



2019 THIRD QUARTER

BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION
Ministry of Finance, Budget and National Planning

FOREWORD

It gives me great pleasure to present to you this 2019 Third Quarter Budget Implementation Report (BIR), which gives detailed information on the utilization of public resources for contending socio-economic needs during the period. The Report serve as medium through which the Ministries, Departments and Agencies (MDAs) account for public financial resources provided for the realization of government objectives in the Economic Recovery and Growth Plan (ERGP). The 2019 Budget was titled “Budget of Continuity” and its key parameters and assumptions are as set out in the 2019-2021 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP).

Sections 30 and 50 of the Fiscal Responsibility Act, 2007 require the Budget Office of the Federation (BOF) to prepare and submit Quarterly Budget Implementation Reports to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). These reports are also expected to be published and circulated to all other stakeholders and the general public through electronic and other media. The 2019 First and Second Quarter Budget Implementation Reports were duly published earlier in the year.

This Third Quarter Budget Implementation Report is the product of careful planning, monitoring and analytical work by the Budget Office of the Federation in collaboration with MDAs. I commend the team for their hard work and also wish to recognize the active roles of the National Assembly’s Joint Finance Committee and the Fiscal Responsibility Commission in adhering to best practices in public financial management through their collaborative efforts.

Lastly, I urge the general public and readers of this Report to sustain their keen interest in tracking progress towards achievement of Government’s goals and objectives, especially in the management of public resources. This will serve as the necessary impetus for the efficient and effective management of government finances.

Zainab Shamsuna Ahmed (Mrs)

Honourable Minister of Finance, Budget and National Planning

PREFACE

Pursuant to Section 30 of the Fiscal Responsibility Act, 2007, the Budget Office of the Federation produces Budget Implementation Reports on a quarterly basis. This 2019 Third Quarter Budget Implementation Report is one of many in-year reports prepared by the BOF. This Report is also part of the efforts of the Ministry of Finance, Budget and National Planning (MFBNP) in complying with the FRA 2007 and more importantly in promoting budget transparency and accountability as a key component of Nigeria's commitment to the Open Government Partnership (OGP).

The third quarter of 2019 was characterised by weakening global economy amid rising trade and geopolitical tensions, tighter global financial conditions and higher policy uncertainty across many economies. Global economic activity is expected to slow down to 3.2 percent in 2019 from 3.6 percent in 2018 with prospects across countries and regions remaining uneven. On the domestic scene, economic growth has remained trepid at 2.28 per cent (year-on-year) with an uptick in inflation

The fiscal performance was below target largely on account of revenue shortfalls and rising expenditure pressures. As at Q3, Federal Government's actual aggregate revenue was N4.25 trillion, which is 81% of the prorata target. Of the prorated budgeted expenditure of N6.69 trillion, N5.81 trillion was spent. This represents 86.9% performance.

Government is placing greater emphasis on improving budget preparation, execution, monitoring and evaluation for enhanced performance. Critical performance enhancing initiatives have continued to be applied, leading to the budget progressively being a critical instrument for the delivery of government objectives. In view of this, the government had continued to maintain a robust share of the capital budget relative to the total budget despite revenue challenges. The careful crafting and cautious implementation of these budgets were key to Nigeria's exit from economic recession and the sustained Gross Domestic Product (GDP) growth recorded recently.

The implementation of the 2019 Budget in the third quarter was very challenging mainly due to the extension of the 2018 capital budget to 30th June, 2019. The execution of the 2019 budget was also adversely affected by the late passage of the Budget as well as the shortfall in expected oil and non-oil revenue receipts. Nevertheless, the Government had released the first trench of the capital budget to

the MDAs and had continued to meet its non-discretionary expenditures.

This Report is a product of the joint effort of financial and statistical agencies of Government which provided necessary macro-economic and financial data, and the combined effort of various departments of the BOF, particularly the Budget Monitoring and Evaluation Department. I applaud their efforts as they continue to perform this vital function.

Ben Akabueze

Director General, Budget Office of the Federation

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LIST OF ACRONYMS

A/C:	Account	N:	Naira
AIE:	Authority to Incur Expenditure	NBS:	National Bureau of Statistics
AF:	Alternative Funding	NDDC:	Niger Delta Development Commission
AEs:	Advanced Economies	NHRC:	National Human Rights Commission
B:	Billion	NJC:	National Judiciary Commission
BDC:	Bureau De-Change	NNPC:	Nigerian National Petroleum Corporation
BOF:	Budget Office of the Federation	NTB:	Nigerian Treasury Bills
BREXIT:	Britain Exit	OAGF:	Office of the Accountant General of the Federation
CBN:	Central Bank of Nigeria	ONSA:	Office of National Security Adviser
CIT:	Company Income Tax	OPEC:	Organization of Petroleum Exporting Countries
DMO:	Debt Management Office	OTC-FMDQ-OTC:	Over the Counter Financial Market Dealer Quotation
ECA:	Excess Crude Account	PCC:	Public Complaint Commission
EMDEs:	Emerging Markets and Developing Economies	PPT:	Petroleum Profit Tax
EMEs:	Emerging Markets Economies	PSC:	Production Sharing Contracts
FAAC:	Federation Account Allocation Committee	SC:	Service Contracts
FGN:	Federal Government of Nigeria	SWF:	Sovereign Wealth Fund
GDP:	Gross Domestic Product	TSA:	Treasury Single Account
IMF:	International Monetary Fund	UBEC:	Universal Basic Education Commission
INEC:	Independent National Electoral Commission	US:	United States
JV:	Joint Venture	VAT:	Value Added Tax
LNG:	Liquefied Natural Gas	WEO:	World Economic Outlook
M2:	Money Supply	ZBB:	Zero Base Budgeting
MFB&NP:	Ministry of Finance, Budget and National Planning		
MBPD:	Million Barrels Per Day		
MDAs:	Ministries, Departments and Agencies		
MPR:	Monetary Policy Rate		
MTFF:	Medium Term Fiscal Framework		

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EXECUTIVE SUMMARY

The 2019 Budget was titled “Budget of Continuity” and it was projected to move the economy further to the path of all-inclusive, diversified and sustainable growth so as to continue the uplift of significant numbers of Nigerians out of poverty. The key indicators for the 2019 revenue projections were adjusted to reflect current realities. On the expenditure side, allocations to Ministries, Departments and Agencies of Government were aligned to the 3 objectives of the ERGP, which are; Restoring and Sustaining Growth; Investing in our People; and Building a Globally Competitive Economy.

Gross Domestic Product grew by 2.28 percent (year-on-year), in real terms, in the third quarter of 2019. This reflects an increase of 0.47 percentage points when compared with the third quarter of 2018 growth of 1.81 percent. On a quarter on quarter basis, real GDP grew by 9.23 percent.

The general changes in price level, though still high at the double-digit range, continued to moderate in the third quarter of 2019. Headline inflation (year-on-year) moderated from 11.22 percent in June to 11.08 percent and 11.02 percent in July and August 2019 respectively before rising slightly to 11.24 percent in September 2019. The moderation was ascribed to the decline in components of Food and Core Inflations. Similarly, Food Inflation moderated from 13.56 percent in June to 13.39 percent and 13.17 percent respectively before increasing slightly to 13.51 percent in September 2019. Core Inflation also moderated from 8.84 percent in June to 8.80 percent and 8.68 percent in July and August 2019 respectively before moving slightly upward to 8.94 percent in September 2019.

Monetary aggregates rose in the third quarter relative to the second quarter of 2019. Broad Money Supply (M3) declined by 0.40 percent driven by the expansion of Net Domestic Assets (NDA) by 28.60 percent to ₦21,132.98 billion in September 2019 from ₦16,432.81 billion in June 2019. The Net Foreign Assets (NFA) however declined by 24.69 percent over the period. Net Domestic Credit (NDC) drove the expansion in the NDA growing by 11.12 percent to ₦35,938.33 billion in September 2019. This followed a substantial increase in Credit to Government which improved by 37.83 percent from ₦7,583.24 billion in June 2019 to ₦10,452.20 billion in September 2019.

The Central Bank of Nigeria (CBN) maintained a Monetary Policy Rate (MPR) of 13.5 percent adopted in March 2019 in the review period. Other key monetary policy instruments were equally retained during the review period as the Cash Reserve Ratio (CRR) and the Liquidity Ratio remained at 22.5 percent and 30 percent respectively. The average interbank call rate undulated declining from 8.38 percent in June to 6.52 percent and 8.0 percent in July and August 2019 respectively before rising to 11.61 percent in September 2019. The average prime lending rate also decreased during the period under review, falling from 15.80 percent in June 2019 to 15.15 percent in September 2019. The average maximum lending rate however rose slightly from 31.04 percent in June to 31.43 percent in September 2019.

There was relative stability in the foreign exchange market with the Naira/Dollar exchange rate at the Official/Inter-Bank markets opened at a monthly average of before depreciating slightly to ₦306.94/US\$, ₦306.93/US\$ and ₦306.92/US\$ in July, August and September 2019 respectively from ₦306.95/US\$ in June. Similarly, the rate of the Naira/Dollar at the Bureau De-Change (BDC) appreciated slightly from ₦359.94/US\$ in June to ₦359.0/US\$ in both August and September 2019. Nigeria's gross official (external) reserve decreased at the end of the third quarter of 2019 on efforts to stabilize the market. It fell from US\$44.75 billion at the end of June to US\$40.69 billion in September 2019.

Nigeria's total public debt outstanding as at 30th September, 2019 was N26,214,981.13 million (US\$85,390.82 million), compared to N25,701,645.74 million (US\$83,718.72 million) recorded in the preceding quarter. This represents an increase of N513,335.39 million (2.0 percent) over the period. This reflects an increase of ₦4,531.14 billion (33.78 percent) in Nigeria's domestic debt stock to ₦17,943.94 billion as at end of September 2019. Nigeria's external debt stock however moderated to US\$26,941.50 million as at 30th September, 2019 indicating a decrease of US\$221.12 million (0.81 percent) below US\$27,162.62 million recorded in the second quarter of 2019.

The implementation of the budget in the three quarter of the year 2019 was affected by the poor revenue outturn as oil production and exports remained below the Budget estimates while the slow recovery of the economy continued

to drag non-oil revenue generation. The price of crude oil at the international market averaged US\$61.94 per barrel in the third quarter of 2019, indicating a decrease of US\$6.88 per barrel (10.0 percent) and US\$13.34 per barrel (17.72 percent) below US\$68.82 per barrel and US\$75.28 per barrel reported in the second quarter of 2019 and third quarter of 2018 respectively. This could be ascribed to the uncertainties around the trade dispute between China and the United States of America (USA).

Revenue shortages continued with Gross Oil Revenue of ₦4,447.05 billion in the three quarters of the year of 2019. This reflect a shortfall of ₦2,548.17 billion (36.43 percent) from the prorated budget estimate for the period but ₦366.74 billion (8.99 percent) above three quarters of the amount realized in the corresponding period of 2018. Gross non-oil revenue of ₦2,663.82 billion received in the first three quarters of 2019 also translates to a shortfall of ₦546.50 billion (17.02 percent) below the prorated estimate of ₦3,210.32 billion. The net distributable revenue to the three tiers of government after cost deductions therefore stood at ₦4,487.29 billion in the first three quarters of 2019, representing a shortfall of ₦4,345.90 billion (49.20 percent).

A total of ₦2,459.69 billion, was received to fund the budget in the first three quarters of 2019. This comprises ₦953.86 billion (or 38.78 percent) oil revenue and ₦1,505.83 billion (or 61.22 percent) non-oil revenue. The aggregate revenue receipt for the period was ₦2,940.04 billion on augmentation of ₦480.35 billion from Special Accounts. This translates to ₦2,308.87 billion (43.99 percent) shortfall from the prorated budget for 2019 but ₦125.74 billion (4.47 percent) higher than the ₦2,814.30 billion reported in the first three quarters of 2018.

Actual expenditure in the first three quarters of 2019 stood at ₦5,744.71 billion, indicating a decrease of ₦943.01 billion (14.10 percent) below the prorated budget estimate. It was however ₦415.60 billion (7.80 percent) higher than the actual expenditure of ₦5,329.11 billion recorded in the corresponding period of 2018. A total of ₦3,168.68 billion was spent as non-debt recurrent expenditure in the period implying an increase of ₦119.22

billion (or 3.91 percent) from the prorated budget estimate of ₦3,049.46 billion. It was also above the non-debt recurrent expenditure of ₦2,242.08 billion reported in the first three quarters of 2018 by ₦926.60 billion (or 41.33 percent). Statutory Transfer was also allocated a total sum of ₦346.97 billion while ₦372.04 billion was released for capital projects in the review period.

Total Debt Services in the first three quarters of 2019 stood at ₦1,923.64 billion indicating an increase of ₦233.13 billion (13.79 percent) above the ₦1,690.51 billion projected for the period. The sum of ₦1,406.99 billion was used for domestic debt service while ₦315.34 billion was spent for external debt service during the period under review. The amount used for domestic debt service indicates an increase of ₦124.32 billion (or 9.69 percent) above the budget estimate for the period.

The revenue and expenditure outturn of the Federal Government resulted in a fiscal deficit of ₦2,804.67 billion in the first three quarters of 2019. This was ₦1,365.82 billion (94.92 percent) above the projected deficit of ₦1,438.86 billion for the period. It was also above the fiscal deficit of ₦2,514.80 billion recorded in the same period of 2018. The deficit was financed through domestic borrowing of ₦670.0 billion, thereby reflecting a negative net financing of ₦2,134.67 billion in the period under review.

Overall, the outlook for key macroeconomic indicators point to positive economic performance in the last quarter of 2019. The anticipation is premised on sustained robust level of external reserves, improved fiscal spending owing to the release of funds for 2019 capital projects, relative stability in the foreign exchange market and increase in crude oil production and prices. These developments are encouraging, nevertheless, the GDP growth remained largely fragile with downside risks building up. The economy could therefore benefit from further structural and macroeconomic reforms.

1.0 INTRODUCTION

The Federal Budget is a vital instrument for achieving Government's strategic objectives and plan implementation for the socio-economic development of the nation. It shows the allocation of resources to different sectors/agencies by the Government in its bid to improve the delivery of public goods and services. The 2019 Budget was titled "Budget of Continuity"; it was prepared to achieve inclusive, diversified and sustainable growth and upliftment of significant number of Nigerians out of poverty.

The Federal Budget is not all about expenditure allocations as it is often assumed by many. Revenue remains an important aspect of the FGN budget. In recent times, revenue generation had been a major challenge in the formulation and implementation of FGN's annual budgets but this is being tackled vigorously. The major drivers of the 2019 revenue projections were adjusted to reflect current realities. Critical initiatives were also being implemented to enhance revenue outturn. On the expenditure side, allocations to Ministries, Departments and Agencies of Government were achieving the three strategic objectives of the ERGP, which are: Restoring and Sustaining Growth; Investing in our People; and Building a Globally Competitive Economy.

The 2019-2021 MTEF/FSP outlines the framework underlying the 2019 Budget, as well as the fiscal policy objectives and spending priorities of the Government over the three-year period. It also details the strategies for attaining Government's defined objectives, the key assumptions underpinning revenue projections and fiscal targets as well as possible fiscal risks in the medium term. In addition, it evaluates the nature of Federal Government's debt liabilities, their fiscal significance, and measures aimed at reducing them. The MTEF also provides the foundation for budget revenue projections and expenditure estimates. Hence, the MTEF denote efforts towards multi-year perspective in budgeting.

As a means of getting full value for monies expended by the Government over time and in order to avoid duplications and wastages, emphasis was

placed on the completion of existing projects. Projects that were not fully funded under the 2018 budget were therefore rolled over to the 2019 capital budget. In addition, funds were set aside for the Presidential Amnesty Programme and take-off grant for the North East Development Commission. In order to further support Small and Medium Scale Enterprises (SMSEs), which are the focus of the Government industrialization drive, funds were provided for the recapitalization of the Bank for Agriculture and the Bank of Industry for the purpose of subsidizing the interest rates charged on loans to SMSEs. This was proposed to make it easy for them to access single digit interest loans from the Bank of Industry. Social Intervention Projects (SIP) were also retained in the Budget, reflecting the Federal Government's continued resolve to pursue inclusive, gender-sensitive and pro-poor growth.

In order to build modern infrastructure to accelerate economic growth, the 2019 Budget continued laying emphasis on power, roads and rail. In addition to efforts to complete the Ibadan-Kano rail line, funds were provided for work to continue on the Eastern Rail from Port Harcourt to Maiduguri passing through Aba, which will connect to Abakaliki, Awka, Enugu, Owerri, Umuahia, then through Makurdi, Jos, Bauchi and Gombe. The Coastal Rail from Calabar to Lagos will also be started so as to build a true national rail network that links all state capitals. Furthermore, road projects will also be given considerable push and priority projects under the Presidential Infrastructure Development Fund such as the Abuja-Kaduna-Kano expressway, the Second Niger Bridge and the Lagos-Ibadan expressway will be fast-tracked for early completion. Generation, transmission and distribution of power from the national grid was also programmed for expansion while developing innovative off grid solutions for schools, hospitals and markets.

