Second Quarter

2014

BUDGET IMPLEMENTATION REPORT

Budget Office of the Federation
Federal Ministry of Finance

FOREWORD

It is with pleasure that I present to you the Budget Implementation Report which is the second in the series for 2014. The Report presents information on the implementation of the 2014 Budget in the second quarter and provides information through which Government's performances in the administration of public funds, as contained in the Budget, may be measured. In our continuous efforts to promote transparency and accountability in the public sector, Government is committed to informing Nigerians on the nation's public finances through different channels including this Report.

The basis and distribution of this report is in accordance with Sections 30 and 50 of the Fiscal Responsibility Act, 2007 which require the Honourable Minister of Finance to submit to the Joint Finance Committees of the National Assembly and the Fiscal Responsibility Commission a quarterly budget implementation report. This report is also disseminated to the wider public through the electronic and print media.

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

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

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

PREFACE

Section 30 of the *Fiscal Responsibility Act, 2007*, requires the Honourable Minister of Finance, through the Budget Office of the Federation, to monitor and evaluate the implementation of the Annual Budget and render quarterly reports. This Report, being the second for the 2014 fiscal year, fulfils this requirement and also provides a means of showing Government's obligation to the transparent and cautious management of public finances.

The 2014 Budget was anchored on the Administration's four transformational pillars of macroeconomic stability; structural reforms; governance and institutions; and investing in priority sectors. In order to achieve these goals, the Budget focused more on stimulating the engines of growth of the economy that would sustain higher industrial capacity utilization. Special consideration was also made to increase domestic production through productive commitment of human capital with the aim of creating jobs, improving the standard of living of Nigerians in a sustainable style and also realizing inclusive growth.

Implementation of the 2014 Budget in the second quarter of the year was challenging for two major reasons. Firstly, the annual appropriation proposal did not get the passage of the National Assembly until the beginning of the second quarter. Secondly, the revenue receipts from non-oil resources were significantly below their projected estimates. These shortfalls in revenue were serious impediments to the effective implementation of the budget in the quarter.

This Report is a product of the joint efforts of major financial and statistical agencies of government, which provided necessary macroeconomic data, and the determined efforts of the various departments of the Budget Office of the Federation, particularly the Fiscal Policy/Budget Monitoring and Evaluation Department. I commend their efforts and wish them every success as they continue to carry out this significant function.

Dr. Bright Okogu
Director General

CONTENTS

FOREWORD……………………………………………………………………….……….….i

CONTENTS………………………………………………………………………….……….iii

EXECUTIVE SUMMARY……………………..………………………………….....………iv

1.0 INTRODUCTION……………………………………………………………..……..1

2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS…………….……...3

3.0 FINANCIAL ANALYSIS OF THE 2013 BUDGET IMPLEMENTATION….9

3.1 Key Assumptions and Projections…………………………………..….9

3.2 Analysis of Revenue Performance………………………………..……11

3.3 FGN Budget Revenue…………………………………………….……..19

3.4 Excess Crude Account………………………………………….……...22

3.5 Expenditure Developments……………………………………….…...23

3.5.1 Non-Debt Recurrent Expenditure………………………….…..24

3.5.2 Debt Service……………………………………………….…….25

3.5.3 Statutory Transfers………………………………..……….....29

3.5.4 Capital Expenditure Performance………………...…….…..29

3.5.5 Performance of the Financing Items………….……….…...32

4.0 CONCLUSION……………………………………..……………….…..…….33

EXECUTIVE SUMMARY

The 2014 Budget was designed to consolidate the growth recorded in the recent years and stimulate the engines of growth that would sustain advanced industrial capacity utilization. It was also initiated to improve domestic output through profitable engagement of human resources with the intention of creating more jobs and improving the standard of living of Nigerians in a sustainable manner. Data from the National Bureau of Statistics (NBS) indicated a real GDP growth of 6.54% in the second quarter of 2014.

Inflationary trend remained within single digits in the quarter although developments in the aggregate price levels suggested an underlying inflationary pressure since the beginning of 2014. The year-on-year headline inflation inched up marginally from 7.8% in March to 7.9% in April 2014 before moving up further to 8.0% and 8.2% in May and June 2014 respectively. The movement of the year-on-year food inflation also followed a similar trend, rising slightly from 9.3% in March to 9.4% in April 2014 before rising again to 9.7% and 9.8% in May and June 2014 respectively. Core inflation likewise rose from 6.7% in March to 7.5%, 7.7% and 8.1% in April, May and June 2014 respectively. Figures from the CBN revealed a slight drop in Nigeria's gross external reserves which stood at US$37.33 billion in June 2014.

Data from the Office of the Accountant General of the Federation (OAGF) showed that a net sum of N1,653.44 billion was shared among the three tiers of government in the second quarter of 2014; implying a shortfall of N108.05 billion in the quarter. A total of N750.5 billion, excluding revenue from other funding sources, was received to fund the Federal Budget in the second quarter of 2014, this represented a shortfall of N182.25 billion (or 19.54%). This revenue shortfall affected the implementation of the 2014 Budget in the quarter.

The data also indicated that the implementation of recurrent (non-debt) expenditure was on course. As at 30th June, 2014, a total of N410.01 billion had been released. Of this amount, N221.68 billion had been cash-backed for the implementation of MDAs capital projects/programmes.

The data also indicated that N188.59 billion (or 86.08%) of the total amount cash-backed had been utilized by MDAs as at 30th June 2014. An analysis of forty-nine (49) MDAs reported upon by the Office of the Accountant-General of the Federation (OAGF) revealed different levels of utilization among the MDAs. Thirty three (or 67.35%) of the MDAs including: the Presidency, OSGF, Agriculture, Education, FCTA, Justice, Works, Housing, Mines & Steel, Aviation, Environment, National Sports Commission, Niger Delta and National Planning Commission had utilized more than the overall average utilization rate of 86.08% of the amount cash-backed. The utilization report also shows that 41 MDAs (or 83.67%), which include Water Resources, Defence, Health, Interior, Justice, Labour & Productivity, Finance, FCSC, Code of Conduct Bureau, Federal Character Commission, Youth Development, Women Affairs, Agriculture, Education, FCTA, Information, OHCSF and Mines & Steel had utilized more than 60% of their cash-backed funds while Public Complaint Commission, Police Service Commission and ICRC were yet to make any utilization during the period.

In addition to the regular budget, a total of N181.46 billion (or 67.62%) of N268.37 billion appropriated under the subsidy reinvestment programme (SURE-P) in the 2014 Budget had been released as at 30th June, 2014. Of this, N65.51 billion (or 36.1%) had been utilized by MDAs for the implementation of critical capital projects and programmes.

1.0 INTRODUCTION

As noted in the first quarter Report, the 2014 Budget was crafted to consolidate the strong growth trajectory recorded in recent years and also stimulate the engines of growth to sustain inclusive of growth. To achieve this, it set out to consolidate Government's efforts at reducing the cost of doing business in Nigeria, challenge the entrepreneurial ingenuity of our youths, and support industry.

2. The 2014 Budget like other previous budgets was derived from the Medium-Term Fiscal Frameworks. This framework was prepared to align with the diverse global and domestic economic variables that play a major role in the determination of the amount of revenue needed to fund the budget. At the international level, the intensity of industrial and economic behavior influences the demand for commodities like oil, our major revenue earner. At the home front, several factors including disruption to oil production and planned sales volumes, plus security challenges slow down economic activities and affect the ability of some government agencies to collect projected revenues.

3. As it was in the past, special emphasis was given in the 2014 Budget to the completion of ongoing capital projects that are consistent with the realization of the goals of the Administration's Transformation Agenda. As a means of speeding up the processes leading to the creation of jobs and stimulating wide-ranging growth, bulk of the Government finances were directed to the structural reform of the economy and the provision of critical infrastructures in the power, health, education, road, rail and aviation sectors of the economy. The provision of physical security and food security were also given special consideration.

4. As we are all aware, the 2014 Budget proposal was prepared in time by the Budget Office of the Federation but could not be submitted to the

National Assembly due to the delay in getting a harmonized benchmark price for oil from both houses of the National Assembly. As a result, the 2014 Budget was submitted to the National Assembly late in 2013 and was eventually passed by both houses of the National Assembly in April 2014.

5. This Report presents detailed information on 2014 second quarter Budget implementation. The rest of the Report is arranged as follows: a brief appraisal of the macroeconomic environment under which the Budget was implemented, an in-depth analysis of government’s revenue receipts and expenditure in the quarter, and a brief conclusion to the Report.

2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

Global Economy

Though below the projection, global economic activities rebound in the first half of 2014. The less than anticipated growth is attributable to rising real interest rates and geo-political crisis in emerging and developing economies. The latest estimation reveals that the euro-area is slowly coming out of depression as growth projection is positive for all member countries although with different levels of variations. Due to stronger external demand from the advanced countries, a growth of 5% is expected in 2014 in the emerging and developing economies as against 4.7% in 2013. On the other hand, major obstacles in the developing and emerging economies include: political uncertainty, exchange rate rearrangement in reaction to changing fundamentals, additional monetary contraction to address emerging currency crisis, and tighter external financing conditions arising from the rapid response to the United States (US) monetary policy changes.

