was to Commercial Creditors.

### **3.5.3 Statutory Transfers:**

49. In the first quarter of 2012, a total of N85.04 billion was released for statutory transfers, indicating a shortfall of N8.11 billion (or 8.71%) compared to the quarterly budget of N93.15 billion. N21.25 billion of this amount went to the National Judicial Council (NJC), N16.14 billion to the Universal Basic Education Commission (UBEC), N10 billion to Independent National Electoral Commission (INEC) and N37.65 billion went to the National Assembly. It is important to note that these transfers are made sequel to requests from these bodies subject to the quarterly limits.

### **3.5.4 Capital Expenditure Performance:**

50. In crafting the Budget, the Government focused capital expenditure on its key priorities which include food security, physical security, and the development of critical infrastructure to give more inclusive growth and attention to job creation. Of the N1,339 billion budgeted for capital expenditure in the year, 50% was devoted to the development of critical infrastructure, 13% was for food security, 11% was for physical security, 15% was for human capital development while the balance of 11% was for other projects.

51. While focusing on funding and bringing the large portfolio of on-going and some flagship projects to completion in the next few years, the Government also devised a means of making capital spending more effective by introducing a template for analysing new capital projects proposals for approval subject to certain thresholds. This template is used to assess their economic rates of returns among other factors like their job creation potentials and environmental sustainability.

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

52. A breakdown of the data from the Office of the Accountant General of the Federation (OAGF) revealed that as at 31<sup>st</sup> March, 2012 a total of N301.66 billion had been released through 1<sup>st</sup> Quarter Development Capital Warrant of N300 billion and Authority to Incur Expenditure (AIEs) of N1.66 billion for the implementation of MDAs' capital projects/programmes as contained in the 2012 Appropriation Act. Of this amount, a total of N148.52 billion (or 49.51%) of the total releases was cash backed.

### ***Performance as at 31st March 2012***

53. The data also shows the unutilized balances in the capital accounts of MDAs at the Central Bank of Nigeria for the quarter. The reason for the under-utilization, as earlier indicated include the following. With the extension of the period for implementation of the 2011 capital budget expenditure to 31 March 2012, most MDAs focused on the implementation of their ongoing projects. Secondly, MDAs exercised caution in the utilization of their first quarter capital budget release in order to forestall incurring expenditures that may eventually not be approved in the Appropriation Act. As such, following the late passage of the 2012 Budget, the actual implementation of the 2012 capital budget effectively commenced in April 2012 when it was signed into law. This realization was the reason there was no field visit to monitor the implementation of capital projects for the first quarter of 2012. *Appendix 1* to this Report gives an indication of funds released and cash backed to the

MDAs in the quarter.

**Table 10:** A sample of MDAs' Capital Budget utilization (as at 31<sup>st</sup> March, 2012)

MDA	TOTAL CAPITAL APPROPRIATION	TOTAL AMOUNT RELEASED	TOTAL AMOUNT CASH BACKED	UTILIZATION			
	N	N	N	N	As %age of Cashbacked Funds	As %age of Total Releases	As %age Total Capital Appropriation
Power	75,464,688,374	19,430,098,320	4,769,107,281	0	0	0	0
Transport	46,859,372,512	13,079,244,441	3,952,938,399	0	0	0	0
Health	60,920,219,702	15,706,168,869	5,351,826,295	0	0	0	0
Agriculture	48,191,750,277	12,550,306,904	11,540,339,905	0	0	0	0
Water Resources	75,188,411,862	8,388,407,572	4,586,578,788	0	0	0	0
Education	66,833,018,506	15,354,345,004	2,237,728,823	0	0	0	0
Works	159,463,529,702	42,192,777,182	41,921,271,817	0	0	0	0
Niger Delta	59,222,134,484	16,073,230,536	16,073,230,536	0	0	0	0
FCTA	46,257,784,097	12,869,889,930	12,869,889,930	0	0	0	0
Police Formation & Commands	9,656,295,375	2,539,779,415	2,539,779,415	0	0	0	0
Total Average Utilization (by all MDAs)					0	0	0

**Source:** OAGF and BOF

### 3.5.5 Performance of the Financing Items:

54. Based on the 2012 fiscal framework, the quarterly funding of the budget was projected at N890.25 billion, while aggregate quarterly expenditure was estimated at N1,174.3 billion resulting in a projected quarterly deficit of N284.05 billion. This is expected to be financed through Privatization Proceeds of N2.5 billion, Signature Bonus of N18.75 billion, Sharing from Stabilisation Fund Account of N76.69 billion and Domestic Borrowing (FGN Bond) of N186.11 billion.