The 2019 Budget benefited from wide-range consultations and stakeholder engagements reflecting the belief that all citizens have a critical role to play in the journey towards sustainable and inclusive development. It further proves the commitments of the present Government to deliver the dividends of democracy to all Nigerians in a more inclusive manner. It also represents another important step in building the Nigeria of our dreams, a vision that is to be achieved with the determination and support of all Nigerians.

This Report provides comprehensive information on the implementation of the 2019 budget in the third quarter. The other parts of the Report are organized as follows: Section 2 reviews macroeconomic performance, highlighting the performance of the real, monetary and external sectors. Section 3 presents an analysis of Government's revenue receipts and expenditure in the quarter under review, while Section 4 is a brief conclusion of the Report.

2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

2.1 PERFORMANCE OF THE GLOBAL ECONOMY

Global growth remained subdued with IMF growth forecast at 3.2 percent in 2019, picking up to 3.5 percent in 2020. GDP data released so far in the year, together with generally softening inflation, point to weaker-than-anticipated global activity. Momentum in manufacturing activity, in particular, has weakened substantially, to levels not seen since the global financial crisis. Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally taking a toll on business confidence, investment decisions, and global trade.

Specifically, global output growth remained weak due to the impact of the trade conflict between the US and China, growing vulnerabilities in the financial markets, decline in global manufacturing, sustained downward pressure on oil prices, persistent uncertainties around BREXIT, which has continued to dampen investment growth in the United Kingdom, subdued growth in the European Union and Japan, and diminishing output growth in China. These headwinds resulted in slowing global trade, waning aggregate demand and reduction in the aggregate supply chain. Major Emerging Market and Developing Economies (EMDEs) particularly China and India also slowed, while South Africa, Russia and Brazil, recorded slower-than-expected growth. Consequently, there was a broad slowdown in global output. In the light of these developments, the IMF revised global growth forecast downwards to 3.0 per cent in October 2019 from its previous projection of 3.2 per cent in July 2019.

Inflation in most Advanced Economies was well below their long-run objectives, with price development remaining subdued and unemployment trending mostly below the Non-Accelerating Inflation Rate of Unemployment (NAIRU). In the US, wage growth and aggregate demand continued to perform below the long run average even though unemployment remained below the NAIRU. Consequently, the recent trend towards monetary accommodation by key central banks is expected to continue into the foreseeable future. In key Emerging Markets and Developing Economies (EMDEs), however, prices trended upwards with the output gaps widening and unemployment remaining relatively high.

2.2 DOMESTIC MACROECONOMIC PERFORMANCE

In the domestic economy, output growth in 2019 was projected to remain weak, climaxing at 2.27 percent, while inflation was estimated at 11.37 percent by the end of 2019. The forecast is predicated on favourable oil prices, stable exchange rate, moderate inflationary pressures, enhanced flow of credit to the private sector, sustained CBN interventions in the real sector, effective implementation of the ERGP, higher fiscal buffers, enhanced release of capital funds for the 2019 Budget, and improved security especially in the food producing areas of the country.

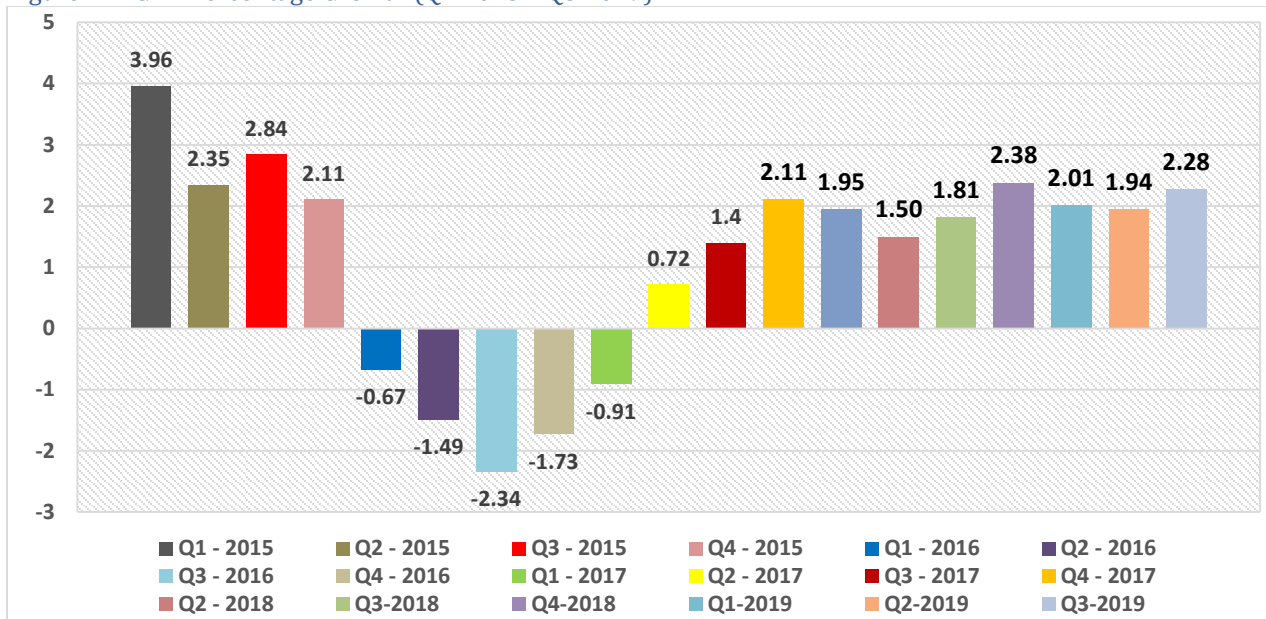
2.2.1 Real Sector Developments

2.2.1.1 Real GDP Growth

Nigeria's real Gross Domestic Product grew by 2.28 percent (year-on-year) in the third quarter of 2019. Compared with the 1.81 percent growth in the third quarter of 2018, the real GDP growth increased by 0.47 percentage points. Relative to the 2.12 percent growth during the second quarter of 2019, the 2019 third quarter performance represents an increase of 0.16 percentage points. On a quarter on quarter basis, however, real GDP grew by 9.23 percent representing the second highest quarterly growth rate recorded since 2016. The 2019 third quarter growth performance followed robust first and second quarter performances which was probably sustained by stability in oil output as well as the successful political transition.

In the quarter under review, nominal GDP stood at N37,806.92 billion. This was higher than the N33,368.05 billion reported in the third quarter of 2018 representing a year on year nominal growth rate of 13.30 percent. The growth rate was however, 0.17 percent and 0.28 percent lower than the growth rate recorded in the second quarter of 2019 and third quarter of 2018 respectively.

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q3 2019)

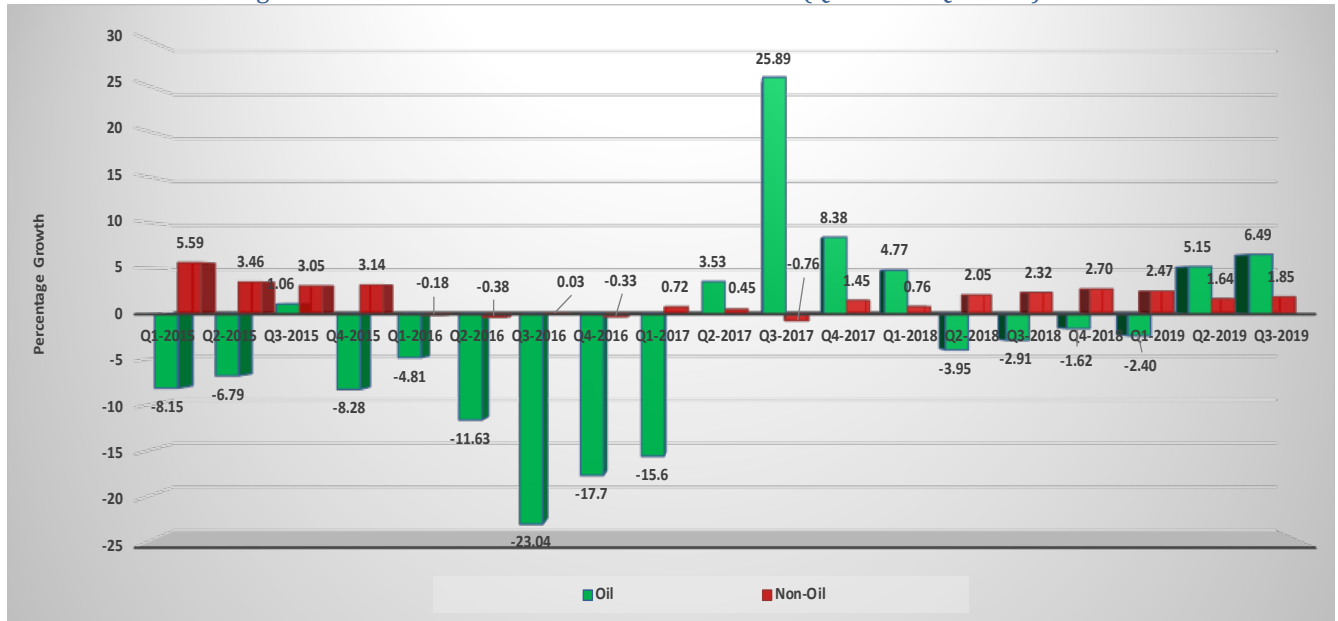


Source: National Bureau of Statistics, 2019

2.2.1.2 Oil Sector

Nigeria recorded an average daily oil production of 2.11 million barrels per day (mbpd) in the third quarter of 2019; the highest in more than three years. This output was 0.05mbpd and 0.17mbpd higher than the daily average oil production of 2.06mbpd and 1.94mbpd recorded in the preceding quarter of 2019 and the third quarter of 2018 respectively. The real growth rate of the oil sector in the third quarter of 2019 was therefore 6.49 percent (year-on-year), indicating an increase of 9.40 percentage points relative to rate recorded in the corresponding quarter of 2018. However, the third quarter 2019 growth rate was 0.68 percentage point lower than 7.17 percent reported in the second quarter of 2019. Quarter-on-Quarter, the oil sector recorded a growth rate of 18.88 percent in the third quarter of 2019. The oil sector also contributed 9.77 percent to real GDP in the third quarter of 2019, depicting an increase when compared with the 8.98 percent and 9.38 percent recorded in the second quarter of 2019 and the corresponding quarter of 2018 respectively.

Figure 2.2: Oil and Non-Oil Real GDP Growth Rate (Q1 2015 – Q3 2019)



Source: National Bureau of Statistics, 2019

2.2.1.3 Non-Oil Sector

The Non-Oil sector grew by 1.85 percent in real term during the quarter under review. This was 0.20 percentage points higher than the preceding quarter of 2019 but 0.48 percentage points lower than the corresponding quarter of 2018. The growth in the sector during the quarter was driven mostly by the Information & Communication sector. Other drivers were Agriculture, Mining & Quarrying, Transportation & Storage, and Manufacturing. In real terms, the Non-Oil sector contributed 90.23 percent to the nation’s GDP, this was slightly lower than the 91.02 percent and 90.62 percent shares recorded in the second quarter of 2019 and the third quarter of 2018 respectively.

The agriculture sector grew by 14.88 percent year-on-year nominally in the third quarter of 2019, indicating 3.44 percentage points decline when compared with the same quarter of 2018. Compared with the preceding quarter’s 17.76 percent growth, it showed a decline of 2.88 percent. Crop production remained the largest contributor, accounting for 91.6 percent of the sector in the third quarter of 2019. Quarter on quarter growth stood at 44.12 percent. Agriculture contributed 25.88 percent to nominal GDP during the quarter, slightly higher than the 19.39 percent and 25.52 percent

recorded in the second quarter of 2019 and the corresponding quarter of 2018 respectively.

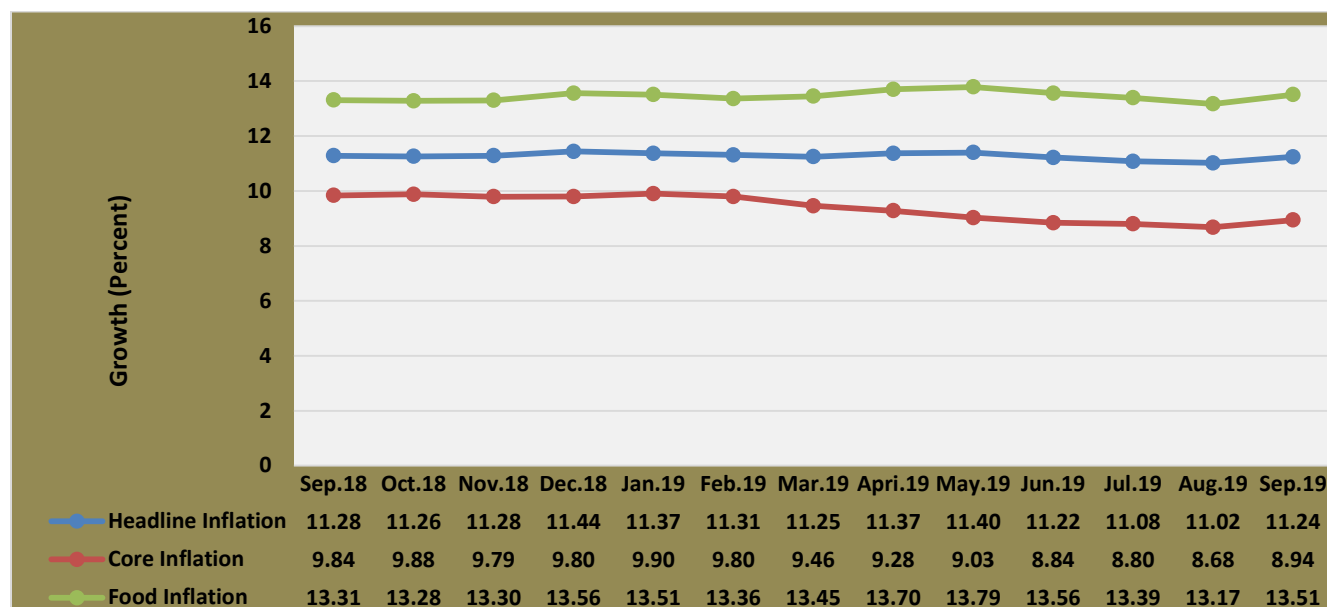
In real terms, the agricultural sector grew by 2.28 percent (year-on-year) in the third quarter of 2019. This represents an increase of 0.37 percentage points from the corresponding period of 2018 and 0.49 percentage points from the preceding quarter which recorded 1.79 percent growth. In terms of contribution, the sector contributed 29.25 percent to real GDP during the quarter; the same contribution recorded in the third quarter of 2018. The third quarter contribution was however 6.47 percent higher than the 22.78 percent contribution reported in the second quarter of 2019.

2.2.2 Price Developments

The changes in the general price level remain high at the double-digit range and has ceased to moderate in the third quarter of 2019. Headline inflation (year-on-year) moderated from 11.22 percent in June to 11.08 percent and 11.02 percent in July and August 2019 respectively before rising slightly to 11.24 percent in September 2019. The initial moderation was ascribed to the decline in components of Food and Core Inflation. Food Inflation moderated from 13.56 percent in June to 13.39 percent and 13.17 percent respectively, before increasing slightly to 13.51 percent in September 2019. Core Inflation also moderated from 8.84 percent in June to 8.80 percent and 8.68 percent in July and August 2019 respectively, before rising slightly to 8.94 percent in September 2019.

The uptick in inflation in the third quarter was expected as part of the seasonal end-of-the year uptick in prices; but was further heightened by the border closure, an expected temporary food supply shock which will adjust over the medium-to-long term as investment in food production increases. The Nigerian land borders were closed to address the increased occurrence of cross-border banditry, smuggling and dumping, insurgency and the illegal trade practices from neighbouring countries. The CBN's continued intervention in the agricultural sector is expected to improve the medium-term food supply. Indeed, there has been reports of bumper harvest in some staples like rice, maize etc.

Figure 2.3: Inflation Rate (September 2018 – September 2019)



Source: National Bureau of Statistics, 2019

The Inflation forecast for the near-term points to further moderation in price level. However, the downside risks to inflation included: the impact of excess liquidity that could arise from the implementation of the 2019 FGN capital budget; post-election spending; arrears of new salaries and wages; security challenges; and monthly Federation Account Allocation Committee (FAAC) injections. Although these could boost aggregate demand, it would equally exert upward pressure on domestic prices for the rest of the year. There is therefore, the call for a coordinated fiscal, monetary and exchange rate policies to curtail the upward build-up in price pressures.