7. In view of the significant output gaps in the developed economies, weaker domestic demand in developing and emerging economies, and sliding commodity prices, especially for fuels and food, global inflation is estimated to remain subdued in 2014. Currently, inflation in the advanced economies is below target and its return to the long run trend could take a while due to the slow rate of economic recovery. On the other hand, likely depreciation in currencies, domestic demand pressure, and capacity limitations could create upside threats to inflation in the emerging market economies. During the period, majority of the central banks remained watchful in their monetary policy stance. Meanwhile most advanced economies are likely to continue with their accommodative monetary policy position for the rest of the year to firm up aggregate demand and employment. The major drive for monetary policy changes in the emerging

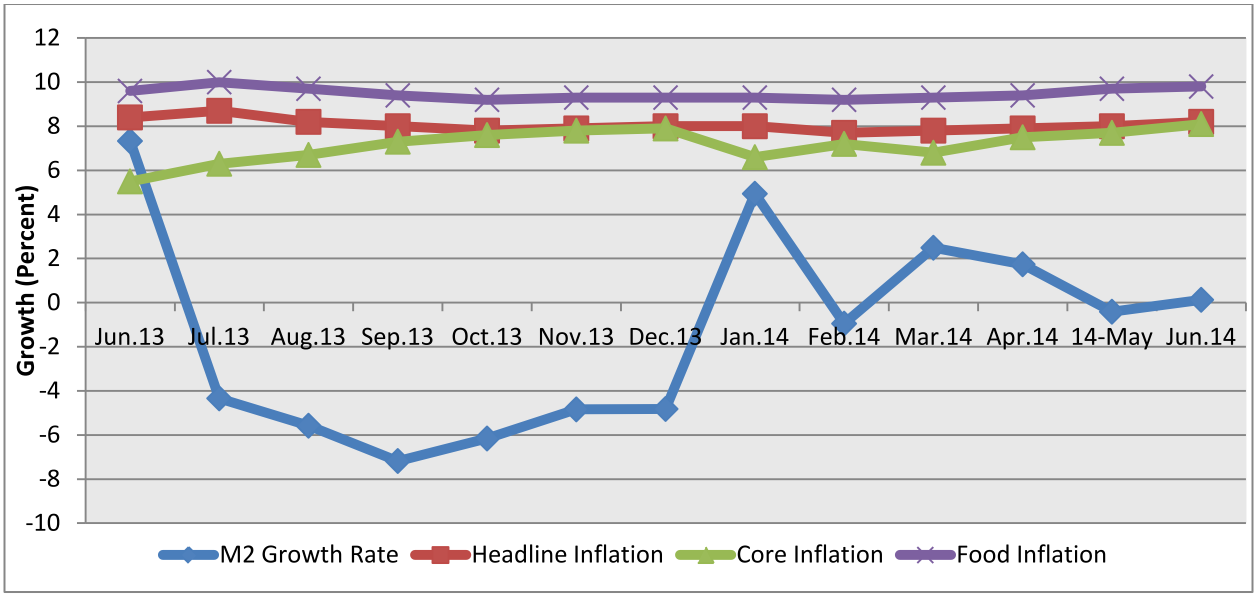
markets and developing economies could arise from the effects of the US tightening its currencies and financial markets.

Domestic Economy

8. Due mainly to the GDP rebasing exercise, the National Bureau of Statistics (NBS) reported an amended GDP growth from 2010 to the first quarter of 2014. As such, the new estimated real GDP growth rate for 2013 now stands at 5.49% as against 5.31% and 4.21% recorded in 2011 and 2012 respectively. Equally, a revised GDP growth estimate of 6.77% for the fourth quarter of 2013 is an improvement over the 5.17% and 3.64% performances recorded in the third quarter of 2013 and the fourth quarter of 2012 respectively. In the first quarter of 2014, real GDP growth was 6.21% which was higher than the corresponding quarter of 2013. In line with the trend in the past few quarters, the non-oil sector remained the main driver of growth in the first quarter of 2014 with its performance driven largely by industry, agriculture, trade, and services. The oil sector also continued to witness progress in performance with its growth rate improving from -11.4% in the first quarters of 2013, to -6.6% in the first quarter of 2014.

9. Despite the fact that inflationary trend still remained within the single unit digit, developments in the aggregate price levels suggest an underlying inflationary pressure since the beginning of 2014. The year-on-year headline inflation inched up marginally from 7.8% in March to 7.9% in April before moving up further to 8% and 8.2% in May and June 2014 respectively. The rise in headline inflation during the quarter can be attributed to the rise in food inflation. The movement of the year-on-year food inflation also followed similar trend, rising slightly from 9.3% in March to 9.4% April before going up again to 9.7% and 9.8% in May and June 2014 respectively. Core inflation likewise climbed from 6.7% in March to 7.5%, 7.7% and 8.1% in April, May and June 2014 respectively.

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



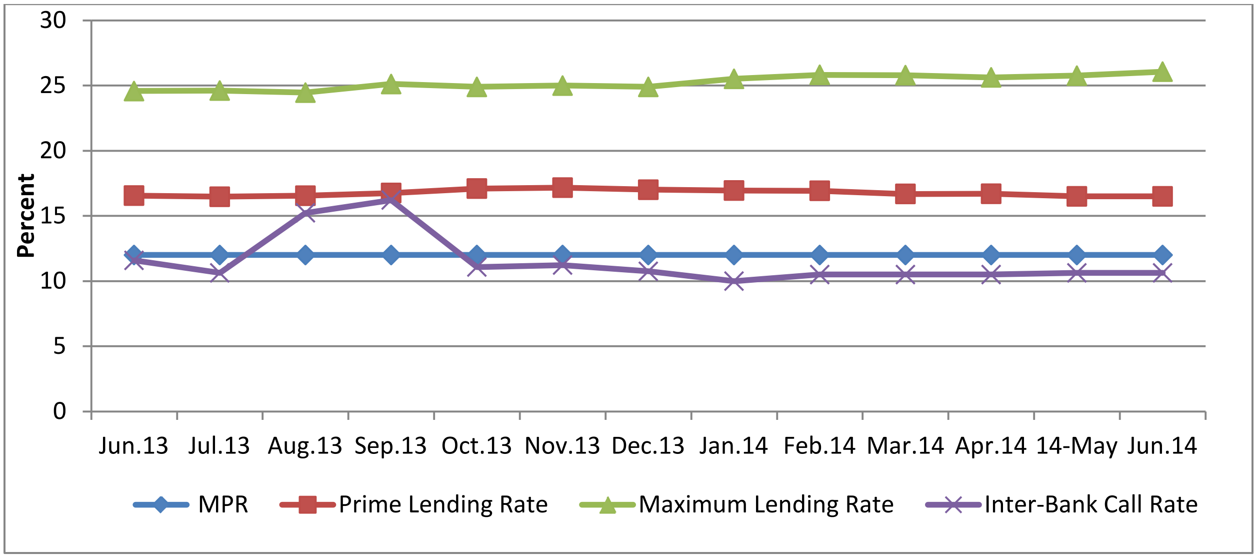
Source: Central Bank of Nigeria, 2014 & National Bureau of Statistics, 2014

10. Data from the Central Bank of Nigeria (CBN) indicated that broad money supply (M2) grew by N228.7 billion (or 1.46%) in June above the level in March 2014, that is, from N15,699.68 billion in March to N15,928.38 billion in June. On the other hand, the net aggregate domestic credit decreased by N175.72 billion (or 1.14%) from N15,349.28 billion in March to N15,173.56 billion in June 2014. Credit to the private sector also increased by N180.39 billion (or 1.07%) from N16,783.39 billion in March to N16,963.78 billion in June 2014. In a similar pattern, credit to government sector increased by N356.11 billion (or 24.83%) within the same period, from N1,434.5 billion in March to N1,790.22 billion in June, 2014. The average prime lending rate rose slightly from 16.69% in March to 16.7% in April before falling to 16.5% in both May and June 2014. On the other hand, the average maximum lending rate fell from 25.8% in March to 25.63% and 25.76% in April and May 2014 respectively before rising to 26.07% in June 2014 respectively.

11. Similar to the previous quarters, the CBN continued in the second quarter of 2014 to fix its Monetary Policy Rate (MPR) at 12% in pursuit of price stability. The interest rates in the interbank money market also

measured up with the level of liquidity conditions in the banking system. Thus the average interbank call rate as in March remained constant at 10.5% in April before inching up to 10.63% in both May and June 2014. The trends in interest rates in the second quarter of 2014 are presented in *Chart 2* below.

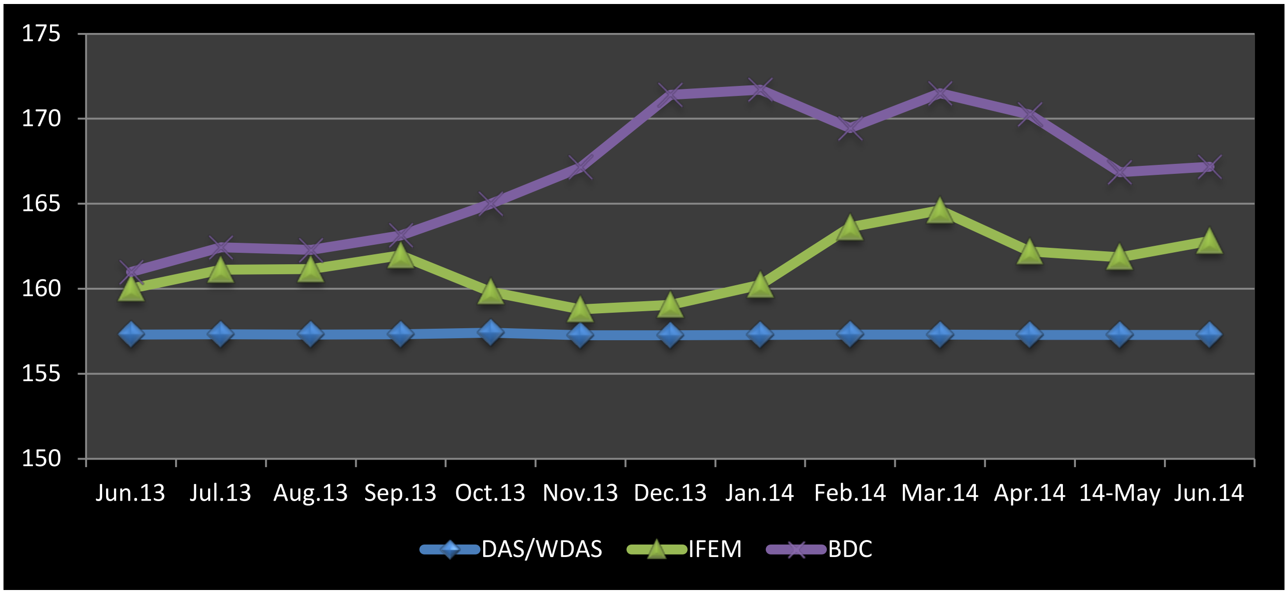
Chart 2: Interest Rates Trend (June 2013 – June 2014)



Source: Central Bank of Nigeria, 2014

12. The end-period official Wholesale Dutch Auction System (WDAS) Naira/Dollar exchange rate appreciated slightly from N157.30/US$1.00 in March to N157.29/US$1.00 in April, May and June 2014. Similarly, the Inter-bank Naira/US Dollar exchange rate appreciated from N164.61/US$1.00 in March to N162.19/US$1.00, N161.86/US$1.00 and N162.82/US$1.00 in April, May and June 2014 respectively. Also the Bureau de Change (BDC) exchange rates fell slightly from N171.50/US$1.00 in March to N170.25/US$1.00, N166.85/US$1.00 and N167.17/US$1.00 in April, May and June 2014 respectively. The gap between the WDAS and the Inter-bank rate as well as the BDC rate widened during the period. Thereby, signifying the need to maintain and further complement existing measures aimed at discouraging speculative activities in the foreign exchange market.