55. In the first quarter, a total of N203.5 billion was realised from these financing sources implying a shortfall of N80.55 billion (or 28.36%) compared to the quarterly estimate of N284.05 billion. A further review indicates that aside from the realization of N3.5 billion and N200 billion from privatization proceeds and Domestic Borrowing (FGN Bonds) respectively, nothing was realized from the other sources in the quarter.

## 4.0 CONCLUSION

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The implementation of the 2012 Budget in the first quarter was hampered by the extension of the implementation period of the 2011 capital expenditure to 31 March 2012 and the late passage of the 2012 Budget. These two factors necessitated that MDAs focus on the implementation of their 2011 ongoing capital projects and programmes in the quarter while being cautious with the utilization of the first quarter capital votes so as not to incur expenditures on projects that may eventually not be appropriated for in the 2012 Appropriation Act. Against this backdrop, MDAs failed to access their budgetary releases in the quarter. Utilization of the capital budget effectively commenced in April when the 2012 Budget was signed into law.

57. These developments coupled with social unrests that followed the partial removal of subsidy on petrol in January 2012 largely triggered the type of macroeconomic dynamics that followed. Data from the National Bureau of Statistics indicate the continued resilience of the economy with a robust growth of 6.17% driven largely by the non-oil sector in the quarter. In spite of fears of spiral inflation as a consequence of the partial withdrawal of subsidies, the year-on-year headline inflation fell marginally from 13.3% in December 2011 to 12.6% at the end of the first quarter while the maximum lending rate as at March 2012 maintained the December 2011 level. Furthermore, the stock of external reserves ended on a high of US\$35.2 billion in March 2012 depicting an increase of US\$2.56 billion over US\$32.64 billion recorded in December 2011.

58. Provisional data from the Office of the Accountant-General of the Federation indicated that a total of N1,257.87 billion accrued to the Federation Account for distribution among the tiers of Government in the first quarter compared to the quarterly projection of N1,561.98 billion. This position was largely attributable to the lower than projected oil lifting from the JV Business Arrangements which yield higher takes for government and the lower receipts from non-oil sources. As a

consequence of this, the aggregate revenue required to fund the Federal Budget in the quarter fell short of the estimate of N890.25 billion by N206.65 billion. However, this shortfall was mitigated by funds from other financing sources, including domestic borrowing and augmentation from the excess crude account.

59. The data further indicates that of N1,174.3 billion projected expenditure for the quarter, N880.41 billion was spent. While a total of N544.9 billion out of N606.26 billion projected for non-debt recurrent expenditure in the quarter had been utilized. Of the N335 billion planned for capital expenditure in the period, N301.66 billion was released while N148.52 billion was cash-backed to the MDAs in the period. However, for reasons stated above, MDAs did not access their available capital budget funds in the period.

60. The 2011 Budget Implementation Report which covered implementation of the 2011 capital budget up to 31 March 2012 details the implementation status of some ongoing capital projects which continued into the first quarter of 2012. In view of the non-utilization of the cash-backed funds within the period and for reason of prudence, this Report was focused on reporting on the financial analysis of the implementation of the Budget in the quarter.

61. Indications from the MDAs at the time of writing this Report however, were that most of them were concluding their procurement processes and have began accessing their 2012 first quarter capital releases. We expect to report some improvement in the implementation of the capital budgets in our subsequent reports as MDAs adapt to, and implement the series of intervention policies aimed at instilling best practices in capital projects implementation in the country.

## *NOTES*

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