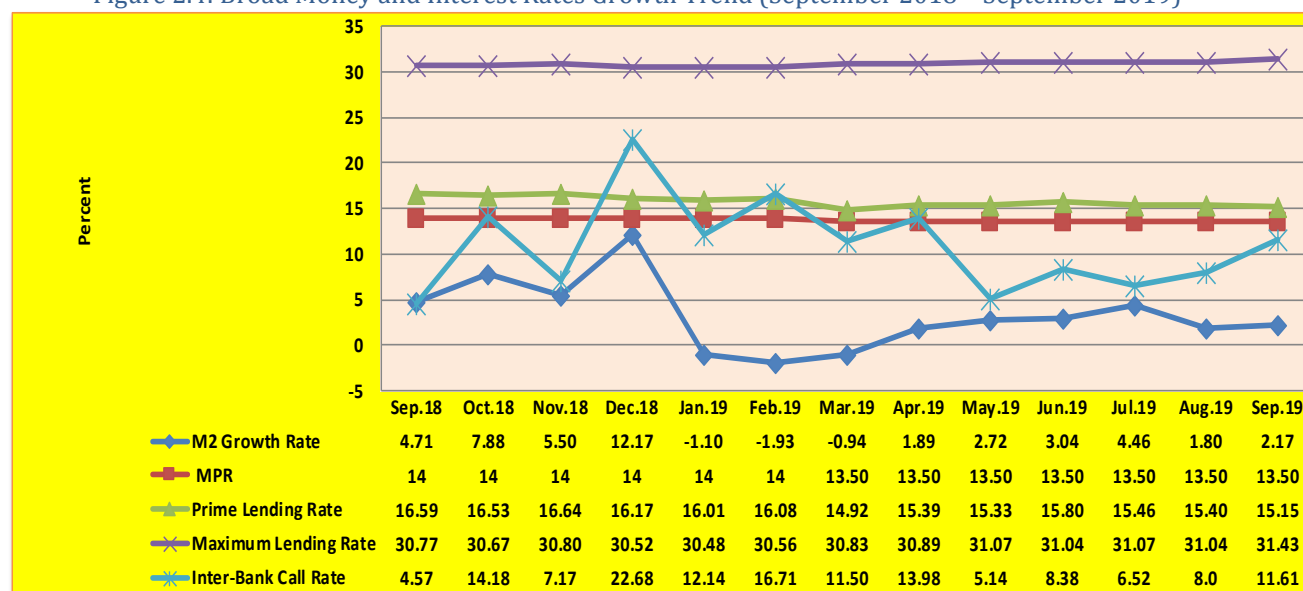
2.2.3 Money Market Developments

Monetary aggregates rose in the third quarter relative to the second quarter of 2019. Broad Money Supply (M3) declined by 0.40 percent (₦140.26 billion) from ₦34,904.05 billion in June 2019 to ₦35,044.31 billion in September 2019. This was driven by the expansion of Net Domestic Assets (NDA) by 28.60 percent to ₦21,132.98 billion in September 2019 from ₦16,432.81 billion in June 2019 while the Net Foreign Assets (NFA) declined by 24.69 percent over the period. Net Domestic Credit (NDC) drove the expansion in NDA growing by 11.12 percent (₦3,596.85 billion) from ₦32,341.48 billion in June 2019 to

₦35,938.33 billion in September 2019. The development in Net Domestic Credit followed a substantial increase in Credit to Government by 37.83 percent (₦2,868.96 billion) from ₦7,583.24 billion in June 2019 to ₦10,452.20 billion in September 2019. Similarly, Credit to the Private Sector grew by 2.86 percent (₦707.74 billion) from ₦24,758.24 billion in June 2019 to ₦25,465.98 billion in September 2019. When compared to the level at the end of third quarter of 2018, broad money supply expanded by 9.41 percent (₦2,378.35 billion) in September 2019.

Relative to the second quarter of 2019, Narrow Money Supply (M1) decelerated in the third quarter of 2019. The M1 registered a 0.36 percent (₦39.72 billion) decline from ₦11,161.25 billion in June 2019 to ₦11,121.53 billion at the end of the third quarter 2019. The drop in M1 is traceable to the decline in both the Demand Deposit and the Currency Outside Bank as at September 2019 from June 2019 rates.

Figure 2.4: Broad Money and Interest Rates Growth Trend (September 2018 – September 2019)



Source: Central Bank of Nigeria, 2019

The CBN maintained the Monetary Policy Rate (MPR) of 13.5 percent it adopted in March 2019 in the review period. Other key monetary policy instruments were equally retained during the review period; the Cash Reserve Ratio (CRR) and the Liquidity Ratio remained at 22.5 percent and

30 percent respectively. The maintenance of Monetary Policy Rate (MPR) of 13.5 percent while holding other policy parameters constant was aimed at sustaining the stability and improvements in key macroeconomic indicators. The macroeconomic and financial environment appears fairly balanced with the trends in output growth and inflation.

The average interbank call rate rose from 8.38 percent in June to 11.61 percent in September 2019. The average maximum lending rate oscillated from 31.04 percent in June, to 31.07 percent in July, 31.04 percent in August and 31.43 percent in September 2019. The average prime lending rate however decreased during the period under review, falling from 15.80 percent in June 2019 to 15.46 percent, 15.40 percent and 15.15 percent in July, August and September 2019 respectively (Figure 2.4).

2.2.4 External Sector Developments

2.2.4.1 External Trade

Nigeria's foreign trade rose by ~~N~~120.69 billion or 1.33 percent to ~~N~~9.19 trillion in the third quarter of 2019, from ~~N~~9.07 trillion in the third quarter of 2018. This represents a moderation in trade expansion from 49.52 percent in the corresponding period in 2017 and was driven by significant contraction in imports. Imports declined by ~~N~~314.78 billion or 7.47 percent to ~~N~~3.90 trillion in the third quarter of 2019, from ~~N~~4.21 trillion recorded in the corresponding period of 2018. Exports, however, edged up by ~~N~~435.48 billion or 8.97 percent from ~~N~~4.85 trillion in the third quarter of 2018, to ~~N~~5.29 trillion in the corresponding period in 2019.

The above developments led to significant improvement in Nigeria's trade balance during the period under review. The increased exports and the decreased imports led to a positive trade balance of N1.39 trillion. Trade balance rose by 135.3 percent when compared to N590.4 billion recorded in Q2 2019. This indicates ~~N~~0.75 trillion or 117.40 percent increase in net trade from ~~N~~0.64 trillion in the third quarter of 2018.

Analysis by export components indicates that the nation's exports continued to be dominated by crude oil at 70.9 percent of total exports. This however represent a moderation when compared to 85.4 percent in the corresponding period in 2018. Growth of the non-oil exports spiked upwards as the sector's exports expanded by ₦0.92 trillion or 561.70 percent to ₦1.91 trillion in the third quarter of 2019, from ₦1.08 trillion in the corresponding period in 2018. This indicates a sustained and significant recovery, since the drop of ₦0.57 trillion or 80.58 percent in the first half of 2017. Crude oil exports sub-components however moderated by ₦0.40 trillion or 9.62 percent to ₦3.75 trillion during the review period from ₦4.15 trillion in the third quarter of 2018.

2.2.4.2 Balance of Payments

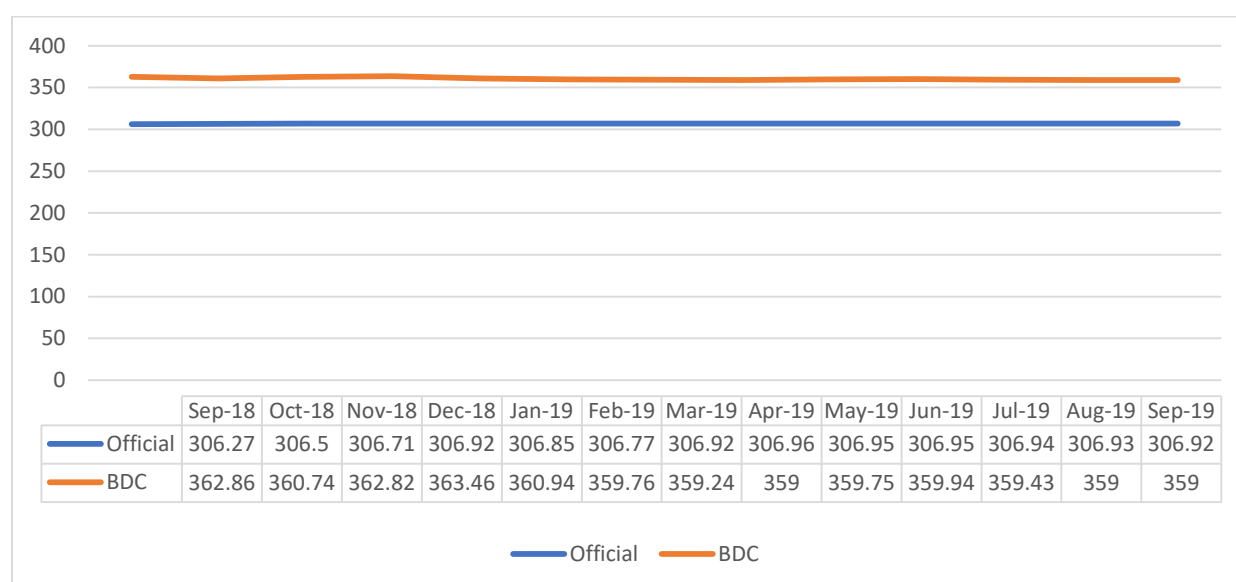
Nigeria's Current Account balance recorded a deficit of US\$2.80 billion during the third quarter of 2019, higher than the US\$1.54 billion deficit of the corresponding period in 2018. The increased deficit reflects adverse developments in all the segments of the Balance of Payment (BOP) in the review period. Specifically, the deficit in the Goods and Services account expanded to US\$5.82 billion in the third quarter of 2019, compared to a deficit of US\$3.35 billion in the corresponding period of 2018. The deficit was mainly attributed to higher deficit in services as well as the moderation in the Goods segment surplus. The surplus in the trade account declined significantly to US\$2.26 billion during the review period from US\$3.76 billion in the corresponding period in 2018. Also, the deficit in Services (net) increased to US\$8.38 billion, from US\$7.11 billion during the same period in 2018.

2.2.4.3 Exchange Rate Developments

There was relative stability in the foreign exchange market. This was due to the high level of activities in the Investors' and Exporters' (I&E) window which continued to supply liquidity, narrow exchange rate premium, and reduced speculative activities in the market. The Naira exchange rates therefore witnessed stability across all segments of the foreign exchange market during the review period. Specifically, the Naira/Dollar exchange rate at the Official/Inter-Bank markets opened at a monthly average of

₦306.95/US\$ in June before depreciating slightly to ₦306.94/US\$, ₦306.93/US\$ and ₦306.92/US\$ in July, August and September 2019 respectively. Similarly, the rate of the Naira/Dollar at the Bureau De-Change (BDC) remained stable but appreciated slightly from ₦359.94/US\$ in June to ₦359.43/US\$ in July and ₦359.0/US\$ in both August and September 2019.

Figure 2.5: Naira/US\$ Exchange Rates Trend (September 2018 – September 2019)



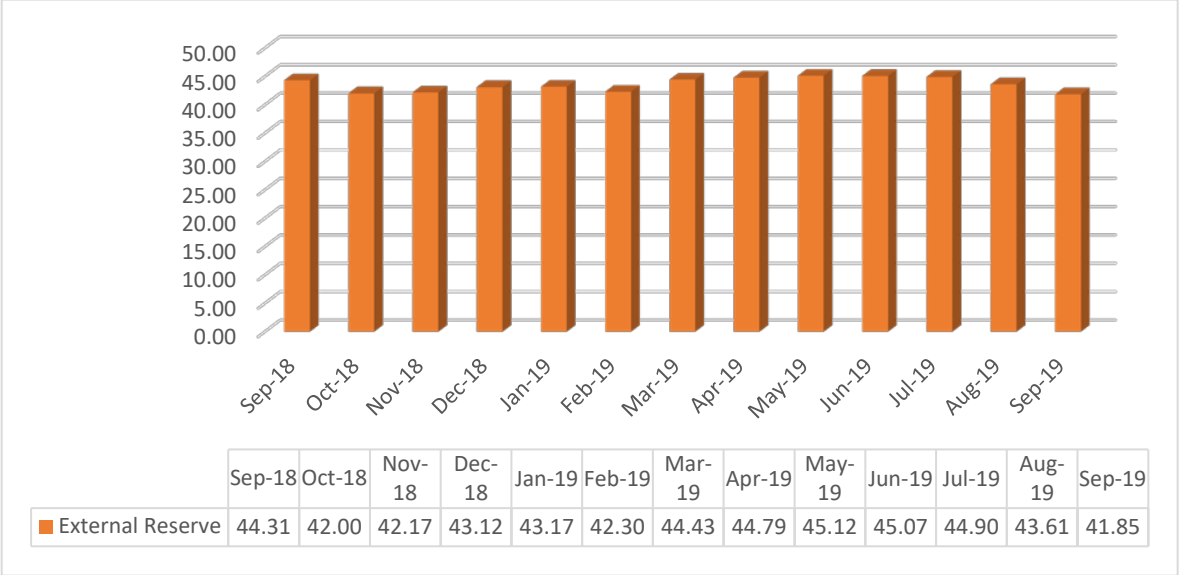
Source: Central Bank of Nigeria, 2019

2.2.4.4 External Reserves

Nigeria's gross official (external) reserve decreased at the end of the third quarter of 2019. It fell from US\$44.75 billion at the end of June to US\$43.97 billion, US\$42.06 billion and US\$40.69 billion in July, August and September 2019 respectively. This performance at the end of September represents a decrease of US\$4.06 billion (9.07 percent) below the figure reported at the end of June 2019. Relative to the US\$42.61 billion level at the end of the third quarter of 2018, the external reserves fell by US\$1.92 billion (4.51 percent) at the end of third quarter of 2019. There are possibilities of increase in the level of external reserves in the near term on expectations of

a favourable crude oil prices. The build-up in reserve is critical to the Federal Government’s efforts to build fiscal buffers against possible oil price shocks in the future.

Figure 2.6: External Reserves, Billion Dollars (September 2018 – September 2019)



Source: Central Bank of Nigeria, 2019

2.2.5 Debt Stock

2.2.5.1 Total Public Debt

Nigeria's total public debt outstanding as at 30th September, 2019 was N26,214,981.13 million (US\$85,390.82 million), compared to N25,701,645.74 million (US\$83,718.72 million) recorded in the preceding quarter of 2019. This represents an increase of N513,335.39 million (2.0 percent) over the period. This also translates to an actual solvency ratio (total public debt as a percent of GDP) of Nigeria as at 30th September, 2019 of 19.37 percent as against country specific and World Bank/IMF thresholds for comparator countries of 25 percent and 56 percent respectively. Actual solvency ratio of external debt and domestic debt as percentages of GDP as at 30th September, 2019 were 6.11 percent and 13.26 percent respectively. Actual external debt as percent of exports was 42.63 percent as against World Bank/IMF threshold of 150 percent.

2.2.5.2 Domestic Debt

Nigeria's domestic debt stock stood at ₦17,943.94 billion as at end of September 2019, representing an increase of ₦4,531.14 billion (33.78 percent) above the ₦13,412.80 billion recorded in the second quarter of 2019. Domestic debt was ₦5,657.13 billion (46.04 percent) above the ₦12,286.81 billion reported in the same period of 2018.

2.2.5.3 External Debt

Nigeria's external debt stock stood at US\$26,941.50 million as at 30th September, 2019. This indicates a slight decrease of US\$221.12 million (0.81 percent) below the US\$27,162.62 million recorded in the second quarter of 2019 and US\$5,349.82 million (24.78 percent) above the US\$21,591.68 million in the third quarter of 2018.

3.0 ANALYSIS OF THE 2019 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2019 Budget was based on the 2019-2021 Medium Term Fiscal Framework (MTFF) and was aligned with the ERGP. Table 3.1 presents the key assumptions and targets of the FGN Budget over the period 2016 - 2019.