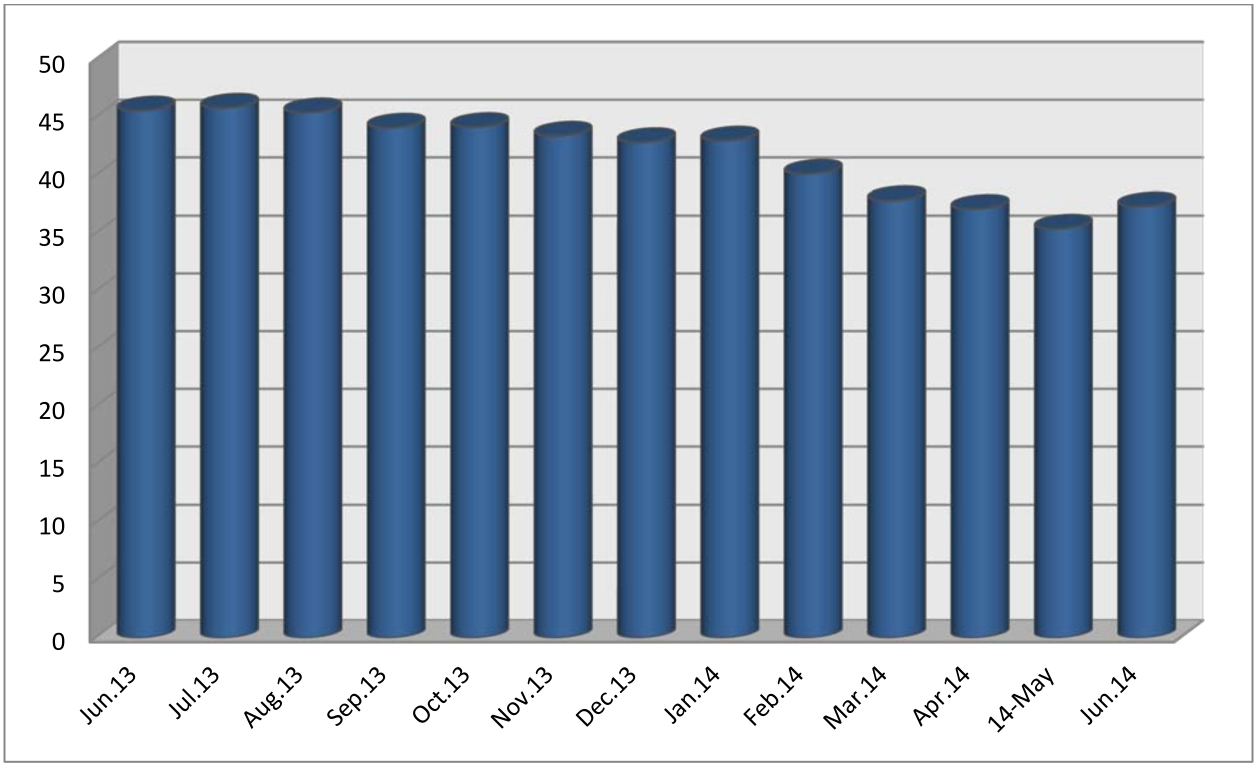
Chart 3: Naira/US Dollar Exchange Rates Trend (June 2013 – June 2014)



Source: Central Bank of Nigeria, 2014

13. Figures from the CBN revealed a slight drop in Nigeria's gross external reserves at the end of the second quarter of 2014 which fell from US$37.4 billion in March to US$37.33 billion in June 2014. Depicting a drop of US$0.07 billion (or 0.19%) below the figure recorded at the end of March 2014. Relative to the end of second quarter of 2013 level of US$45.59 billion, the external reserves at the end of second quarter of 2014 fell by US$8.26 billion (or 18.12%). The decrease in foreign reserves can be attributed to a slowdown in portfolio and foreign direct investment in the quarter, thereby, resulting to an increased funding of the foreign exchange market by the CBN to stabilize the Naira. Based on the CBN report, the foreign reserves level as at the end of June 2014 could finance over thirteen (13) months of imports which is well over the internationally recommended minimum threshold of 3-months import cover.

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



Source: Central Bank of Nigeria, 2014

3.0 FINANCIAL ANALYSIS OF THE 2013 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections:

The 2014 Budget is derived from the 2014 - 2016 Medium Term Fiscal Framework (MTFF). Driven by well thought-out assumptions, the MTFF is a product of consultations with relevant stakeholders and developments in the global and domestic economy.

Table 1: Key Assumptions and Targets for the 2014 Budget

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

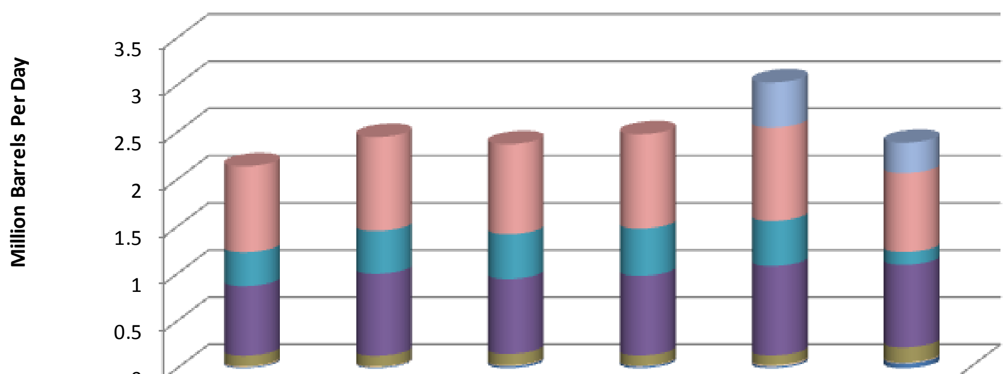
Source: BOF, NNPC, FIRS and NCS, 2014

Budget Benchmark Oil Price and Production

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

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

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



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

Source: NAPIMS/NNPC, 2014

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

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

Source: NNPC and BOF, 2014

3.2 Analysis of Revenue Performance:

Overview of Oil Revenue Parameters:

17. The price of crude oil in the international market averaged US$111.30 per barrel in the second quarter of 2014, depicting an increase of 2.84% and 8.65% over the US$108.23 and US$102.44 per barrel recorded in the first quarter of 2014 and second quarter of 2013 respectively. The rise in crude oil prices during the period could be attributed to the increase in global

economic activities and the political challenges confronting some of the major world oil producers.

18. Provisional data from the Nigerian National Petroleum Corporation (NNPC) indicated that the average oil lifting (including Condensates) in the second quarter of 2014 was 2.21mbpd representing a shortfall of 0.18mbpd (or 7.53%) below the 2.39mbpd projected for the 2014 Budget. The volume of oil lifted in the period was also 0.02mbpd below the 2.23mbpd and 0.15mbpd over the 2.06mbpd recorded in the first quarter of 2014 and second quarter of 2013 respectively. The drop in the volume of oil lifted during the quarter could be attributed to supply challenges due to crude oil theft, illegal bunkering and pipeline vandalism that took place during the period. It is noteworthy, that these challenges are gradually reducing through the efforts of the military.

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

Oil Revenue Performance

20. A breakdown of the oil revenue performance in the second quarter of 2014 showed that Royalties (Oil &Gas) of N267.23 billion, Gas Flared Penalty of N0.77 billion, Petroleum Profit & Gas Taxes of N571.67 and Other Oil and Gas Revenue of N0.87 billion exceeded their respective quarterly expected estimate of N185.88 billion, N0.62 billion, N505.97 billion and N0.77 billion by N81.34 billion (or 43.76%), N0.15 billion (or 24.46%), N65.7 billion (or 12.98%) and N0.10 billion (or 13.06%). On the other hand, only Crude Oil Sales of N866.35 billion and Gas Sales of N80.81 billion fell below their quarterly projections of N960.18 billion and N137.56 billion by N93.84 billion (or 9.77%) and N56.75 billion (or 41.25%) respectively. Please see *Table 3.1*.

Net Oil Revenue:

21. In the second quarter of 2014, the actual Net Oil Revenue that accrued into the Federation Account was N1,105.59 billion, representing an increase of N15.62 billion (or 1.43%) above the estimated quarterly projection of N1,089.97 billion. Similarly, the net oil revenue in the second quarter was also higher than the N1,051.72 billion net oil revenue recorded in the first quarter of 2014 by N53.87 billion (or 5.12%). The positive net oil revenue performance in the second quarter can be attributed to the favourable oil price in the international market and the rise in oil lifting figures during the period. These data are presented in *Table 3.1*.

Year-to-Date:

22. As at end of June 2014, only Royalties (Oil & Gas) of N517.78 billion, Gas Flared Penalty of N1.44 billion and Petroleum Profit Tax of N1,195.09 billion surpassed their respective half year projections of N371.77 billion, N1.24 billion and N1,011.94 billion by N146.01billion (or 39.28%), N0.2 billion (or 16.21%) and N183.15 billion (or 18.1%). On the other hand, Crude Oil Sales of N1,709.82 billion, Gas Sales of N147.96 billion, Rent of N0.31 and Other Oil & Gas Revenue of N1.03 billion fell below their corresponding half year estimates of N1,920.37 billion, N275.12 billion, N0.44 billion and N1.54 billion by N210.55 billion (or 10.96%), N127.16 billion (or 46.22%), N0.13 billion (or 29%) and N0.5 billion (or 32.72%). These low performances were as a result of a fall in international demand for Nigerian oil in the two quarters of the year.

Non-Oil Revenue Performance:

23. In the last couple of years, the Government, through the Budget Office of the Federation and the Federal Ministry of Finance had undertaken a number of measures aimed at improving non-oil revenue collections and payments to the treasury. The outcome of these actions as well as the

Budget Office's regular dialogue with the Agencies had resulted in the continued increase in targets and actual revenues realized from the non-oil sector. This trend, as presented in *Table* 3.2 and *Table* 3.3, is expected to continue over the 2012 - 2015 period.