Table 3.1: Key Assumptions and Targets for 2016 - 2019 Budget

KEY ASSUMPTION & TARGETS	2016	2017	2018	2019
Projected Production (in mbpd)	2.2	2.20	2.30	2.30
Budget Benchmark Price (per barrel in US)	38	44.50	51	60
Technical Cost of JVC Pbl to Oil Companies				
Operating Expenses (T1) in US \$	10.29	10.43	11.24	20.45
Capital Expenses (T2) in US \$	11.12	10.85	11.97	14.89
Petroleum Investment Allowance (10%)				0.51
Technical Cost of PSC Pbl to Oil Companies				
Operating Expenses (T1) in US \$	8.22	8.85	8.7	10.01
Capital Expenses (T2) in US \$	19.62	17.86	11.01	10.04
Investment Tax Credit	4.94	2.85	2.13	1.54
Technical Costs of SC pbl to Oil Company				
Operating Expenses (T1) in US \$	18.62	18.62	22.79	29.49
Capital Expenses (T2) in US \$	2.44	2.05	2.05	5.49
Investment Allowances	2.996	0.46	0.46	2.67
Weighted Average Contribution Rates				
Weighted Average Rate of PPT - JV Oil	85%	85%	85%	85%
Weighted Average Rate of PPT - PSC Oil	50.17%	50.2%	50.2%	50.1%
Weighted Average Rate of PPT - SC Oil	85%	85%	85%	85%
Weighted Average Rate of PPT - Independent (Indigenous)	85%	85%	85%	85%
Weighted Average Rate of PPT - Marginal	51.6%	51.6%	85%	85%
Royalty Rates				
Weighted Average Rate of Royalties - JV Oil	19.1%	19.1%	18.67%	18.67%
Weighted Average Rate of Royalties - PSC	4.5%	4.5%	2.3%	2.83%
Weighted Average Rate of Royalties - SC Oil	18.5%	18.5%	18.5%	18.50%
Weighted Average Rate of Royalties -Independent	19.3%	19.3%	19.31%	19.31%
Weighted Average Rate of Royalties - Marginal	9.3%	9.3%	9.3%	9.29%
Average Exchange Rate (NGN/US\$)	197	305	305	305
VAT Rate	5%	5%	5%	5%
CIT Rate	30%	30%	30%	30%

Source: BOF, NNPC, FIRS and NCS, 2019

3.1.1 Budget Benchmark Oil Price and Production

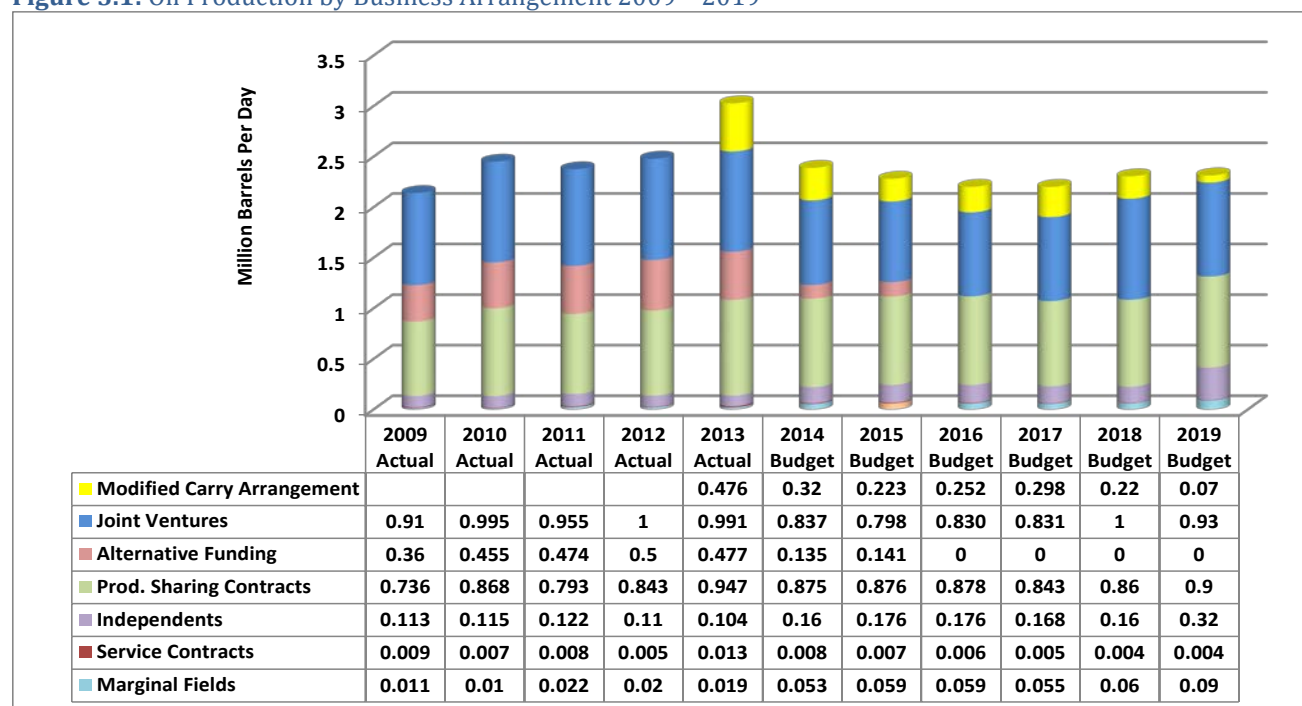
Government continued the use of benchmark oil production and prices for its yearly budgets to insulate the budget from the volatility of oil price and thus oil revenue. The budget benchmark price of oil for the 2019 Budget was therefore fixed at US\$60.0/barrel while oil production was pegged at 2.3 million barrels per day (mbpd).

The productivity and consequently cost outlay in the oil sector was projected to deteriorate in the 2019 fiscal year. The Technical Cost comprising average of operating and capital expenses were adjusted in the 2018 as well as in the 2019 fiscal year compared to the rates in 2017 for both the Joint Ventures

(JVs) and the Production Sharing Contracts (PSCs). The average expenses [Capital (T1) and Operating (T2)] for the JVs production arrangement increased from US\$23.21 per barrel in 2018 to US\$35.34 per barrel in 2019 indicating an increase of US\$12.13 per barrel over the period. The average expenses for the PSC also increased slightly to US\$20.05 per barrel in 2019 from US\$19.71 in 2018. This was driven by the rise in Operating Expenses for PSC.

The share of oil production by business arrangements remained relatively stable with the JVs and PSCs dominating at approximately 37.8 and 36.7 percent respectively. Information on projected contributions of oil production by business arrangements are presented in Figure 3.1 while the analysis of contributions and duties for key oil taxes that are projected to accrue to the Federation are also represented in *Table 3.2*. These rates remained largely unchanged with the rates in the 2018 budget framework.

Figure 3.1: Oil Production by Business Arrangement 2009 – 2019



Source: NAPIMS/NNPC, 2019

Table 3.2: Oil Production and Tax Assumptions (2018 and 2019)

Share of Oil Production	2018 Production Volume (mbpd)	2018 Percentage	2019 Production Volume (mbpd)	2019 Percentage
Joint Ventures	1.00	43.48%	0.93	37.8%
Alternative Funding				
Modified Carry Arrangement	0.22	9.57%	0.07	2.8%
Production Sharing Contracts	0.86	37.39%	0.90	36.7%
Independents	0.16	6.96%	0.32	12.8%
Service Contracts	0.004	0.17%	0.004	0.2%
Marginal	0.06	2.61%	0.09	3.5%
Base Production	2.30	100%	2.3	100%
Repayment Arrears	0.21	8.37%	0.15	6.2%
Total Oil Production	2.51	100%	2.45	100%
PPT Rates				
Weighed Average -JV/AF/Independent/Marginal		85%	85%	
Weighed Average -PSC		50.2%	50.10%	
Weighed Average -SC		85%	85%	
Royalties Rates				
Weighted Average-JV/AF/Independent/Marginal		18.67%	18.67%	
Weighted Average-PSC		2.3%	2.83%	
Weighted Average-SC Oil		19.31%	19.31%	

Source: NNPC and BOF, 2019

3.2 Revenue Performance

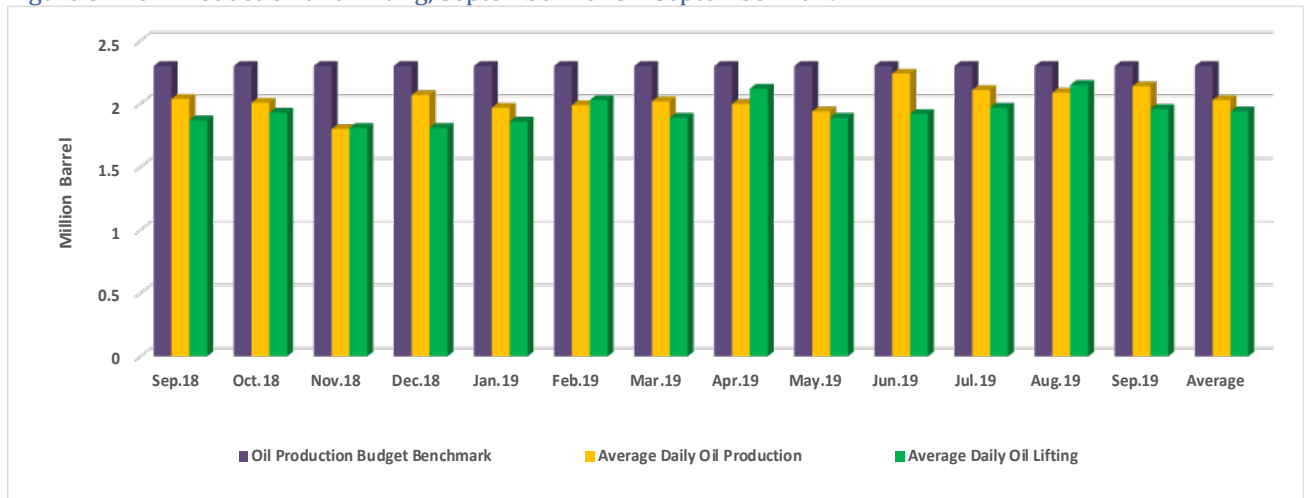
3.2.1 Key Oil Revenue Parameters

The price of crude oil at the international market averaged US\$61.94 per barrel in the third quarter of 2019. This represents a decrease of US\$6.88 per barrel (10.0 percent) below US\$68.82 per barrel reported in the second quarter of 2019, and US\$13.34 per barrel (17.72 percent) below the US\$75.28 per barrel recorded in the third quarter of 2018. The drop in the price of crude oil during the period can be ascribed to the uncertainties surrounding the trade dispute between China and the USA. The average oil price for the period was however higher than the US\$60 per barrel 2019 budget benchmark by US\$1.94 per barrel or 3.23 percent.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) revealed that the average oil production and lifting (including Condensates) in the third quarter of 2019 was 2.11mbpd and 2.03mbpd respectively. The production figure showed a shortfall of 0.19mbpd (8.26 percent) below the

2.3mbpd projected in the 2019 Budget. The volume of oil production in the period was however 0.05mbpd and 0.17mbpd above the 2.06mbpd and 1.94mbpd recorded in the second quarter of 2019 and third quarter of 2018 respectively.

Figure 3.2: Oil Production and Lifting, September 2018 – September 2019



Source: NNPC, 2019

The above translates to an average monthly oil production and lifting of 64.83 million barrels and 62.17 million barrels respectively in the third quarter of the year. The reduction in the quantity of oil production during the quarter as against the projected budget figure could be attributed to legacy issues of crude oil theft, illegal bunkering and pipeline vandalism as well as delay in repair of vandalized pipelines.

3.3 Aggregate Revenue of the Federation

The 2019 Fiscal Framework anticipated a gross Federally Collectible Revenue of ₦14,950.16 billion, comprising of ₦9,326.95 billion (62.39 percent) oil revenue and ₦5,623.21 billion (37.61 percent) non-oil revenue. This translates to prorate quarterly projection of ₦2,331.74 billion and ₦1,405.80 billion in gross oil and non-oil revenue respectively.

3.4 Oil Revenue

Gross Oil Revenue stood at ₦1,613.44 billion in the third quarter of 2019. This translates to a ₦718.30 billion (30.81 percent) shortfall when compared with the quarterly budget estimate. The performance was however, 117.26 billion (7.84 percent) and ₦219.25 billion (15.73 percent) above ₦1,496.18 billion and ₦1,394.19 billion generated in the second quarter of 2019 and corresponding period of 2018 respectively. A breakdown of the oil revenue performance in the third quarter of 2019 showed that only Crude Oil & Gas Sales of ₦457.38 billion, Gas Flared Penalty of ₦49.70 billion and Licenses & Early Licenses Renewal of ₦50.06 billion exceeded the quarterly estimate of ₦397.61 billion, ₦1.18 billion and ₦22.50 billion by ₦59.77 billion (15.03 percent), ₦48.52 billion (4,105.04 percent) and ₦27.56 billion (122.49 percent) respectively.

The other remaining oil revenue items fell below their respective quarterly projections. Gas Income @ CITA of ₦37.98 billion, Petroleum Profit Tax of ₦592.55 billion, Royalties (Oil & Gas) of ₦364.66 billion, Rentals of ₦0.07 billion, Exchange Gain of ₦59.69 billion and Other Oil & Gas Revenue of ₦1.36 billion fell below their quarterly estimates of ₦171.41 billion, ₦1,075.30 billion, ₦549.52 billion, ₦0.42 billion, ₦112.34 billion and ₦1.46 billion by ₦133.43 billion (77.84 percent), ₦482.75 billion (44.89 percent), ₦184.86 billion (33.64 percent), ₦0.35 billion (84.09 percent), ₦52.65 billion (46.87 percent) and ₦0.11 billion (7.18 percent) respectively. Please see *Table 3.4*.

3.4.1 Net Oil Revenue

The actual Net Oil Revenue that accrued into the Federation Account in the third quarter of 2019 was ₦711.02 billion, depicting a decrease of ₦1,190.16 billion (62.60 percent) below the estimated quarterly budget of ₦1,901.18 billion. The net oil revenue inflow in the third quarter of 2019 was also lower than the ₦720.38 billion and ₦906.18 billion net oil revenue recorded in the second quarter of 2019 and third quarter of 2018 by ₦9.36 billion (1.30

percent) and ₦195.16 billion (21.54 percent) respectively (Table 3.4). Compared with the quarterly projection, the poor Net Oil Revenue performance in the third quarter of 2019 is attributable to the higher fiscal deduction during the review period especially for the Joint Venture cash call.

3.4.2 Year to Date Oil Revenue Performance

Gross Oil Revenue of ₦4,447.05 billion was collected in the first three quarters of 2019 as against ₦6,995.22 billion prorated budget projection for the period. This reflects a decline of ₦2,548.17 billion (36.43 percent) below the 2019 budget estimate, but ₦366.74 billion (8.99 percent) above the actual gross oil revenue reported in the first three quarters of 2018. Only Crude Oil & Gas Sales of ₦1,241.90 billion, Gas Flared Penalty of ₦67.62 billion and Licenses & Early Licenses Renewal of ₦189.96 billion surpassed their projections of ₦1,192.84 billion, ₦3.55 billion and ₦67.50 billion for the first three quarters of the year by ₦49.06 billion (14.11 percent), ₦64.07 billion (1,807.04 percent) and ₦122.46 billion (181.42 percent) respectively.

The remaining Oil Revenue items fell below their respective prorated projections. Gas Income @ CITA of ₦120.81 billion, Petroleum Profit Tax of ₦1,588.76 billion, Royalties (Oil & Gas) of ₦1,063.82 billion, Rentals of ₦0.36 billion, Exchange Gain of ₦169.78 billion and Other Oil & Gas Revenue of ₦4.06 billion fell below their three quarters of the year prorated estimates of ₦514.23 billion, ₦3,225.89 billion, ₦1,648.55 billion, ₦1.26 billion, ₦337.02 billion and ₦4.39 billion by ₦393.42 billion (76.51 percent), ₦1,637.13 billion (50.75 percent), ₦584.73 billion (35.47 percent), ₦0.90 billion (71.47 percent), ₦167.24 billion (49.62 percent) and ₦0.33 billion (7.62 percent) respectively (Table 3.4). These low performances were mainly as a result of the lower than projected oil production and higher fiscal deductions during the review period.