24. In the second quarter of 2014, an actual gross non-oil revenue of N574.94 billion was received. This depicts a shortfall of N134.2 billion (or 18.92%) below the quarterly estimate of N709.14 billion. A breakdown of the non-oil revenue items show that all the items fell short of their quarterly projected estimates. Value Added Tax of N194.15 billion, Company Income Tax of N244.51 billion and Customs & Excise Duties of N136.28 billion were below their quarterly estimates of N211.36 billion, N246.56 billion and N195.60 billion by N17.22 billion (or 8.14%), N2.05 billion (or 0.83%) and N59.31 billion (or 30.32%) respectively. When compared to their respective first quarter performances, Company Income Tax and Customs & Excise Duties grew by N66.4 billion (or 37.28%) and N14.65 billion (or 12.04%), while Value Added Tax fell by N19.66 billion (or 9.19%). The low performances of all the non-oil revenue items in the second quarter of 2014 can be attributed to the slow pace of economic activities during the period and the inability of both the revenue generating and collecting agencies to collect and remit these revenues on time. However, it is expected that the trend would improve in the subsequent quarters of the year.

Year-to-Date:

25. The gross non-oil receipts in the first half of the year amounted to N1,088.49 billion indicating a shortfall of N329.79 billion (or 23.25%) below the half year estimate of N1,418.27 billion. The outcome also reveals that receipts on all the non-oil revenue items were below their respective estimates. Value Added Tax of N407.95 billion, Company Income Tax of N422.63 billion and Customs & Excise Duties of N257.91 billion respectively fell short by N14.78 billion (or 3.5%), N70.5 billion (or 14.3%) and N133.28 billion (or 34.07%) when compared with their projections for the half year of 2014.

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

ITEMS	BUDGET			ACTUAL			VARIANCE					
	Annual	Quarterly Budget	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget	
OIL REVENUE	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
Crude Oil Sales Export Crude Oil Sales Domestic	3,840.73	960.18	1,920.37	843.47	866.35	1,709.82	(93.84)	(9.77)	22.88	2.71	(210.55)	(10.96)
Gas Sales (NLNG Feedstock Slaes & Upstream Liquid Gas)	550.23	137.56	275.12	67.15	80.81	147.96	(56.75)	(41.25)	13.66	20.34	(127.16)	(46.22)
Oil Royalties & Gas Royalties	743.54	185.88	371.77	250.56	267.23	517.78	81.34	43.76	16.67	6.65	146.01	39.28
Rent	0.88	0.22	0.44	0.09	0.22	0.31	0.00	2.24	0.14	157.17	(0.13)	(29.00)
Gas Flared Penalty	2.48	0.62	1.24	0.67	0.77	1.44	0.15	24.46	0.10	15.28	0.20	16.21
PPT & Gas Income @ 30% CITA	2,023.88	505.97	1,011.94	623.42	571.67	1,195.09	65.70	12.98	(51.75)	(8.30)	183.15	18.10
Other Oil and Gas Revenue	3.07	0.77	1.54	0.17	0.87	1.03	0.10	13.06	0.70	425.81	(0.50)	(32.72)
Sub-Total	7,164.81	1,791.20	3,582.40	1,785.52	1,787.91	3,573.43	(3.29)	(0.18)	2.39	0.13	(8.98)	(0.25)
Joint Venture Cash Calls	1,182.33	295.58	591.16	398.19	285.85	684.04	(9.73)	(3.29)	(112.34)	(28.21)	92.88	15.71
Domestic Fuel Subsidy (NNPC) and Marketers	971.14	242.78	485.57	-	-	-	(242.78)	(100.00)	-		(485.57)	(100.00)
Under Remittance of Funds by NNPC		-	-	-	-	-	-		-		-	
Oil Excess Revenue		-	-	20.00	-	20.00	-		(20.00)	(100.00)	20.00	
Sub-Total	5,011.34	1,252.84	2,505.67	1,367.33	1,502.06	2,869.39	249.22	19.89	134.73	9.85	363.72	14.52
Transfer to Excess Crude Account		-	-	158.45	231.27	389.72	231.27		72.82	45.96	389.72	
Balance of Oil Revenue	5,011.34	1,252.84	2,505.67	1,208.88	1,270.79	2,479.67	17.96	1.43	61.91	5.12	(26.00)	(1.04)
13% Derivation of Net Oil Revenue	651.47	162.87	325.74	157.15	165.20	322.36	2.33	1.43	8.05	5.12	(3.38)	(1.04)
TO FEDERATION ACCOUNT	4,359.87	1,089.97	2,179.93	1,051.72	1,105.59	2,157.31	15.62	1.43	53.87	5.12	(22.62)	(1.04)
NON-OIL REVENUE		-	-	-	-	-	-		-		-	
Value Added Tax (VAT)	845.45	211.36	422.72	213.80	194.15	407.95	(17.22)	(8.14)	(19.66)	(9.19)	(14.78)	(3.50)
Corporate Tax (CIT, Stamp Duties & CGT)	986.25	246.56	493.13	178.12	244.51	422.63	(2.05)	(0.83)	66.40	37.28	(70.50)	(14.30)
Customs: Import, Excise & Fees	782.38	195.60	391.19	121.63	136.28	257.91	(59.31)	(30.32)	14.65	12.04	(133.28)	(34.07)
Special Levies (Federation Account)	222.47	55.62	111.23	-	-	-	(55.62)	(100.00)	-		(111.23)	(100.00)
Sub-Total	2,836.55	709.14	1,418.27	513.55	574.94	1,088.49	(134.20)	(18.92)	61.39	11.95	(329.79)	(23.25)
Cost of Collection and Other Collections	153.21	38.30	76.60	24.19	27.09	51.28	(11.22)	(29.28)	2.90	11.97	(25.33)	(33.06)
Cost of Collection (VAT)	33.82	8.45	16.91	8.55	7.77	16.32	(0.69)	(8.14)	(0.79)	(9.19)	(0.59)	(3.50)
4% Cost of Collection (CIT)	39.05	9.76	19.53	7.12	9.78	16.91	0.02	0.18	2.66	37.28	(2.62)	(13.42)
7% Cost of Collection (Customs and Special Levies)	70.34	17.58	35.17	8.51	9.54	18.05	(8.05)	(45.75)	1.03	12.04	(17.12)	(48.67)
FIRS Tax Refunds	10.00	2.50	5.00	-	-	-	(2.50)	(100.00)	-		(5.00)	(100.00)
TO FEDERATION ACCOUNT (NON-OIL)	1,871.71	467.93	935.86	284.11	361.47	645.58	(106.46)	(22.75)	77.36	27.23	(290.28)	(31.02)
Total VAT Pool	811.63	202.91	405.82	205.25	186.38	391.63	(16.53)	(8.14)	(18.87)	(9.19)	(14.18)	(3.50)
Net Non-Oil Revenue	2,683.34	670.84	1,341.67	489.36	547.85	1,037.21	(122.98)	(18.33)	58.49	11.95	(304.46)	(22.69)
Sub-Total: FEDERATION ACCOUNT	6,231.58	1,557.89	3,115.79	1,335.83	1,467.06	2,802.89	(90.83)	(5.83)	131.23	9.82	(312.90)	(10.04)
Balances in Special Accounts as at End of Previous Year 2013	2.77	0.69	1.39	-	-	-	(0.69)	(100.00)	-		(1.39)	(100.00)
TOTAL FEDERATION ACCOUNT	6,234.35	1,558.59	3,117.17	1,335.83	1,467.06	2,802.89	(91.53)	(5.87)	131.23	9.82	(314.28)	(10.08)
TOTAL DISTRIBUTION		-	-	-	-	-	-		-		-	
Federation Account	6,234.35	1,558.59	3,117.17	1,335.83	1,467.06	2,802.89	(91.53)	(5.87)	131.23	9.82	(314.28)	(10.08)
VAT Pool Account	811.63	202.91	405.82	205.25	186.38	391.63	(16.53)	(8.14)	(18.87)	(9.19)	(14.18)	(3.50)
GRAND TOTAL	7,045.98	1,761.50	3,522.99	1,541.08	1,653.44	3,194.52	(108.05)	(6.13)	112.36	7.29	(328.47)	(9.32)

Source: OAGF and Budget Office of the Federation, 2014

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

Description	2005	2006	2007	2008	2009	2010	2011	2012	2013	9 - Year Average
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm
Customs Duties & Excise	228,645.20	176,297.90	248,941.30	274,407.60	278,940.00	309,193.00	422,090.00	474,917.60	432,368.00	316,200.07
Company Income Tax	162,166.30	244,807.80	327,040.20	416,825.50	564,950.00	657,278.00	716,920.00	848,566.00	985,520.00	547,119.31
Value Added Tax	189,969.40	230,370.30	301,709.60	404,527.80	468,388.90	562,857.00	649,500.00	710,146.00	795,598.00	479,229.67
Education Tax	21,849.00	23,950.00	50,650.00	59,387.00	61,058.20	-	-	-	-	24,099.36
FGN Independent Revenue	52,483.20	106,600.00	152,290.00	198,234.20	64,114.70	153,551.90	182,490.00	206,766.00	274,368.00	154,544.22

Source: OAGF and BOF, 2014

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

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

Source: OAGF and BOF, 2014

Comparative Revenue Performance Analysis:

26. A comparative analysis of the data further indicates that the aggregate gross oil revenue receipts in the second quarter of 2014 were not only lower than their respective projections for the period, but were also short of the corresponding levels in the same period of 2013. The low performance can be attributed to the fall in the oil lifting figures due to incessant crude oil theft and pipeline vandalism in the Niger Delta region during the period. On the

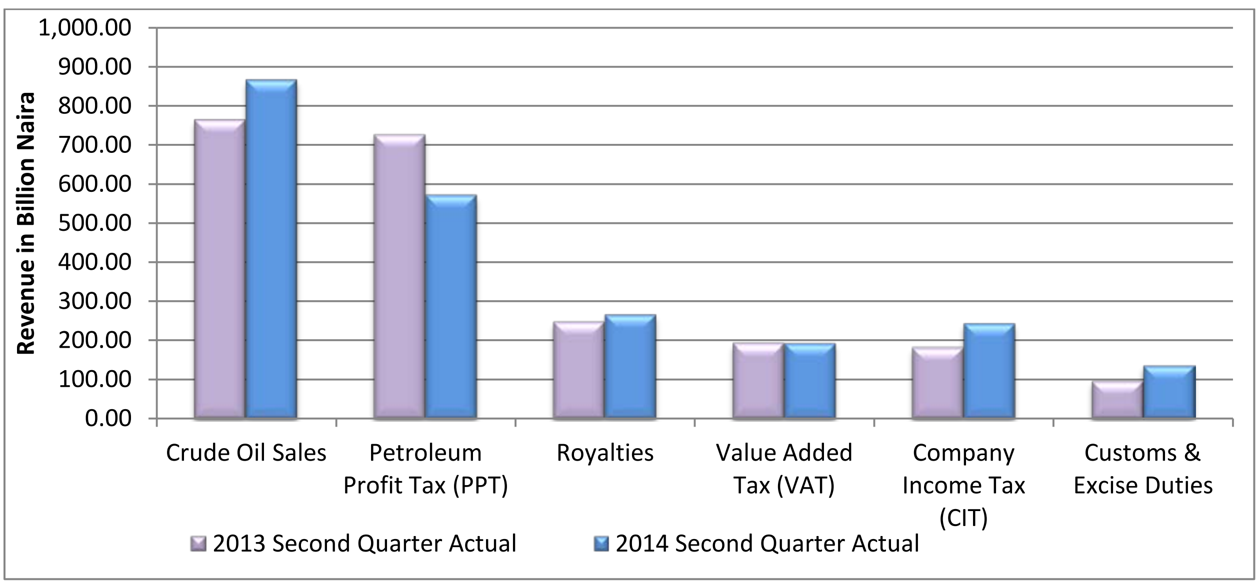
other hand, the aggregate gross non-oil revenues for the same period revealed an improvement of N101.0 billion (or 21.31%) above the corresponding figures recorded in 2013. Please see data below in *Table 3.4.*

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

Revenue Items	2013	2014	Variance	
	2nd Quarter Actual	2nd Quarter Actual	2nd Quarter 2014 Vs 2nd Quarter 2013	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	764.52	866.35	101.83	16.37
Petroleum Profit Tax (PPT)	725.57	571.67	-153.90	-21.21
Royalties	247.48	267.23	19.75	7.98
Gross Oil Revenue	1,813.76	1,787.91	-25.85	-1.43
Net Oil Receipts	1,091.07	1,105.59	14.52	1.33
Non-Oil Revenue	-	-	-	
Value Added Tax (VAT)	193.64	194.15	0.51	0.26
Company Income Tax (CIT)	183.04	244.51	61.47	33.58
Customs & Excise Duties	97.26	136.28	39.02	40.12
Gross Non-Oil Revenue	473.94	574.94	101.00	21.31
Net Non-Oil Receipts	452.07	547.85	95.78	21.19

Source: OAGF and Budget Office of the Federation, 2014

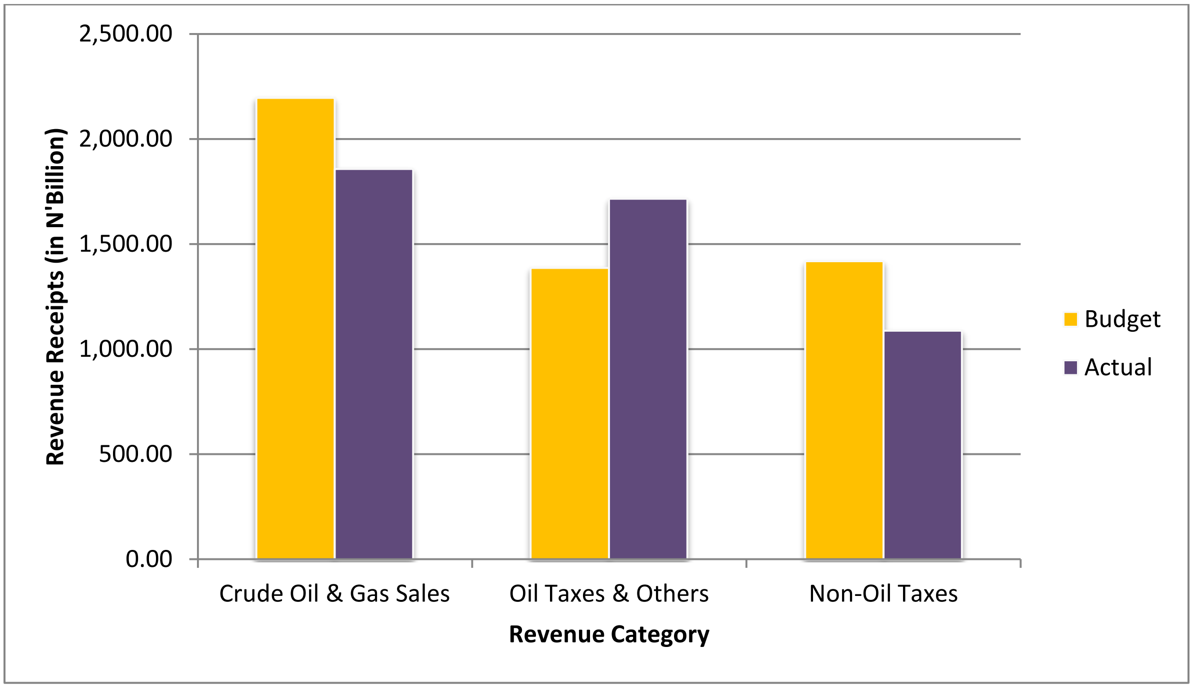
Chart 3.1: 2013 Vs 2014 Revenue Performance (Second Quarter)



Source: OAGF and Budget Office of the Federation, 2014

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

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



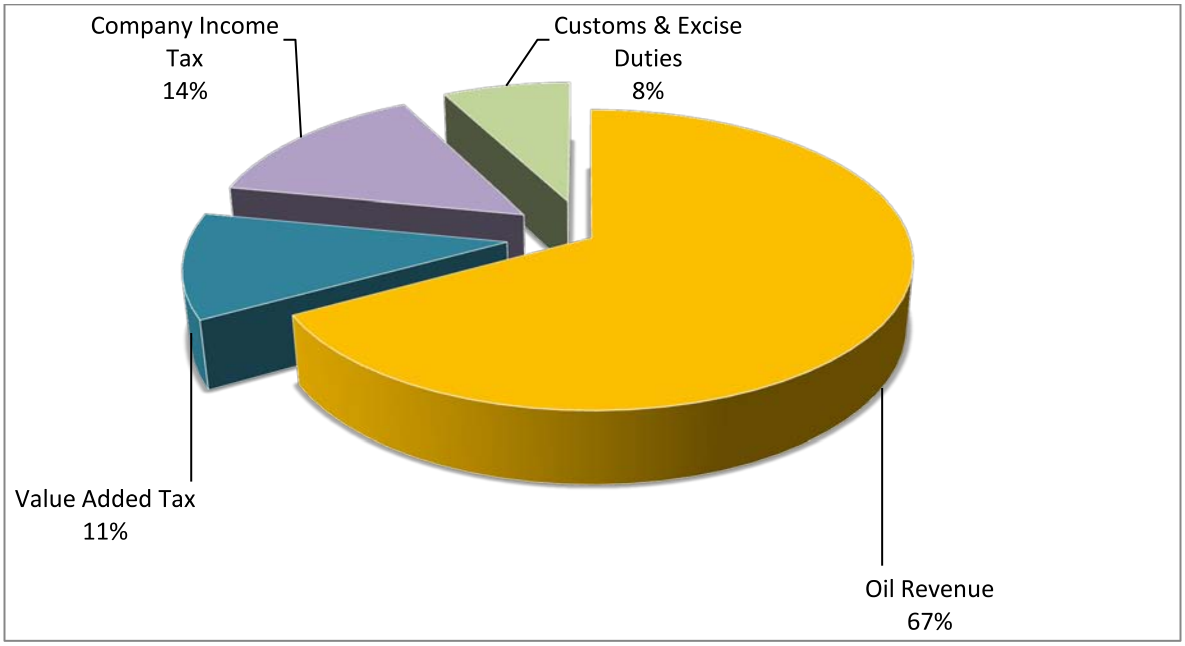
Source: Budget Office of the Federation, 2014

Distributable Revenue:

28. The net distributable revenue is the balance of funds in the Federation Account available for distribution among the three tiers of government after the deduction of all costs. A net sum of N1,653.44 billion was available for sharing in the second quarter of 2014. This implies a shortfall of N108.05 billion (or 6.13%) compared to the quarterly projection of N1,761.5 billion.

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

Chart 3.3: Contributions to Distributable Revenue (in the 2nd Quarter of 2014)