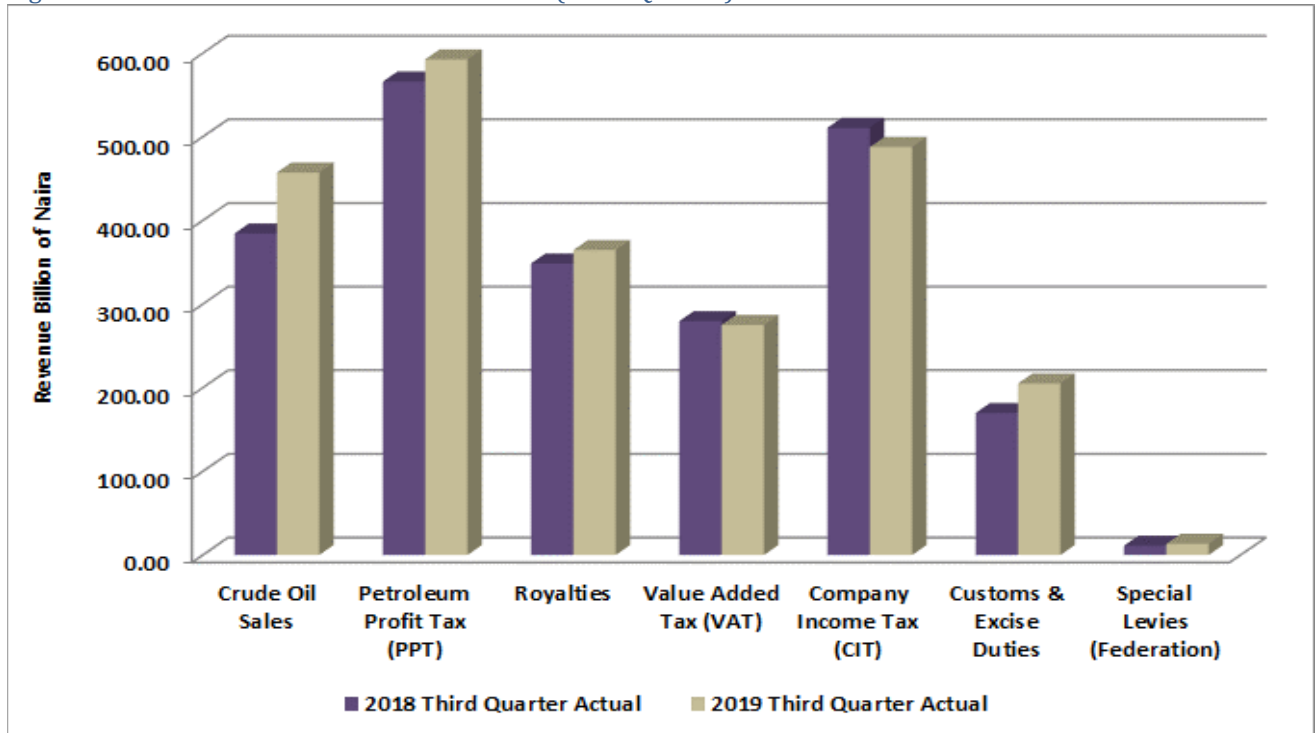
Table 3.3: Performance of Revenue in the Third Quarter of 2019 Vs 2018

Revenue Items	2018	2019	Variance	
	3rd Quarter Actual	3rd Quarter Actual	3rd Quarter 2019 Vs 3rd Quarter 2018	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	384.59	457.38	72.79	18.93
Petroleum Profit Tax (PPT)	566.03	592.55	26.52	4.69
Royalties	348.53	364.66	16.13	4.63
Gross Oil Revenue	1,394.19	1,613.44	219.25	15.73
Net Oil Receipts	906.18	711.02	-195.16	-21.54
Non-Oil Revenue				
Value Added Tax (VAT)	279.69	275.12	-4.57	-1.63
Company Income Tax (CIT)	510.79	487.90	-22.89	-4.48
Customs & Excise Duties	169.84	205.14	35.30	20.78
Special Levies	11.21	13.43	2.22	19.80
Gross Non-Oil Revenue	971.54	981.58	10.04	1.03
Net Non-Oil Receipts	927.25	925.60	-1.65	-0.18

Source: OAGF and Budget Office of the Federation, 2019

The Oil Revenue performance for most of the revenue sources and broad category in the third quarter of 2019 improved considerably when compared with their corresponding levels in 2018 (Figure 3.3). This reflects a higher oil price and production/lifting. Two of the Non-Oil Revenue sources comprising CIT and VAT fell below their corresponding levels in 2018 during the first three quarters of 2019. This might be explained by the contributions of government initiatives such as VAIDS and Tax Amnesty which helped to shore-up revenue in 2018. It is expected that this trend will improve in the last quarter of the year.

Figure 3.3: 2018 Vs 2019 Revenue Performance (Third Quarter)



Source: OAGF and Budget Office of the Federation, 2019

3.5 Non-Oil Revenue Performance

Gross non-oil revenue of ₦981.58 billion was realized in the third quarter of 2019 representing a shortfall of ₦88.53 billion (8.27 percent) below the quarterly estimate of ₦1,070.11 billion. A breakdown of the non-oil revenue items showed that only Solid Minerals & Other Mining Revenue of ₦1.55 billion, Company Income Tax of ₦487.90 billion and Customs & Excise Duties of ₦205.14 billion performed above their quarterly projection of ₦0.76 billion, ₦440.38 billion and ₦172.30 billion by ₦0.79 billion (103.13 percent), ₦47.52 billion (or 10.79 percent) and ₦32.83 billion (19.06 percent) respectively. The remaining non-oil revenue items fell below their respective quarterly expectations. Value Added Tax of ₦275.12 billion and Special Levies of ₦13.43 billion were below their quarterly estimates of ₦425.97 billion and ₦30.83 billion by ₦150.86 billion (35.41 percent) and ₦17.40 billion (56.44 percent) respectively. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC and Surcharge on Luxury Items which had

quarterly projections of ₦20.56 billion and ₦0.63 billion respectively yielded nothing in the quarter.

When compared with their corresponding second quarter performances, Solid Minerals & Other Mining Revenue grew by ₦0.55 billion (54.77 percent), Company Income Tax by ₦45.52 billion (10.29 percent), Customs & Excise Duties by ₦5.78 billion (2.90 percent) and Special Levies by ₦1.64 billion (13.94 percent) respectively while Value Added Tax declined by ₦36.83 billion (11.81 percent). The improved performances of some of the non-oil revenue items in the third quarter of 2019 as against second quarter performances can be attributed to the increase in economic activities, expansion in the tax base, closure of the land borders and the improvement in the performance of the revenue collecting agencies during the period. It is expected that the revenue outturn from the sector would get better in the last quarter of 2019 following the extension of the border closure and the release of funds for the implementation of 2019 capital projects/programmes.

3.5.1 Year to Date Non-Oil Revenue Performance:

The gross non-oil revenue in the three quarters of the year amounted to ₦2,663.82 billion indicating a shortfall of ₦546.50 billion (17.02 percent) below the three quarters of the year estimate of ₦3,210.32 billion. The result also showed that with the exception of Solid Minerals & Other Mining Revenue of ₦3.75 billion and Customs & Excise Duties of ₦589.30 billion which surpassed their three quarters of the year estimate of ₦2.29 billion and ₦516.90 billion by ₦1.46 billion (63.93 percent) and ₦72.40 billion (14.01 percent) respectively. All the other remaining non-oil revenue items fell below their corresponding three quarters of the year projections. Value Added Tax of ₦880.10 billion, Company Income Tax of ₦1,156.99 billion and Special Levies of ₦37.43 billion respectively fell short by ₦397.82 billion (31.13 percent), ₦164.16 billion (12.43 percent) and ₦55.05 billion (59.53 percent) when compared with their projections for the first three quarters of 2019. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC and Surcharge on

Luxury Items which had three quarters of the year prorate estimate of ~~N~~61.69 billion and ~~N~~1.88 billion respectively yielded nothing in the period.

Table 3.4: Net Distributable Revenue as at September, 2019 (Oil Revenue at Benchmark Assumptions)

S/NO	ITEMS	2019 BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3rd Quarter Actual Vs Quarterly Budget		3rd Quarter Vs 2nd Quarter (Actual)		Actual Vs Budget (3QRTS)	
A	OIL REVENUE	Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
1	Profit from Crude Oil & Gas Sales (Gross)	1,590.45	397.61	1,192.84	345.30	439.21	457.38	1,241.90	59.77	15.03	18.17	4.14	49.06	4.11
2	Gas Income @ 30% CITA (Net of Cost recovery)	685.64	171.41	514.23	9.58	73.25	37.98	120.81	-133.43	(77.84)	-35.26	(48.14)	-393.42	(76.51)
3	Petroleum Profits Tax on Oil & Gas	4,301.18	1,075.30	3,225.89	493.22	502.99	592.55	1,588.76	-482.75	(44.89)	89.55	17.80	-1,637.13	(50.75)
4	Oil & Gas Royalties	2,198.06	549.52	1,648.55	346.49	352.67	364.66	1,063.82	-184.86	(33.64)	11.98	3.40	-584.73	(35.47)
5	Concessional Rentals	1.68	0.42	1.26	0.27	0.03	0.07	0.36	-0.35	(84.09)	0.04	145.97	-0.90	(71.47)
6	Gas Flared Penalty	4.73	1.18	3.55	11.34	6.58	49.70	67.62	48.52	4,105.04	43.12	655.42	64.07	1,807.04
7	Incidental Oil Revenue (Royalty Recovery, Marginal Field Licences & Early Licence)	90.00	22.50	67.50	80.17	59.73	50.06	189.96	27.56	122.49	-9.67	(16.19)	122.46	181.42
8	Exchange Gain (Based on Budget)	449.36	112.34	337.02	49.62	60.47	59.69	169.78	-52.65	(46.87)	-0.78	(1.29)	-167.24	(49.62)
9	Other Oil and Gas Revenue	5.86	1.46	4.39	1.44	1.25	1.36	4.06	-0.11	(7.18)	0.11	8.39	-0.33	(7.62)
10	Sub-Total	9,326.95	2,331.74	6,995.22	1,337.42	1,496.18	1,613.44	4,447.05	-718.30	(30.81)	117.26	7.84	-2,548.17	(36.43)
11	DPR 4% Cost of Collection		0.00	0.00	11.13	12.75	14.38	38.26	14.38		1.63	12.79	38.26	
12	FIRS 4% Cost of Collection on Gas Income Tax		0.00	0.00	0.38	2.93	1.52	4.83	1.52		-1.41	(48.14)	4.83	
13	Fiscal Deductions (Base JV Cash Call + EF + MGA + RA)	0.00	0.00	0.00	509.56	279.59	410.29	1,199.43	410.29		130.70	46.75	1,199.43	
14	Gas Infrastructure Development & Other Gas Expenses	175.51	43.88	131.63	61.17	29.85	30.37	121.38	-13.51	(30.79)	0.52	1.73	-10.25	(7.79)
15	NESS Fees	410.40	102.60	307.80	139.87	308.05	272.63	720.55	170.03	165.72	-35.43	(11.50)	412.75	134.10
16	Transfer to Excess Crude Account		0.00	0.00	0.00	35.00	67.00	102.00	67.00		32.00	91.43	102.00	
17	Sub-Total	8,741.04	2,185.26	6,555.78	615.31	828.02	817.27	2,260.59	-1,368.00	(62.60)	-10.75	(1.30)	-4,295.19	(65.52)
18	13% Derivation of Net Oil Revenue	1,136.34	284.08	852.25	79.99	107.64	106.24	293.88	-177.84	(62.60)	-1.40	(1.30)	-558.37	(65.52)
19	TO FEDERATION ACCOUNT (OIL)	7,604.71	1,901.18	5,703.53	535.32	720.38	711.02	1,966.72	-1,190.16	(62.60)	-9.36	(1.30)	-3,736.81	(65.52)
B	DIVIDEND BY COMPANIES/INVESTMENTS FUNDED BY FAAC													
20	Dividend by Companies/Investments Funded by FAAC	82.25	20.56	61.69	0.00	0.00	0.00	0.00	-20.56	(100.00)	0.00		-61.69	(100.00)
21	TO FEDERATION ACCOUNT (DIVIDEND BY COMPANIES/INVESTMENTS FUNDED BY FAAC)	82.25	20.56	61.69	0.00	0.00	0.00	0.00	-20.56	(100.00)	0.00		-61.69	(100.00)
C	SOLID MINERAL & OTHER MINING REVENUES													
22	Total Solid Minerals Revenue	3.05	0.76	2.29	1.20	1.00	1.55	3.75	0.79	103.13	0.55	54.77	1.46	63.93
23	Less 13% Derivation	0.40	0.10	0.30	0.16	0.13	0.20	0.49	0.10	103.13	0.07	54.77	0.19	63.93
24	TO FEDERATION ACCOUNT (SOLID MINERALS)	2.66	0.66	1.99	1.05	0.87	1.35	3.27	0.68	103.13	0.48	54.77	1.27	63.93
D	NON-OIL REVENUE													
25	Value-Added Tax	1,703.89	425.97	1,277.92	293.04	311.94	275.12	880.10	-150.86	(35.41)	-36.83	(11.81)	-397.82	(31.13)
26	Surcharge on Luxury Items	2.50	0.63	1.88	0.00	0.00	0.00	0.00	-0.63	(100.00)	0.00		-1.88	(100.00)
27	Company Income Tax (CIT)	1,761.53	440.38	1,321.15	226.71	442.38	487.90	1,156.99	47.52	10.79	45.52	10.29	-164.16	(12.43)
28	Customs: Import, Excise & Fees	689.21	172.30	516.90	184.81	199.36	205.14	589.30	32.83	19.06	5.78	2.90	72.40	14.01
29	Special Levies (Federation Account)	123.30	30.83	92.48	12.22	11.78	13.43	37.43	-17.40	(56.44)	1.64	13.94	-55.05	(59.53)
30	Sub-Total	4,280.43	1,070.11	3,210.32	716.78	965.47	981.58	2,663.82	-88.53	(8.27)	16.11	1.67	-546.50	(17.02)
31	Cost of Collections and Other Deductions	209.62	52.40	157.21	34.97	55.22	55.98	146.16	3.58	6.82	0.76	1.38	-11.05	(7.03)
32	4% Cost of Collection (VAT and Surcharge on Luxury Items)	68.26	17.06	51.19	11.72	12.13	11.00	34.86	-6.06	(35.51)	-1.13	(9.31)	-16.33	(31.90)
33	4% Cost of Collection (CIT)	59.48	14.87	44.61	9.45	20.31	20.68	50.43	5.80	39.03	0.37	1.82	5.82	13.04
34	7% Cost of Collection (Customs)	48.24	12.06	36.18	12.94	13.96	14.36	41.25	2.30	19.06	0.40	2.90	5.07	14.01
35	7% Cost of Collection (Special Levies)	8.63	2.16	6.47	0.86	0.82	0.94	2.62	-1.22	(56.44)	0.11	13.94	-3.85	(59.53)
36	FIRS Tax Refunds	25.00	6.25	18.75	0.00	8.00	9.00	17.00	2.75	44.00	1.00	12.50	-1.75	(9.33)
37	TO FEDERATION ACCOUNT (NON-OIL)	2,432.67	608.17	1,824.51	400.49	610.44	661.48	1,672.41	53.32	8.77	51.05	8.36	-152.09	(8.34)
38	Total VAT Pool	1,635.74	408.93	1,226.80	281.32	299.47	264.11	844.89	-144.82	(35.41)	-35.35	(11.81)	-381.91	(31.13)
39	Net Surcharge on Luxury Items	2.40	0.60	1.80	0.00	0.00	0.00	0.00	-0.60	(100.00)	0.00		-1.80	(100.00)
40	Net Non-Oil Revenue after Costs & Deductions	4,070.81	1,017.70	3,053.11	681.81	910.25	925.60	2,517.65	-92.11	(9.05)	15.35	1.69	-535.46	(17.54)
41	Sub-Total: FEDERATION ACCOUNT	10,122.28	2,530.57	7,591.71	936.86	1,331.69	1,373.85	3,642.40	-1,156.72	(45.71)	42.17	3.17	-3,949.32	(52.02)
42	Actual Balances in Special Accounts	17.17	4.29	12.88	0.00	0.00	0.00	0.00	-4.29	(100.00)	0.00	-	-12.88	(100.00)
43	TOTAL FEDERATION ACCOUNT	10,139.46	2,534.86	7,604.59	936.86	1,331.69	1,373.85	3,642.40	-1,161.01	(45.80)	42.17	3.17	-3,962.19	(52.10)
E	TOTAL DISTRIBUTION													
1	Federation Account	10,139.46	2,534.86	7,604.59	936.86	1,331.69	1,373.85	3,642.40	-1,161.01	(45.80)	42.17	3.17	-3,962.19	(52.10)
2	Total VAT Pool	1,635.74	408.93	1,226.80	281.32	299.47	264.11	844.89	-144.82	(35.41)	-35.35	(11.81)	-381.91	(31.13)
3	Net Surcharge on Luxury Items	2.40	0.60	1.80	0.00	0.00	0.00	0.00	-0.60	(100.00)	0.00		-1.80	(100.00)
4	GRAND TOTAL	11,777.59	2,944.40	8,833.19	1,218.18	1,631.15	1,637.97	4,487.29	-1,306.43	(44.37)	6.82	0.42	-4,345.90	(49.20)

Source: OAGF and Budget Office of the Federation, 2019

Table 3.5: Actual Non-Oil Revenue (Third Quarter) 2009 – 2018

Description	THIRD QUARTER (ACTUAL)										10 - Year Average
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn
Customs & Excise Duties	35.47	36.53	50.91	57.26	43.95	68.35	57.1	62.15	68.41	76.61	55.674
Company Income Tax	89.23	99.24	119.64	185.61	221.2	131.34	187.71	209.37	250.21	237.83	173.138
Value Added Tax	17.08	19.8	23.88	23.33	26.13	25.99	27.16	28.27	32.98	37.59	26.221
FGN Independent Revenue	9.84	15.63	45.06	-5.33	150.47	98.88	23.47	108.03	35.76	85.54	56.735

Source: OAGF and BOF, 2019

Further analysis of third quarter non-oil revenue performance revealed that the key non-oil revenue sub-heads, had shown some improvement overtime especially in 2017 and 2018, notwithstanding some few years of fluctuations. Table 3.5 and 3.6.