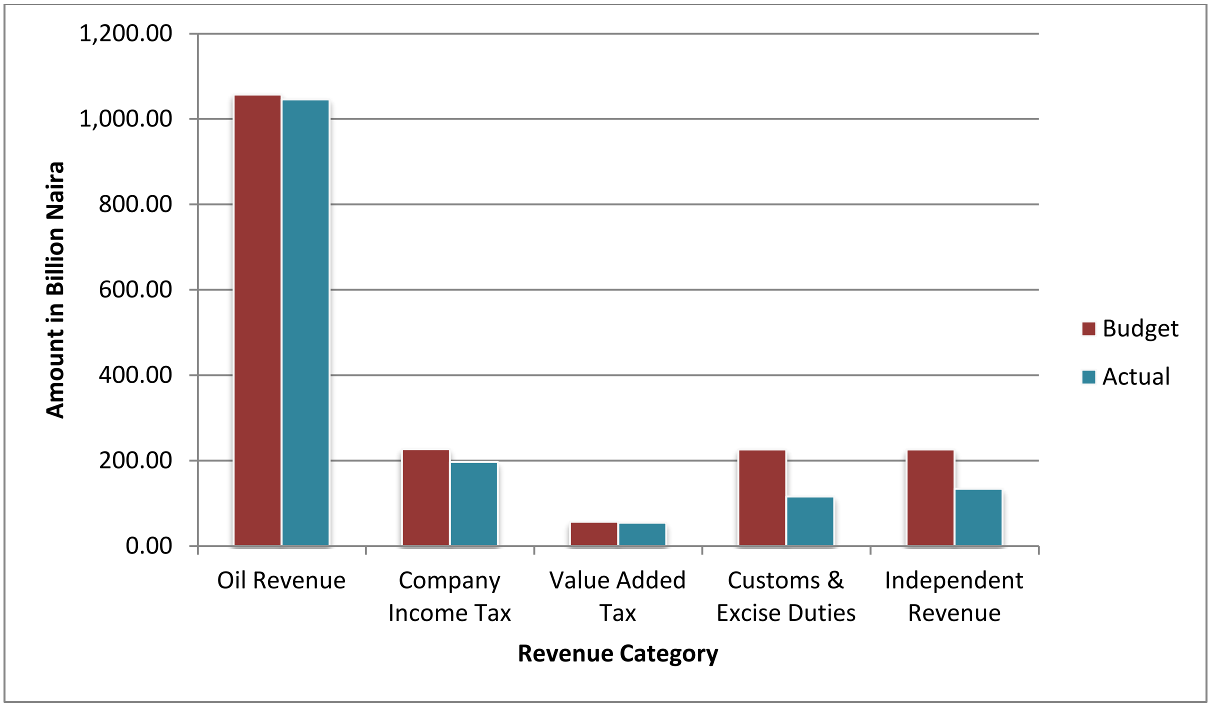


Source: Budget Office of the Federation, 2014

3.3 FGN Budget Revenue

30. In line with the approved 2014 Budget framework, the sum of N3,731.0 billion was projected to fund the Federal Budget, indicating a quarterly share of N932.75 billion. In the second quarter of 2014, the sum of N536.21 billion received from oil sources surpassed the quarterly projected estimate of N528.63 billion by N7.58 billion (or 1.43%). With the exception of FGN Share of Company Income Tax of N113.84 billion which exceeded its quarterly budget estimate by N0.21 billion (or 0.18%), all other non-oil revenue items fell below their quarterly budget projections. FGN Share of VAT of N26.09 billion and Customs & Excise Duties of N61.47 billion were short of their respective quarterly projections of N28.41 billion and N113.31 billion by N2.31 billion (or 8.14%) and N51.84 billion (or 45.75%). The foregoing followed the same pattern of their respective performances at the Federation Account level. The data is presented below in *Table 3.5.*

Chart 3.4: FGN Revenue (Budget Vs Actual as at June 2014)



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

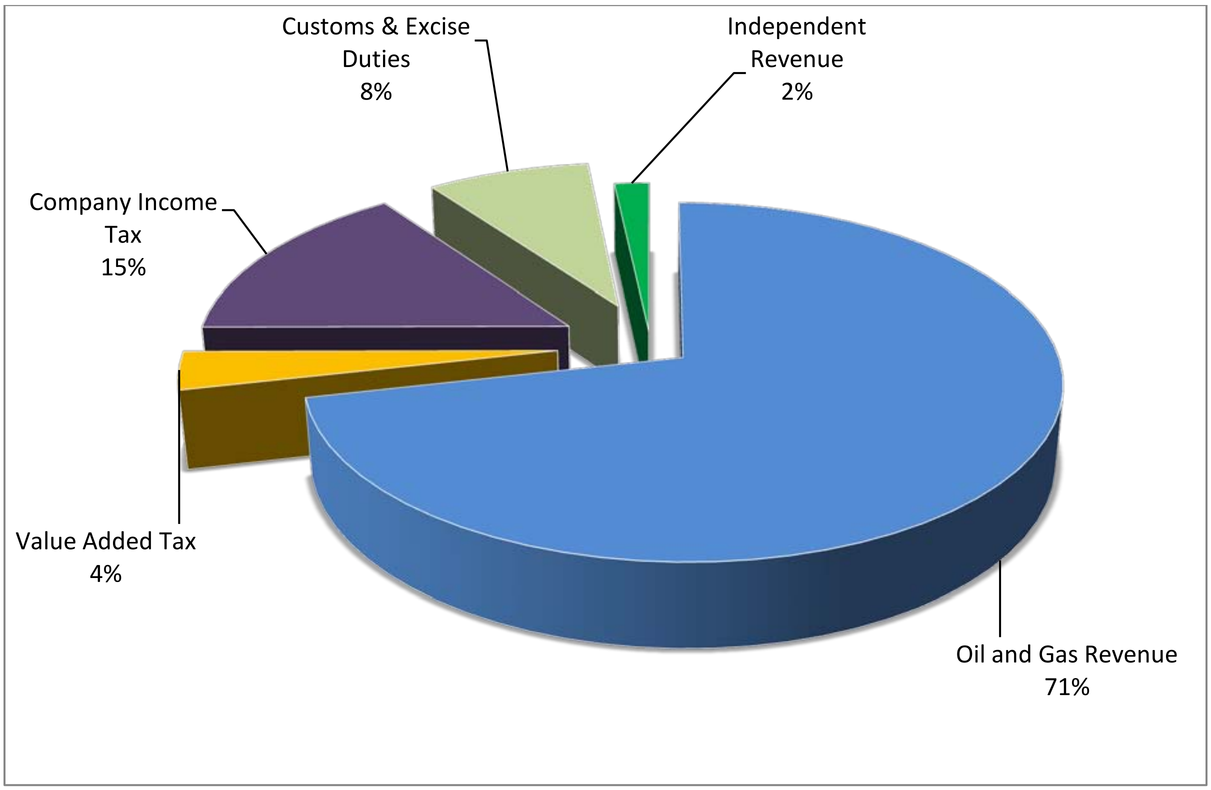
Table 3.5: Inflows to the 2014 Federal Budget as at June 2014

DESCRIPTION	BUDGET			ACTUAL			VARIANCE					
	Annual	Quarterly Budget	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget	
Inflow for the Federal Budget (CRF)	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
FGN Share of Oil Revenue	2114.54	528.63	1057.27	510.09	536.21	1046.30	7.58	1.43	26.12	5.12	-10.97	-1.04
Share of Non-Oil Revenue	1022.75	255.69	511.38	166.53	201.41	367.93	-54.28	-21.23	34.88	20.95	-143.44	-28.05
FGN Share of Value Added Tax (VAT)	113.63	28.41	56.81	28.73	26.09	54.83	-2.31	-8.14	-2.64	-9.19	-1.99	-3.50
FGN Share of Customs	453.24	113.31	226.62	54.86	61.47	116.33	-51.84	-45.75	6.61	12.04	-110.29	-48.67
FGN Share of Company Income Tax (CIT)	454.54	113.64	227.27	82.93	113.84	196.77	0.21	0.18	30.91	37.28	-30.50	-13.42
FGN Share of Actual Balanes in Special Accounts	1.34	0.34	0.67	0.00	0.00	0.00	-0.34	-100.00	0.00		-0.67	-100.00
FGN Independent Revenue	452.04	113.01	226.02	121.13	12.88	134.01	-100.13	-88.60	-108.25	-89.37	-92.01	-40.71
FGN Bal of Special Accts as at 31/12/12:	21.68	5.42	10.84	0.00	0.00	0.00	-5.42	-100.00	0.00		-10.84	-100.00
Unspent Balance from previous FY	120.00	30.00	60.00	7.56	0.00	7.56	-30.00	-100.00	-7.56	-99.99	-52.44	-87.40
Sub-Total	3731.00	932.75	1865.50	805.30	750.50	1555.80	-182.25	-19.54	-54.80	-6.81	-309.71	-16.60
Other Financing Sources	0.00	0.00	0.00	45.00	45.00	90.00	45.00		0.00	0.00	90.00	
Foreign Excess Crude Savings Account (SURE-P)	0.00	0.00	0.00	45.00	45.00	90.00	45.00		0.00	0.00	90.00	
Total Revenue Available for Implementation	3731.00	932.75	1865.50	850.30	795.50	1645.80	-137.25	-14.72	-54.80	-6.45	-219.71	-11.78

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

31. A total of N750.5 billion, excluding other funding sources, was received in the second quarter of 2014. This amount was N182.25 billion (or 19.54%) lower than the quarterly projection of N932.75 billion and also N54.8 billion (or 6.81%) lower than the actual receipt of N805.3 billion recorded in the first quarter of 2014. However, the aggregate revenue in the second quarter of 2014 was N28.98 billion (or 4.02%) higher than the N721.52 billion recorded in the second quarter of 2013.

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



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

3.4 Excess Crude Account

32. The Excess Crude Account (ECA) was set up to serve as a stabilization and savings account. Inflows into the ECA in the second quarter of 2014 amounted to N231.27 billion. The inflow in the second quarter of 2014 was N72.82 billion (or 45.96%) higher than N158.45 billion

and N41.88 billion (or 15.33%) lower than the N273.15 billion recorded in the first quarter of 2014 and second quarter of 2013 respectively. A total of N155.17 billion was withdrawn from the account in the second quarter of 2014. These data are presented in Table 3.6.

Table 3.6: Net Excess Crude Account

Description	2013 Actual (N' bns)			2014 Actual (N'bn)		
	First Quarter	Second Quarter	Half Year	First Quarter	Second Quarter	Half Year
Inflows						
Transfer to Excess Crude Oil Account	400.92	273.15	674.07	158.45	231.27	389.72
Outflows						
Payment for Petroleum Product Subsidy	50.00	110.00	160.00	48.23	44.97	93.20
Augmentation: Distribution among tiers of govt.	485.02	434.82	919.84	106.65	106.65	213.30
Transfer for Special Intervention Fund	71.10	106.65	177.75		3.55	3.55
Transfers Int. trf - SWF	-					
Total Outflow	606.12	651.47	1,257.59	154.88	155.17	310.05
Net Excess Crude Account	-205.20	-378.32	-583.52	3.57	76.10	79.67

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

3.5 Expenditure Developments

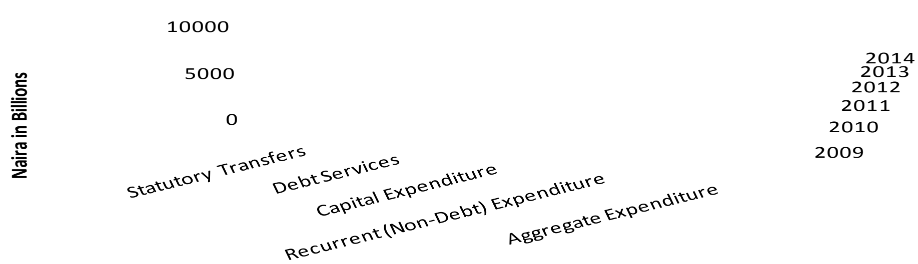
33. A total of N4,963.56 billion was appropriated for expenditure in the 2014 Budget. Of this amount, N4,695.19 billion was for the regular budget for 2014 while N268.37 billion was for the implementation of social safety net and specific infrastructure projects and programmes under the Subsidy Reinvestment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

N408.69 billion (or 8.7%) for Statutory Transfers and N1,119.62 billion (or 23.85%) for Capital Expenditure.