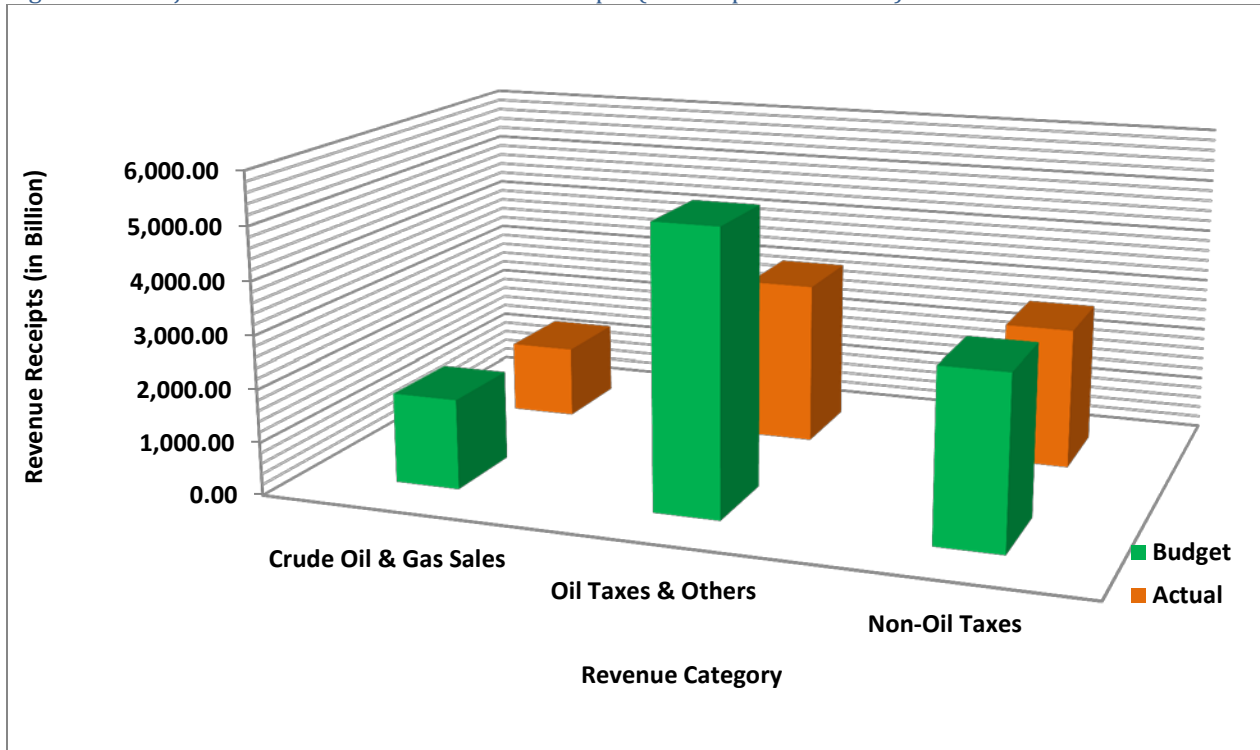
Table 3.6: Percentage Growth in Non-Oil Revenue (Third Quarter) 2010 – 2018

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	9 -Year Average
	%	%	%	%	%	%	%	%	%	%
Customs & Excise Duties	2.99	39.36	12.47	-23.24	55.52	-16.46	8.84	10.07	11.99	11.28
Company Income Tax	11.22	20.56	55.14	19.17	-40.62	42.92	11.54	19.51	-4.95	14.94
Value Added Tax	15.93	20.61	-2.30	12.00	-0.54	4.50	4.09	16.66	13.98	9.44
FGN Independent Revenue	58.84	188.29	-111.83	-2923.08	-34.29	-76.26	360.29	-66.90	139.21	-273.97

Source: OAGF and BOF, 2019

Overall, with the exception of Profit from Crude Oil & Gas Sales, Gas Flared Penalty, License & Early License Renewal, Solid Minerals & Other Mining Revenue and Customs & Excise Duties, the actual performance of other revenue categories were below projected prorated 2019 figures. The underperformance was however, more significant for Petroleum Profit Tax (Oil & Gas), Royalties (Oil & Gas), Gas Income @ 30% CITA, Value Added Tax, Exchange Gain and Company Income Tax (Figure 3.4).

Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at September 2019)

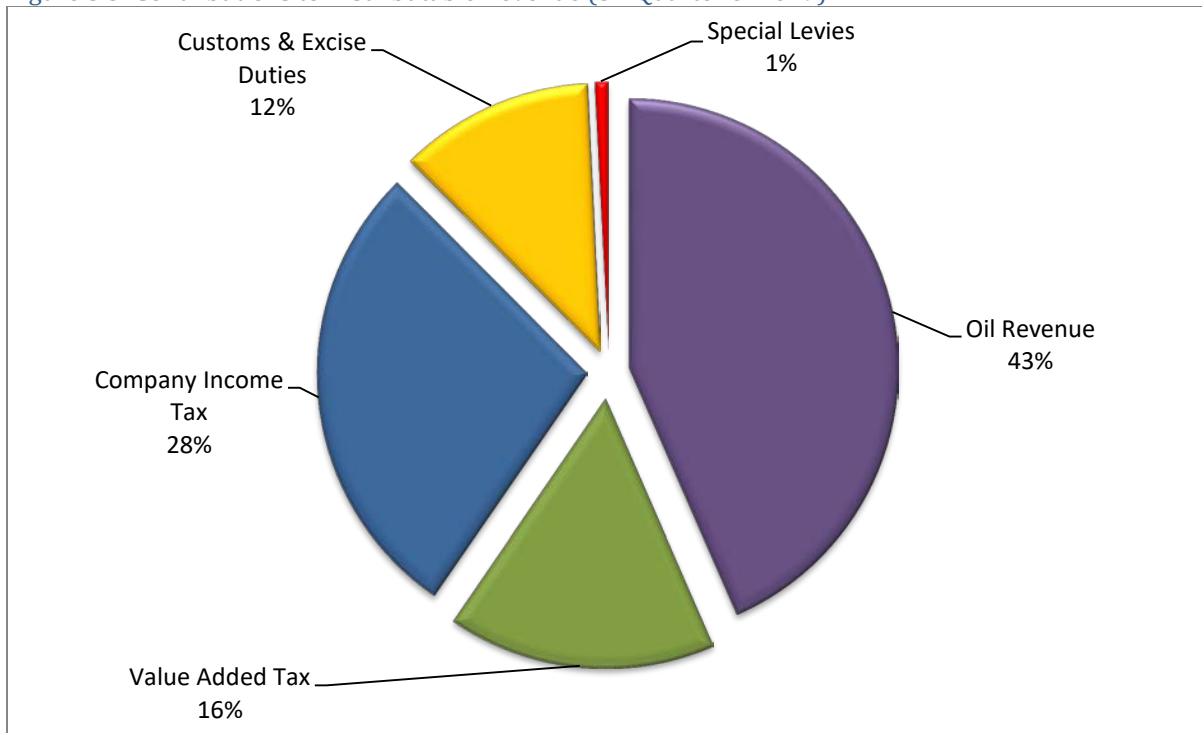


Source: Budget Office of the Federation, 2019

3.6 Distributable Revenue

The net distributable revenue available for sharing among the three tiers of government (after the deduction of all costs) stood at ₦1,637.97 billion in the third quarter of 2019. This represents a shortfall of ₦1,306.43 billion (44.37 percent) when compared with the quarterly projection of ₦2,944.40 billion. Oil revenue accounted for the large share (43.41 percent) of the revenue to the federation account while the balance came from non-oil revenue items (Figure 3.5).

Figure 3.5: Contributions to Distributable Revenue (3rd Quarter of 2019)



Source: Budget Office of the Federation, 2019

3.7 Excess Crude Account

Analysis of the reports of the Excess Crude Account (ECA) revealed that the sum of US\$350.80 million was transferred to the excess crude account as Accrued Interest on Fund Investment, Reconciliation of inflow and Outflow and Transfers in the third quarter of 2019. However, the sum of US\$85.49 million was withdrawn from the account as Paris Club Refunds to States (Table 3.7).

Table 3.7: Net Excess Crude Account

Description	2018 Actual				2019 Actual			
	First Quarter	Second Quarter	Third Quarter	Jan - Sept	First Quarter	Second Quarter	Third Quarter	Jan - Sept
Inflows								
Transfer to Excess Crude Oil Account	0	0	US\$541.21 million	US\$541.21 million	0	US\$105.55 million	US\$340.14 million	US\$445.69 million
Accrued Interest on Fund Investment	0	0	US\$10.31 million	US\$10.31 million	US\$2.25 million	US\$0.21 million	US\$0.31 million	US\$2.78 million
Reconciliation of Inflow and Outflow	0	0	0	0	0	0	US\$10.15 million	US\$10.15 million
Total Inflow	0	0	US\$551.52 million	US\$551.52 million	US\$2.25 million	US\$105.76 million	US\$350.60 million	US\$458.62 million
Outflows								
Consultancy Fee & Litigation Expenses	0	0	0	0	US\$350.0 million	0	0	US\$350.0 million
NSIA Payment for Fertilizer Purchase	0	0	0	0	US\$14.55 million	0	0	US\$14.55 million
Excess Loss on Transfers	0	0	0	0	US\$1.28 million	0	0	US\$1.28 million
Amount approved by Mr. President as advance payment for the purchase of Super Tucano Aircraft	US\$496.37 million	0	0	US\$496.37 million	0	0	0	0
Amount approved by Mr. President for the first batch of procurement of critical equipment for the Nigerian Army, Navy and Defence Intelligence Agency	0	0	0	0	0	0	0	0
Paris Club Refund to States & FCT	0	0	0	0	US\$68.28 million	US\$225.22 million	US\$85.49 million	US\$378.99 million
Bank Charges	0	US\$122.23	0	US\$122.23	0	0	0	0
Charges for Breaking Investment	0	0	0	0	0	US\$0.30 million	0	US\$0.30 million
States Matching Grants to UBEC	0	0	0	0	US\$16.80 million	0	0	US\$16.80 million
Total Outflow	US\$496.37 million	US\$122.23	0	US\$496.37 million	US\$450.92 million	US\$225.52 million	US\$85.49 million	US\$761.93 million
Net Excess Crude Account	(US\$496.37 million)	(US\$122.23)	US\$551.52 million	US\$496.37 million	(US\$448.67) million	(US\$119.76 million)	US\$265.11 million	(US\$303.31) million

Source: Office of the Accountant General of the Federation, 2019

3.8 FGN Revenue

Based on the approved 2019 budget framework, the sum of ₦6,998.49 billion was projected to fund the FGN budget, indicating a quarterly share of ₦1,749.62 billion. A total of ₦1,149.38 billion was received in the third quarter of 2019. This amount was ₦600.20 billion (34.31 percent) lower than the ₦1,749.62 billion quarterly budget projection for 2019 but ₦267.26 billion (30.30 percent) higher than the ₦882.12 billion recorded in the third quarter of 2018. The 2019 third quarter performance was also ₦225.22 billion (24.37 percent) higher than the ₦924.16 billion performance reported in the preceding quarter of 2019.

The sum of ₦344.85 billion received in the third quarter of 2019 from FGN share of Oil Revenue was lower than the quarterly estimate of ₦922.07 billion by ₦577.23 billion (62.60 percent) for the period. The FGN share of Solid

Minerals & Other Mining Revenue of ₦0.65 billion, Company Income Tax of ₦245.02 billion, Customs & Excise Duties of ₦92.53 billion and Independent Revenue of ₦253.45 billion were above their respective quarterly estimates of ₦0.32 billion, ₦203.34 billion, ₦77.72 billion, ₦2.08 billion and ₦157.77 billion by ₦0.33 billion (103.13 percent), ₦41.68 billion (20.50 percent), ₦14.81 billion (19.06 percent), and ₦95.68 billion (60.65 percent). The rest of the Non-Oil Revenue items performed below their quarterly projections. FGN share of VAT of ₦36.98 billion and Special Levies of ₦6.06 billion were below their corresponding quarterly estimates of ₦57.25 billion and ₦13.90 billion by ₦20.28 billion (35.41 percent) and ₦7.85 billion (56.44 percent) respectively. On the other hand, FGN share of Dividend, Surcharge on luxury Items, Signature Bonus, Actual Balances in Special Account, Domestic Recoveries, Earmarked Funds and Grants & Donor Funding yielded nothing during the period. Most of the above-mentioned revenue items followed the same pattern of their respective performances at the Federation Account level (*Table 3.8*).

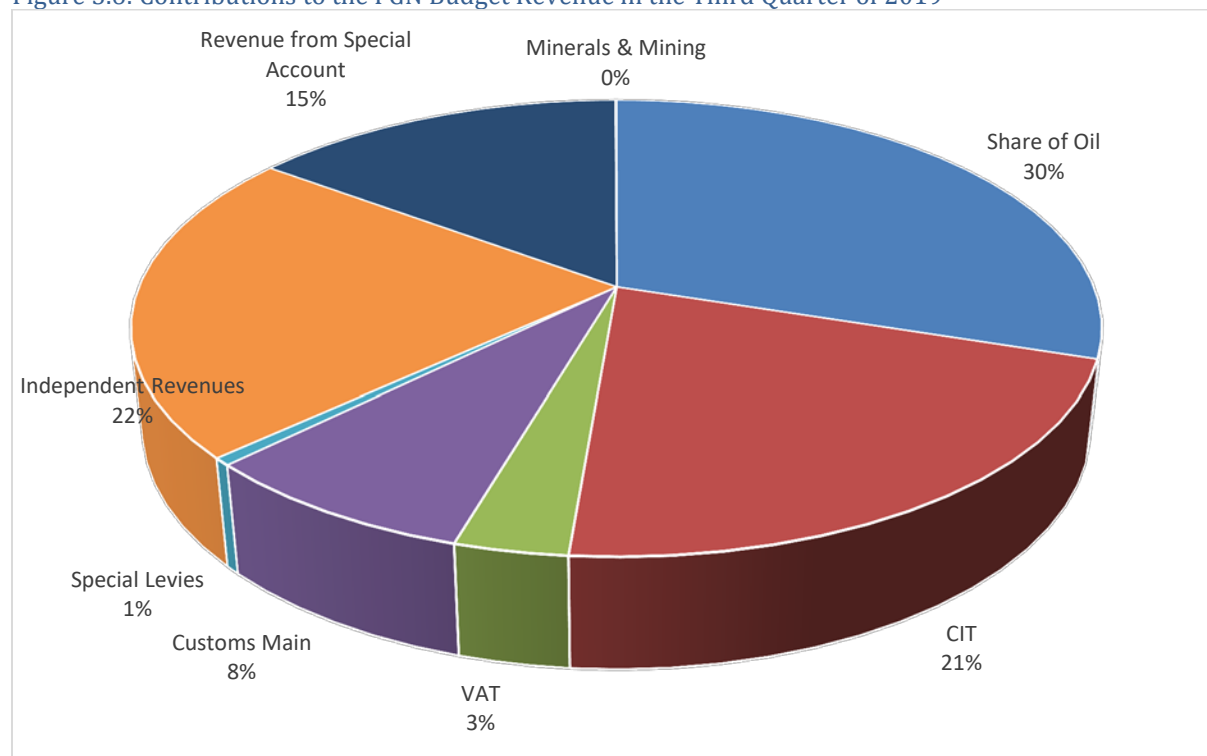
Table 3.8: Inflows to the 2019 Federal Budget as at September 2019