3.5.1 Non-Debt Recurrent Expenditure

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

Chart 3.6: 2009 – 2014 Budget Expenditure Profile

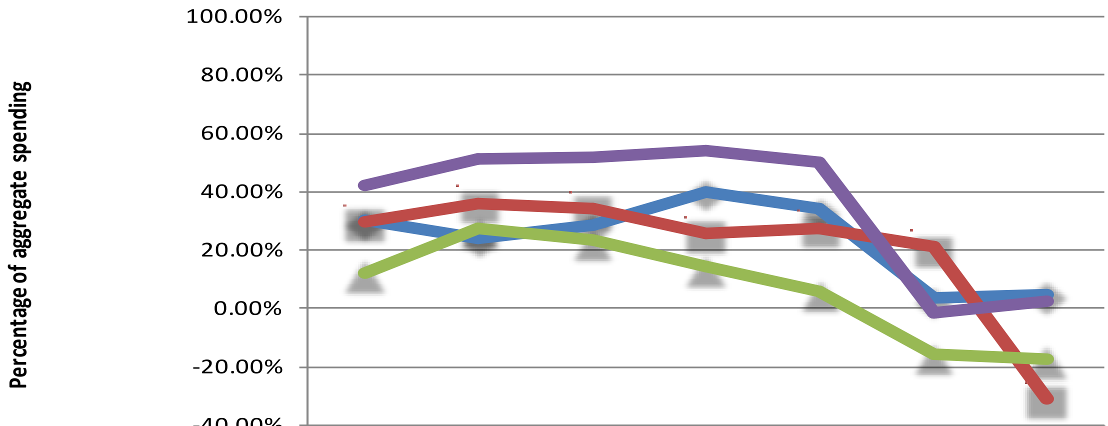


	Statutory Transfers	Debt Services	Capital Expenditure	Recurrent (Non-Debt) Expenditure	Aggregate Expenditure
2009	168.62	283.65	1,280.71	1,824.71	3,557.69
2010	183.58	542.38	1,764.69	2,669.01	5,159.66
2011	417.83	495.1	1,146.75	2,425.07	4,484.74
2012	372.59	559.58	1,339.99	2,425.05	4,697.21
2013	387.98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

Source: Budget Office of the Federation, 2014

35. Data from the OAGF showed that a total of N576.26 billion was expended on non-debt recurrent expenditure in the second quarter of 2014. This amount represents a decrease of N37.46 billion (or 6.1%) below the quarterly estimate of N613.72 billion.

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



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

Source: BOF and OAGF, 2014

3.5.2 Debt Service

36. Provisional data from the Debt Management Office (DMO) showed that as at 30th June, 2014, the Federal Government domestic debt stock stood at N7,421.1 billion, representing an increase of N237.92 billion (or 3.31%) over the N7,183.18 billion recorded in the first quarter of 2014. The 2014 second quarter debt figure was also N570.35 billion (or 8.33%) above the N6,850.75 billion recorded in the same period of 2013. A breakdown of the domestic debt stock as at 30th June, 2014 showed that N4,369.84 billion (or 58.88%) was for FGN Bonds, N2,735.87 billion (or 36.87%) was for Nigeria Treasury Bills (NTBs) and N315.39 billion (or 4.25%) was for Treasury Bonds. The rise in domestic debt in the second quarter can be

attributed to the issuance of additional Federal Government Bonds and Nigerian Treasury Bills. As at 30th June, 2014 a total of N161.80 billion was released for domestic debt servicing while the actual domestic debt payment was N224.51 billion. The difference of N58.61 billion (or 35.33%) between the quarterly budgeted estimate of N165.9 billion for domestic debt services and the actual domestic debt services was mainly due to additional issues of FGN Bonds above the amount projected to be issued, due to changes in the issuance calendar and the rising cost of rolling over NTBs.

37. Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 30th June, 2014, stood at US$9,377.11 million depicting an increase of US$211.09 million (or 2.3%) and US$2,457.01 million (or 35.51%) over the US$9,166.02 million and US$6,920.1 million recorded in the first quarter of 2014 and the second quarter of 2013 respectively. The increase was due mainly to the increases in multilateral and bilateral debt drawdown. A breakdown of the external debt stock as at 30th June, 2014 showed that Multilateral Debts amounted to US$6,730.45 million (71.78%), Non-Paris Club Bilateral Debts amounted to US$1,140.79 million (or 12.17%) while Commercial and ICM (Euro-Bond) accounted for the balance of US$1,505.88 million (or 16.06%).

38. The actual external debt service payment in the second quarter of the year amounted to US$58.7 million. A breakdown of the payments indicated that US$31.39 million (or 53.48%) was to Multilateral Creditors, US$0.37 million (or 0.63%) was to Non-Paris Bilateral Creditors, US$6.08 million (or 10.36%) was to Commercial & ICM (Euro-Bond) Creditor and US$20.86 million (or 35.54%) was to others.

39. The total public debt stock as at 30th June, 2014 stood at US$66.99 billion (or N10,433.05 billion). The breakdown consists of US$9.38 billion (or N1,460.3 billion or 14%) for external debt while the balance of US$57.61 billion (or N8,972.75 billion or 86%) was for domestic debt stock. The total net value of Debt/GDP (external and domestic) ratio of 12.88% (using the

rebased GDP figure of 2014) as at the end of June 2014 was significantly below the global threshold of 40%.

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

ITEMS	BUDGET			ACTUAL			VARIANCE					
	Annual	Quarterly Budget	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget	
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
TOTAL INFLOW	3,731.00	932.75	1,865.50	850.30	795.50	1,645.80	(137.25)	(14.71)	(54.80)	(6.44)	(219.70)	(11.78)
EXPENDITURE:		-	-	-	-	-	-		-		-	
RECURRENT (NON DEBT):		-	-	-	-	-	-		-		-	
Personnel Cost	1,769.04	442.26	884.52	315.91	437.22	753.13	(5.04)	(1.14)	121.30	38.40	(131.39)	(14.85)
Pension & Gratuities	187.45	46.86	93.73	38.16	35.72	73.88	(11.14)	(23.78)	(2.44)	(6.40)	(19.84)	(21.17)
Overhead Cost and Service Wide Vote	498.40	124.60	249.20	48.93	103.33	152.26	(21.27)	(17.07)	54.40	111.18	(96.94)	(38.90)
Sub-Total (Non-Debt)	2,454.89	613.72	1,227.44	403.00	576.26	979.27	(37.46)	(6.10)	173.26	42.99	(248.18)	(20.22)
Domestic Debts & Int. on Ways & Means	663.61	165.90	331.81	279.64	161.80	441.44	(4.10)	(2.47)	(117.84)	(42.14)	109.63	33.04
Foreign Debts	48.39	12.10	24.20	21.29	15.08	36.37	2.99	24.68	(6.20)	(29.14)	12.17	50.31
Sub-Total (Debt)	712.00	178.00	356.00	300.92	176.88	477.80	(1.12)	(0.63)	(124.04)	(41.22)	121.80	34.21
CAPITAL EXPENDITURE:		-	-	-	-	-	-		-		-	
Capital Releases (2013)		-	-	97.13	-	97.13	-		(97.13)	(100.00)	97.13	
*Capital Releases 2014	1,119.62	279.90	559.81	126.51	31.76	158.27	(248.15)	(88.65)	(94.75)	(74.90)	(401.54)	(71.73)
Sub-Total (Capital)	1,119.62	279.90	559.81	223.64	31.76	255.40	(248.15)	(88.65)	(191.88)	(85.80)	(304.41)	(54.38)
TRANSFER:		-	-	-	-	-	-		-		-	
Niger Delta Development Commission (NDDC)	61.94	15.49	30.97	-	15.49	15.49	-	-	15.49		(15.49)	(50.00)
National Judicial Council (NJC)	73.00	18.25	36.50	16.75	11.17	27.92	(7.08)	(38.82)	(5.58)	(33.33)	(8.59)	(23.52)
Universal Basic Education Commission (UBEC)	70.47	17.62	35.24	17.62	11.75	29.36	(5.87)	(33.33)	(5.87)	(33.33)	(5.87)	(16.66)
Independent National Electoral Commission (INEC)	45.00	11.25	22.50	7.50	8.54	16.04	(2.71)	(24.10)	1.04	13.85	(6.46)	(28.72)
National Assembly	150.00	37.50	75.00	37.50	37.50	75.00	-	-	-	-	-	-
Public Complaint Commission	6.93	1.73	3.46	0.73	0.24	0.98	(1.49)	(85.91)	(0.49)	(66.67)	(2.49)	(71.82)
National Human Right Commission	1.35	0.34	0.68	0.34	0.23	0.57	(0.11)	(33.04)	(0.11)	(33.33)	(0.11)	(16.30)
Sub-Total (Transfers)	408.69	102.17	204.34	80.44	84.91	165.34	(17.27)	(16.90)	4.47	5.55	(39.00)	(19.09)
TOTAL EXPENDITURE	4,695.19	1,173.80	2,347.60	1,008.00	869.81	1,877.81	(303.99)	(25.90)	(138.19)	(13.71)	(469.79)	(20.01)
Fiscal Deficit	(964.19)	(241.05)	(482.10)	(157.70)	(74.31)	(232.01)	166.74	(69.17)	83.39	(52.88)	250.09	(51.88)
FINANCING ITEMS		-	-	-	-	-	-		-		-	
Privitization Proceeds	15.00	3.75	7.50	-	-	-	(3.75)	(100.00)	-		(7.50)	(100.00)
Signature Bonus		-	-	-	-	-	-		-		-	
FGN Sharefrom Stabilisation Fund Account	324.97	81.24	162.48	-	-	-	(81.24)	(100.00)	-		(162.48)	(100.00)
Domestic borrowing (FGN Bond)	624.22	156.06	312.11	260.67	243.33	504.00	87.27	55.93	(17.34)	(6.65)	191.89	61.48
Borrowing from Development of Natural Resources Account		-	-	-	114.15	114.15	114.15		114.15		114.15	
Sub-Total	964.19	241.05	482.09	260.67	357.48	618.15	116.43	48.30	96.81	37.14	136.05	28.22
Net Deficit / Surplus	(0.00)	(0.00)	(0.00)	102.97	283.17	386.14	283.17		180.20	175.00	386.14	

Source: OAGF and Budget Office of the Federation, 2014

3.5.3 Statutory Transfers:

40. In the second quarter of 2014, a total of N84.91 billion was released as statutory transfers. A breakdown of the actual transfers in the second quarter reveals that N15.49 billion was to Niger Delta Development Commission (NDDC), N11.17 billion was to National Judicial Council (NJC), N11.75 billion was to the Universal Basic Education Commission (UBEC), N8.54 billion was to Independent Electoral Commission, N0.24 billion was to Public Complaint Commission, N0.23 billion was to National Human Right Commission and N37.5 billion was to the National Assembly. It is worthy to note that quarterly releases under this subhead are made on demand by the beneficiaries, subject to budgetary provisions.