S/NO	ITEMS	2019 BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3rd Quarter Actual Vs Quarterly Budget		3rd Quarter Vs 2nd Quarter (Actual)		Actual Vs Budget (3QRTS)	
		₦b	₦b	₦b	₦b	₦b	₦b	₦b	₦b	%	₦b	%	₦b	%
1	Inflow for the FGN Budget													
2	FGN Share of Oil Revenue	3,688.28	922.07	2,766.21	259.63	349.38	344.85	953.86	-577.23	(62.60)	-4.54	(1.30)	-1,812.35	(65.52)
3	FGN Share of Dividend (NLNG)	39.89	9.97	29.92	0.00	0.00	0.00	0.00	-9.97	(100.00)	0.00		-29.92	(100.00)
4	FGN Share of Minerals & Mining	1.29	0.32	0.97	0.51	0.42	0.65	1.58	0.33	103.13	0.23	54.77	0.62	63.93
5	Share of Non-Oil	1,501.74	375.44	1,126.31	239.46	377.44	380.58	997.48	5.15	1.37	3.14	0.83	-128.82	(11.44)
6	FGN Share of Company Income Tax (CIT)	813.37	203.34	610.02	110.02	240.23	245.02	595.27	41.68	20.50	4.79	2.00	-14.75	(2.42)
7	FGN Share of Value Added Tax (VAT)	229.00	57.25	171.75	39.38	41.97	36.98	118.33	-20.28	(35.41)	-5.00	(11.91)	-53.42	(31.10)
8	FGN Share of Surcharge on Luxury Items	0.34	0.08	0.25	0.00	0.00	0.00	0.00	-0.08	(100.00)	0.00		-0.25	(100.00)
9	FGN Share of Customs (Imports, Exports & Fees)	310.87	77.72	233.15	83.36	89.92	92.53	265.81	14.81	19.06	2.61	2.90	32.66	14.01
10	FGN Share of Federation Acct. Levies	55.62	13.90	41.71	5.51	5.32	6.06	16.88	-7.85	(56.44)	0.74	13.94	-24.83	(59.53)
11	FGN's Share of Actual Bal. in Special Accts	8.33	2.08	6.25	0.00	0.00	0.00	0.00	-2.08	(100.00)	0.00	-	-6.25	(100.00)
12	FGN's Share of Signature Bonus	84.23	21.06	63.17	1.19	0.00	0.00	1.19	-21.06	(100.00)	0.00		-61.98	(98.11)
13	FGN's Balances in Special Levies Accounts	12.91	3.23	9.68	0.00	0.00	0.00	0.00	-3.23	(100.00)	0.00		-9.68	(100.00)
14	Independent Revenue	631.08	157.77	473.31	128.07	125.26	253.45	506.78	95.68	60.65	128.19	102.34	33.47	7.07
15	Domestic Recoveries + Assets + Fines	203.38	50.84	152.53	0.00	0.00	0.00	0.00	-50.84	(100.00)	0.00		-152.53	(100.00)
16	Earmarked Funds (Proceeds of Oil Assets Ownership Restructuring)	710.00	177.50	532.50	0.00	0.00	0.00	0.00	-177.50	(100.00)	0.00		-532.50	(100.00)
17	Grants and Donor Funding	209.92	52.48	157.44	0.00	0.00	0.00	0.00	-52.48	(100.00)	0.00		-157.44	(100.00)
18	Revenues from Special Accounts	0	0	0	238.83	71.66	169.86	480.35	0.00	100.00	0.00		0.00	100.00
19	AMOUNT AVAILABLE FOR FGN BUDGET	6,998.49	1,749.62	5,248.87	866.50	924.16	1,149.38	2,940.04	-600.2	(34.31)	225.22	24.37	-2,308.87	(43.99)

Source: Budget Office of the Federation and the OAGF, 2019

Oil and Gas revenue dominated revenue inflow of government, accounting for 30.00 percent of total revenue in the review period. Other revenue sources are as depicted in figure 3.6.

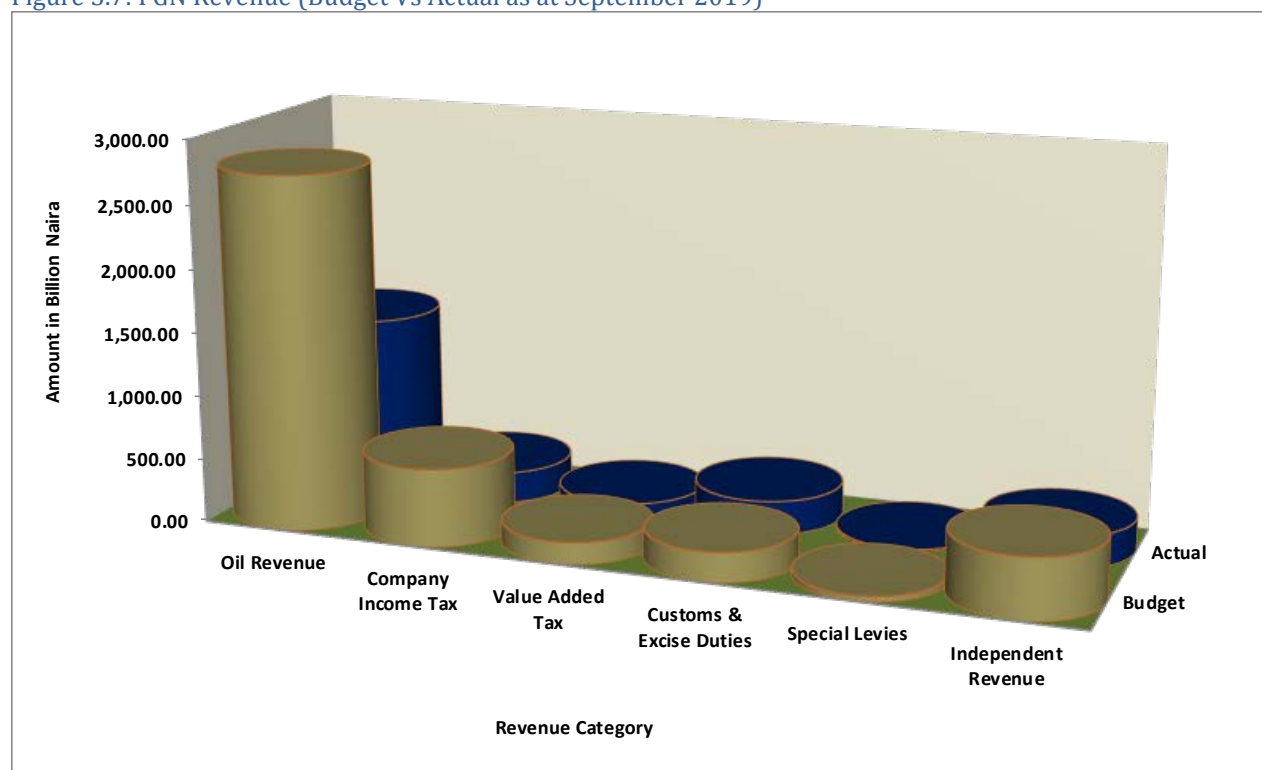
Figure 3.6: Contributions to the FGN Budget Revenue in the Third Quarter of 2019



Source: The OAGF and Budget Office of the Federation, 2019

The oil revenue equally contributed largely to the revenue shortfall experienced in the quarter under review contributing ₦577.23 billion of the entire revenue shortfall. Other major contributors included the Earmarked Fund accounting for ₦177.50 billion, Grant & Donor Funding accounting for ₦52.48 billion, Domestic Recoveries, Special Levies and Signature Bonus with combined share of ₦75.13 billion of the revenue shortfall (Figure 3.7).

Figure 3.7: FGN Revenue (Budget Vs Actual as at September 2019)



Source: The OAGF and Budget Office of the Federation, 2019

3.8.1 Total Federal Government Revenue Inflow

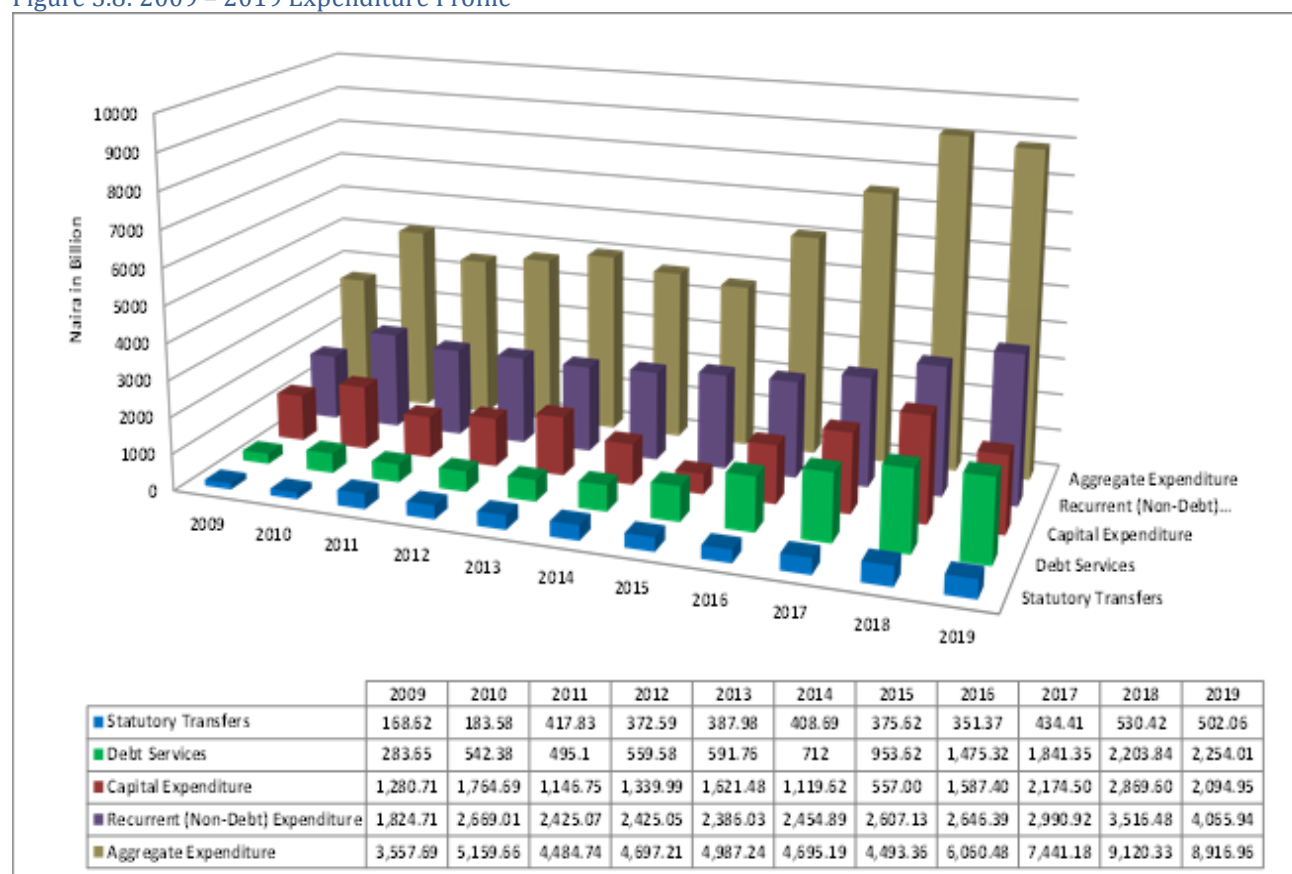
Total Revenue Inflow of the Federal Government stood at ₦2,940.04 billion by the third quarter of 2019. This represents a shortfall of ₦2,308.83 billion (43.99 percent) from the expected revenue.

3.9 Expenditure Developments

A total of ₦8,916.96 billion was appropriated for expenditure in the FGN 2019 Budget, excluding GOEs budget and Project-tied Loans. This comprises of ₦4,065.94 billion (45.6 percent) for Recurrent (Non-Debt) Expenditure, ₦2,254.01 billion (25.28 percent) for Debt Service, ₦502.06 billion (5.63 percent) for Statutory Transfers and ₦2,094.95 billion (23.49 percent) for Capital Expenditure. This translates to prorated quarterly expenditure outlay of ₦2,229.24 billion in 2019.

Actual expenditure of ₦2,351.75 billion was recorded in the third quarter of 2019, translating to a ₦122.51 billion (5.50 percent) expenditure above the prorated quarterly budget projection for the year. The detail breakdown is presented in Figure 3.8.

Figure 3.8: 2009 – 2019 Expenditure Profile



Source: Budget Office of the Federation, 2019

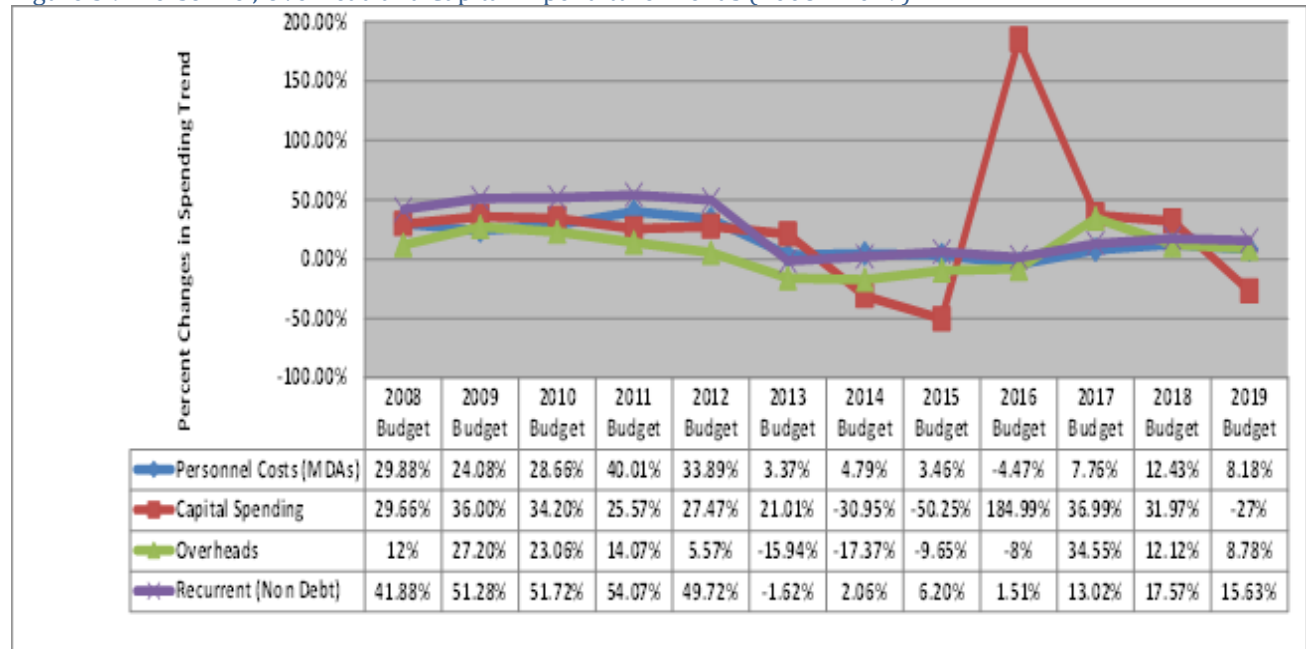
3.9.1 Non-Debt Recurrent Expenditure

Total non-debt recurrent expenditure of ₦1,117.82 billion was spent in the third quarter of 2019. This implies an increase of ₦101.33 billion (9.97 percent) above the quarterly estimate of ₦1,016.49 billion. It was also ₦156.41 billion (16.27 percent) and ₦344.76 billion (44.60 percent) above ₦961.41 billion and ₦773.06 billion spending reported in the second quarter of 2019 and third

quarter of 2018 respectively.

Government's determination to cut down the growth in recurrent expenditure as stated in the 2019-2021 MTEF and Fiscal Strategy Paper continued to be pursued using the 2019 Budget implementation. The initiatives of Government aimed at cutting down of recurrent costs were therefore vigorously pursued during the period. This include the continued roll-out of the Integrated Payroll and Personnel Information System (IPPIS) across MDAs including the Military, Police and the Academic Institutions which is expected to bring about some savings in personnel costs; the activation of more modules of the GIFMIS platform; the Presidential Initiative on Continuous Audit; as well as the use of the Treasury Single Account (TSA). As a result, the growth in personnel and overhead costs moderated in the review period compared to 2018 though capital expenditure declined as part of government efforts to reduce debt (Figure 3.9).

Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2019)



Source: BOF and OAGF, 2019

3.9.2 Debt Service

Total Debt Service in the third quarter of 2019 stood at ₦811.70 billion indicating an increase of ₦248.19 billion (44.04 percent) above the ₦563.50 billion projected for the quarter. A total of ₦427.55 billion was proposed for domestic debt service in the quarter under review but ₦606.87 billion was actually used for the service of the debt. This indicated a difference of ₦179.32 billion (41.94 percent) above the quarterly estimate.

The sum of ₦108.45 billion was proposed for the service of external debt in the quarter under review. Actual external debt service payment however amounted to ₦113.18 billion indicating a difference of ₦4.73 billion (4.36 percent) above the quarterly projection. Other debt related expenditures during the period amounted to ₦91.65 billion.