3.5.4 Capital Expenditure Performance

41. In pursuance of the Administration's Transformation Agenda, through the creation of jobs and engendering inclusive growth, Government like in the past budgets has continued in 2014 to channel the bulk of its finances to the structural reform of the economy and provision of critical infrastructure in the power, health, education, roads, rail and aviation sectors as well as the provision of physical and food security. As a result of this, a total of N1,119.62 billion was allocated to capital spending in the 2014 Budget.

MDAs' Capital Vote Utilization:

42. As of the second quarter of 2014, a total of N410.01 billion had been released for capital expenditure. Data from the OAGF revealed that as at 30th June, 2014, a total of N221.68 billion had been cash-backed for the implementation of MDAs capital projects/programmes as contained in the 2014 Appropriation Act.

Performance as at 30th June, 2014

43. Available data also showed that N188.59 billion (or 86.08%) of the total amount cash-backed had been utilized by MDAs as at 30th June 2014. *Appendix 1* to this Report shows the funds released and utilized by MDAs in the period. An analysis of forty-nine (49) MDAs reported upon by the Office of the Accountant-General of the Federation (OAGF) indicates varied levels of utilization among the MDAs. Thirty three (or 67.35%) of the MDAs which included: the Presidency, Office of the Secretary to Government of the Federation, Agriculture, Education, Federal Capital Territory Administration, Justice, Works, Housing, Mines & Steel, Aviation, Environment, National Sports Commission, Niger Delta and National Planning Commission had surpassed the overall average utilization rate of 86.08% of the amount cash-backed. Eleven out of these, which included the Police Affairs, Women Affairs, Foreign & Inter Government Affairs, Communication Technology, National Wages & Salaries, Special Duties and Code of Conduct Tribunal had utilized over 99% of their respective cash-backed funds.

44. The utilization report also showed that 41 MDAs (or 83.67%), which included Water Resources, Defence, Health, Interior, Justice, Labour & Productivity, Finance, Federal Civil Service Commission, Code of Conduct Bureau, Federal Character Commission, Youth Development, Women Affairs, Agriculture, Education, Federal Capital Territory, Information, Head of Service and Mines & Steel had utilized above 60% of their cash-backed funds. Five (or 10.2%) of MDAs which included Power, Transport, Petroleum, Fiscal Responsibility Commission and Revenue Mobilization & Fiscal Allocation Commission had a utilization rate of less than 60% while Public Complaint Commission, Police Service Commission and ICRC were yet to make any utilization during the period. *Table 3.8* is an extract from *Appendix 1* highlighting the utilization rates of ten MDAs considered to be key to the actualization of the Government's Transformation agenda.

45. In addition to the regular budget, a provision of N268.37 billion was made for the implementation of critical capital and programmes under the

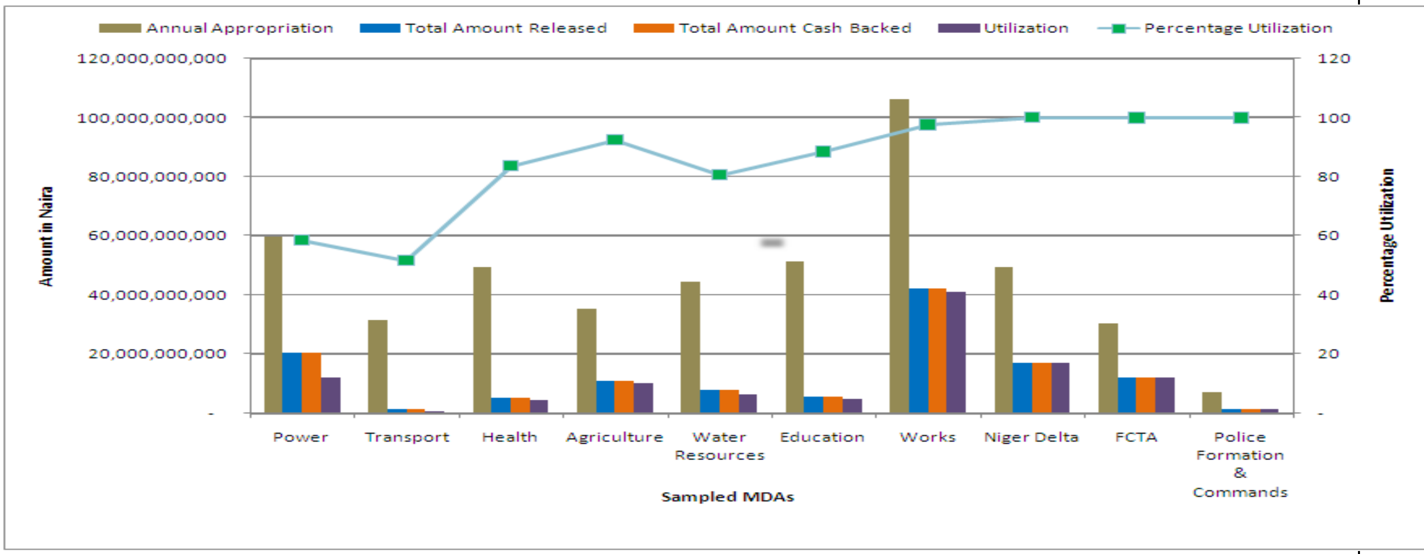
subsidy reinvestment programme (SURE-P) window. A total of N181.46 billion (or 67.62%) of the appropriated sum was released while N65.51 billion (or 36.1%) of the released amount had been utilized as at 30th June, 2014.

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

MDA	Annual Appropriation	Total Amount Released	Total Amount Cash Backed	Utilization			
	N	N	N	N	As % of Annual Capital Appropriation	As % of Cash Backed Funds	As % of Budgetary Releases
Power	59,814,290,389	20,573,310,163	20,573,310,163	12,046,507,187	20.14	58.55	58.55
Transport	31,808,108,913	1,474,290,841	1,474,290,841	761,296,009	2.39	51.64	51.64
Health	49,517,380,725	5,257,051,596	5,257,051,596	4,395,281,291	8.88	83.61	83.61
Agriculture	35,551,172,583	10,945,340,948	10,945,340,948	10,102,697,455	28.42	92.30	92.30
Water Resources	44,570,772,579	8,000,000,000	8,000,000,000	6,444,444,555	14.46	80.56	80.56
Education	51,281,035,231	5,727,753,127	5,727,753,127	5,063,592,010	9.87	88.40	88.40
Works	106,321,203,055	42,243,599,130	42,243,599,130	41,210,669,885	38.76	97.55	97.55
Niger Delta	49,403,704,194	17,180,795,199	17,180,795,199	17,180,795,199	34.78	100.00	100.00
FCTA	30,410,000,000	12,149,764,433	12,149,764,433	12,140,437,467	39.92	99.92	99.92
Police Formation & Commands	7,340,000,000	1,697,500,000	1,697,500,000	1,694,917,603	23.09	99.85	99.85
Total Average Utilization (by all MDAs)					16.84	86.08	86.08

Source: OAGF and BOF, 2014

Chart 3.8: Pictorial Representation of Utilization by Selected MDAs



Source: BOF and OAGF, 2014

3.5.5 Performance of the Financing Items:

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

47. In the second quarter, a total of N357.48 billion was realized from financing item sources, implying an increase of N116.43 billion (or 48.3%) above the quarterly estimate of N241.05 billion. The financing item was realized from only Domestic Borrowing (FGN Bond) of N243.33 billion and Borrowing from Development of Natural Resources Account of N114.15 billion while other items such as Privatization Proceeds and FGN Share from Stabilization Fund Account did not materialize in the quarter.

5.0CONCLUSION

Data from the National Bureau of Statistics indicated a real GDP growth of 6.24% in the second quarter of 2014 which was higher than the corresponding growth rate in 2013. As usual, the non-oil sector continued to be the key driver of overall growth with its major contributors coming from industry, agriculture, trade and services. The oil sector also showed relative improvement from -16.42% in the second quarter of 2013 to -5.22% in the second quarter of 2014. The country's external reserve was also on track at a sustainable level of about US$37.33 billion during the period.

49. Provisional data from the OAGF showed that a net distributable sum of N1,653.44 billion accrued to the Federation Account for distribution among the three tiers of government in the quarter, signifying a shortfall of about N108.05 billion when compared with N1,761.5 billion projected for the quarter. This follows from the shortfall in net non-oil revenue of N122.98 billion – due mainly to slow economic activities during the period. This shortfall also affected the implementation of the federal budget which was underfunded by about N182.25 billion (or 19.54%) in the quarter as against the quarterly estimate of N932.75 billion.

50. The implementation of recurrent expenditures in the second quarter was on course. A total of N410.01 billion out of the N559.81 billion projected for capital budget implementation for the half year had been released while N221.68 billion had been cash-backed. Of this, N188.59 billion (or 86.08%) was utilized by the MDAs as at 30th June 2014.

51. This provisional report focused on reporting the macroeconomic situation and financial analysis of the execution of the Budget.