Table 3.9: FGN Fiscal Account as at September 2019 (N' Billion)

S/No	ITEMS	2019 BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3rd Quarter Actual Vs Quarterly Budget		3rd Quarter Vs 2nd Quarter (Actual)		Actual Vs Budget (3QRTS)	
		Nb	Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
A	TOTAL FGN REVENUE	6,998.49	1,749.62	5,248.87	866.50	924.16	1,149.38	2,940.04	(600.24)	(34.31)	225.22	24.37	(2,308.83)	(43.99)
B	EXPENDITURE:													
1	RECURRENT (NON-DEBT)													
2	Personnel Cost (MDAs)	2,288.58	572.14	1,716.43	550.79	572.51	616.19	1,739.50	44.05	7.70	43.68	7.63	23.07	1.34
3	CRF Pensions, Gratuities & Retirement Benefits	528.07	132.02	396.05	73.68	73.68	72.51	219.87	(59.51)	(45.08)	(1.17)	(1.59)	(176.18)	(44.48)
4	Overhead Cost 2018 in 2019		0.00	0.00	31.96	0.00	0.00	31.96	0.00	0.00	0.00	0.00	31.96	
5	Overhead Cost	268.13	67.03	201.09	48.85	66.92	56.85	172.62	(10.18)	(15.19)	(10.07)	(15.05)	(28.48)	(14.16)
6	SWV Power Sector Reform Programme	150.40	37.60	112.80	27.62	55.24	27.62	110.48	(9.98)	(26.54)	(27.62)	(50.00)	(2.32)	(2.06)
7	Other Service Wide Votes (+ Pension Redemption)	364.55	91.14	273.41	83.62	36.59	99.05	219.27	7.92	8.69	62.46	170.69	(54.14)	(19.80)
8	Presidential Amnesty Programme	65.00	16.25	48.75	10.83	16.25	16.25	43.34	0.00	0.01	0.00	0.00	(5.41)	(11.11)
9	Basic Health Care Fund (1% of CRF)	51.22	12.81	38.42	0.00	0.00	0.00	0.00	(12.81)	(100.00)	0.00		(38.42)	(100.00)
10	Special Intervention (Recurrent)	350.00	87.50	262.50	48.50	72.69	109.91	231.10	22.41	25.62	37.23	51.22	(31.40)	(11.96)
11	Payments from Special Accounts	0.00	0.00	0.00	245.56	67.52	119.43	432.50	119.43		51.91	76.89	432.50	
12	Sub-Total (Non-Debt)	4,065.94	1,016.49	3,049.46	1,089.45	961.41	1,117.82	3,168.68	101.33	9.97	156.42	16.27	119.22	3.91
13	RECURRENT (DEBTS)													
14	Domestic Debts Service	1,710.22	427.55	1,282.66	610.28	189.83	606.87	1,406.99	179.32	41.94	417.04	219.69	124.32	9.69
15	Foreign Debts	433.80	108.45	325.35	99.06	103.10	113.18	315.34	4.73	4.36	10.07	9.77	(10.01)	(3.08)
16	Total Debt Service	2,144.01	536.00	1,608.01	709.34	292.94	720.05	1,722.33	184.04	34.34	427.11	145.80	114.32	7.11
17	Interest on Ways & Means		0.00	0.00	38.78	67.43	90.69	196.90	90.69		23.26	34.49	196.90	
18	Sinking Fund to Retire Maturing Loans	110.00	27.50	82.50	0.00	3.45	0.96	4.41	(26.54)	(96.51)	(2.49)	(72.16)	(78.09)	(94.65)
19	Other Interest Payments		0.00	0.00	38.78	70.88	91.65	201.31	91.65		20.77	29.30	201.31	
20	Sub-Total (Debts)	2,254.01	563.50	1,690.51	748.12	363.82	811.70	1,923.64	248.19	44.04	447.88	123.11	233.13	13.79
21	Total Recurrent Expenditure	6,319.96	1,579.99	4,739.97	1,837.58	1,325.22	1,929.52	5,092.32	349.53	22.12	604.30	45.60	352.35	7.43
22	CAPITAL EXPENDITURE													
23	Capital Expenditure -2018 in 2019	0.00	0.00	0.00	455.23	668.26	0.00	1,123.49	0.00		(668.26)	(100.00)	1,123.49	
24	Capital Development Fund (Main) - 2019	1,445.73	361.43	1,084.30	0.00	0.00	243.60	243.60	(117.83)	(32.60)	243.60		(840.69)	(77.53)
25	Capital Supplementation	289.30	72.33	216.98	0.00	0.00	61.83	61.83	(10.50)	(14.52)	61.83		(155.15)	(71.51)
26	Special Intervention (Capital)	150.00	37.50	112.50	0.00	0.00	0.00	0.00	(37.50)	(100.00)	0.00		(112.50)	(100.00)
27	Grants and Donor Funded Projects	209.92	52.48	157.44	0.00	0.00	0.00	0.00	(52.48)	(100.00)	0.00		(157.44)	(100.00)
28	Total Capital Expenditure	2,094.95	523.74	1,571.21	0.00	0.00	305.43	305.43	(218.31)	(41.68)	305.43		(1,265.78)	(80.56)
29	TRANSFERS													
30	Statutory Transfers	502.06	125.51	376.54	114.87	115.30	116.81	346.97	(8.71)	(6.94)	1.51	1.31	(29.57)	(7.85)
31	TOTAL FGN BUDGET	8,916.96	2,229.24	6,687.72	1,952.44	1,440.52	2,351.75	5,744.71	122.51	5.50	911.23	63.26	(943.01)	(14.10)
32	Total Fiscal Deficit	(1,918.48)	(479.62)	(1,438.86)	(1,085.94)	(516.36)	(1,202.37)	(2,804.67)	(722.75)	150.69	(686.01)	132.85	(1,365.82)	94.92
C	FINANCING ITEMS													
1	Privitization Proceeds	210.00	52.50	157.50	0.00	0.00	0.00	0.00	(52.50)	(100.00)	0.00		(157.50)	(100.00)
2	Multi-lateral / Bi-lateral Project-tied Loans	92.84	23.21	69.63	0.00	0.00	0.00	0.00	(23.21)	(100.00)	0.00		(69.63)	(100.00)
3	Foreign Borrowing	802.82	200.71	602.12	0.00	0.00	0.00	0.00	(200.71)	(100.00)	0.00		(602.12)	(100.00)
4	Domestic Borrowing	802.82	200.70	602.11	285.00	125.00	260.00	670.00	59.30	29.54	135.00	108.00	67.89	11.27
5	Sub-Total	1,908.48	477.12	1,431.36	285.00	125.00	260.00	670.00	(217.12)	(45.51)	135.00	108.00	(761.36)	(53.19)
6	Net Deficit/Surplus	(10.00)	(2.50)	(7.50)	(800.94)	(391.36)	(942.37)	(2,134.67)	(939.87)	37,594.84	(551.01)	140.79	(2,127.17)	28,362.32

Source: OAGF and Budget Office of the Federation, 2019

3.9.3 Statutory Transfers

Statutory transfers amounts to ₦116.81 billion in the third quarter of 2019 as against N115.30 billion released in the second quarter of 2019. The amount transferred was ₦8.71 billion (6.94 percent) below the ₦125.51 billion prorated for the quarter.

3.9.4 Capital Expenditure

Government continued to prioritize budgetary resources to enable the structural reform of the economy including the provision of critical infrastructure in the roads, power, housing, rail and aviation sectors as well as the provision of physical infrastructure and food security. In view of this, a total of ₦2,094.95 billion (excluding capital vote of top 9 GOEs and project tied loans) was allocated for capital projects of MDAs in the 2019 Budget.

MDAs' Capital Vote Utilization

The extended implementation of the 2018 capital budget to 30th June 2019, the late passage of the 2019 Appropriation Bill, shortfall in expected revenue as well as the increasing non-discretionary expenditures of government affected the implementation of capital projects in the 2019 Budget. Funds for capital expenditure were released to MDAs in batches based on the availability of funds and government priorities. An analysis of the data from the Office of the Accountant General of the Federation on 2019 capital performance for MDAs as at 30th September, 2019 showed that a total of ₦372.04 billion was released to MDAs for their 2019 capital projects and programmes and cash backed. The sum of ₦251.53 billion was released as First Batch or Warrant, ₦116.22 billion as Online Authority to Incur Expenditure (AIEs) and ₦4.29 billion as Manual AIEs.

Performance as at 30th September, 2019

As at 30th September 2019, the sum of ₦145.74 billion, representing 39.17 percent of the total amount released and cash-backed was utilized by MDAs.

Appendix 1 to this Report shows the funds released to MDAs and utilized during the period. The Office of the Accountant-General of the Federation (OAGF) indicated different levels of utilization among forty-one (41) MDAs. Fifteen (36.59 percent) of the MDAs including, Presidency, OSGF, Defence, FCTA, Finance, Budget & National Planning, Trade & Investment, Information, OHOCSF, Labour & Productivity, Science & Technology, Environment, ONSA, FRC and RMFAC had utilized more than the overall average utilization rate of 39.17 percent of the amount cash-backed. Only seven (17.07 percent) of them, FCTA, Trade & Investment, Labour & Productivity, Science & Technology, ONSA, Environment and RMFAC had 100 percent utilization of their cash-backed funds while five out of them which included Presidency, OSGF, Information, OHOCSF, and Fiscal Responsibility Commission had above sixty percent utilization rate.

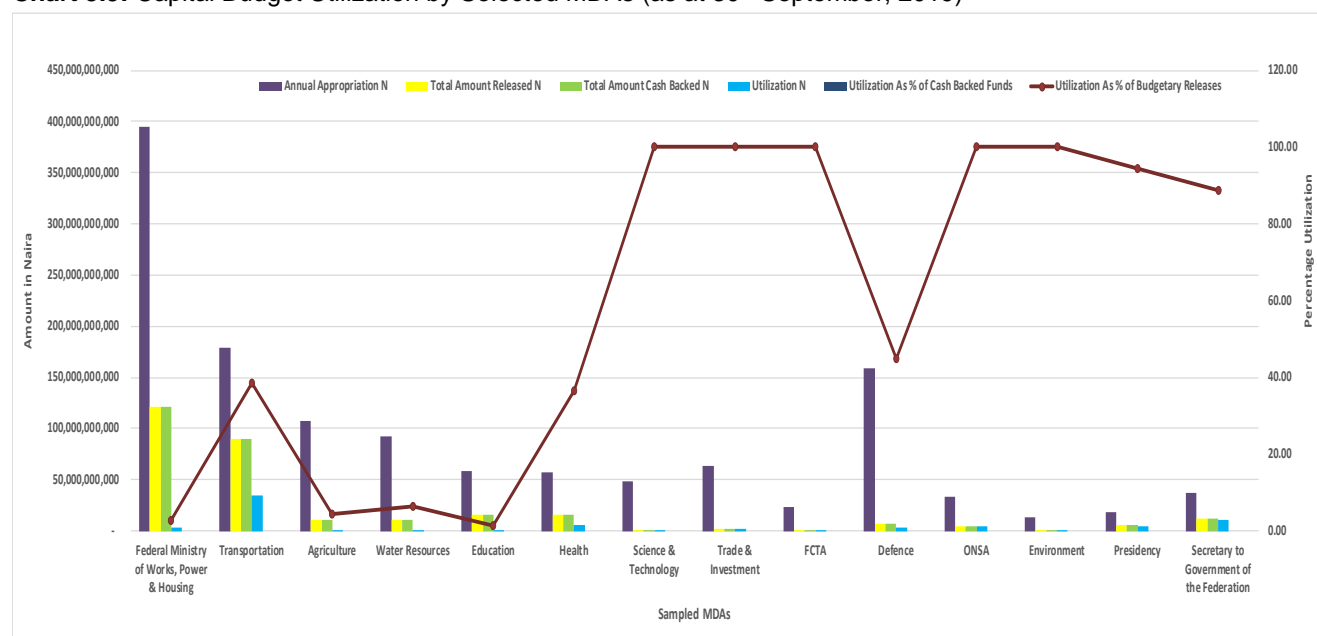
The utilization report also revealed that 6 MDAs (14.63 percent) which included: Agriculture, Water Resources, Education, Health, Power and transportation utilized below the average utilization rate of 39.17 percent of their cash-backed funds. On the other hand, 2 MDAs (4.88 percent) which are Foreign Affairs and Justice were yet to utilize their funds while 18 MDAs (43.90 percent) which included Youth Development, Women Affairs, Office of the Auditor General of the Federation, ICPC, Communication Technology, Interior, Petroleum, Mines & Steel, Niger Delta, Salaries & Wages, ICRC, Code of Conduct Bureau, Code of Conduct Tribunal, National Population, Public Complaint, FCSC, Police Service Commission and Federal Character were yet to receive their capital allocations. *Table 3.10* is an extract from *Appendix 1*; it highlights the utilization rates of fourteen MDAs considered to be key to the actualization of the Federal Government's objectives.

Table 3.10: Capital Budget Utilization by MDAs (as at 30th September, 2019)

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
Federal Ministry of Works, Power & Housing	394,906,215,852	121,050,513,801	121,050,513,801	3,350,873,359	0.85	2.77	2.77
Transportation	179,384,331,427	90,415,147,912	90,415,147,912	34,954,458,960	19.49	38.66	38.66
Agriculture	107,218,344,102	10,183,773,506	10,183,773,506	454,777,470	0.42	4.47	4.47
Water Resources	92,178,020,778	10,358,410,720	10,358,410,720	652,524,390	0.71	6.30	6.30
Education	58,689,905,930	15,617,801,422	15,617,801,422	228,912,787	0.39	1.47	1.47
Health	57,085,655,234	15,689,647,294	15,689,647,294	5,729,284,609	10.04	36.52	36.52
Science & Technology	48,100,521,991	273,261,156	273,261,156	273,261,156	0.57	100.00	100.00
Trade & Investment	63,112,112,708	1,785,954,449	1,785,954,449	1,785,954,449	2.83	100.00	100.00
FCTA	23,023,593,146	825,849,676	825,849,676	825,849,676	3.59	100.00	100.00
Defence	159,125,439,612	6,392,719,771	6,392,719,771	2,877,422,048	1.81	45.01	45.01
ONSA	33,872,448,872	4,590,153,248	4,590,153,248	4,589,605,756	13.55	99.99	99.99
Environment	13,719,898,877	258,396,552	258,396,552	258,396,552	1.88	100.00	100.00
Presidency	18,156,273,668	5,099,672,119	5,099,672,119	4,822,602,605	26.56	94.57	94.57
Secretary to Government of the Federation	37,636,306,823	11,662,303,782	11,662,303,782	10,365,605,420	27.54	88.88	88.88
Total Average Utilization by All MDAs (Inclusive of Capital Supplementation)	2,094,950,000,000	372,041,639,515	372,041,639,515	145,742,081,050	6.96	39.17	39.17

Source: OAGF and BOF, 2019

Chart 3.9: Capital Budget Utilization by Selected MDAs (as at 30th September, 2019)



Source: BOF and OAGF, 2019

3.9.5 Budget Deficit and Financing

The 2019 Fiscal Framework projected a quarterly fiscal deficit of ₦479.62 billion to be financed through earnings from Privatization Proceeds of ₦52.50 billion, Foreign Borrowing of ₦200.71 billion, Domestic Borrowing (FGN Bond) of ₦200.71 billion and Multi-lateral/Bi-lateral Project-tied Loan of ₦23.21 billion.

The fiscal operations of the Federal Government resulted in ₦1,202.37 billion deficit in the third quarter of 2019. This amount is ₦722.75 billion (150.69 percent) higher than the prorated deficit of ₦479.62 billion for the period. A total of ₦260.0 billion was raised domestically through FGN Bond to finance the deficit. There was no funding through privatization proceeds, foreign loans and multilateral and bilateral project-tied loans.

4.0 CONCLUSION

The macroeconomic indices that propelled the economy's exit from recession had continued and is expected to remain so in the near-term. The economy sustained the recovery process with a GDP growth of 2.28 percent in the third quarter of 2019. The oil sector recorded a real growth rate of 6.49 percent (year-on-year) in the third quarter of 2018 indicating an increase of 9.40 percentage points relative to rate recorded in the corresponding quarter of 2018. The non-oil sector grew by 1.85 percent in real terms during the reference quarter. This represents 0.48 percentage points decrease when compared to the rate recorded in the same quarter of 2018.

The Federal Government continued with its non-discretionary expenditures even as budget execution continued to be badly affected by poor revenue outturn. The economic performance in the quarter revealed better outlook and prospects for revenue and therefore budget implementation in the remaining quarter of 2019 fiscal year. Revenue performance of the non-oil sector is also anticipated to improve in the last quarter, this combined with the recovery in oil production and possible increases in prices would result in higher outcome of 2019 Budget implementation.

The MFBNP remain committed to ensuring openness, transparency and accountability in budget preparation, implementation, monitoring, evaluation and feedback. In this regard, budget implementation guidelines and the governance framework on monitoring capital budget implementation will continue to be followed strictly. Efforts would also be concentrated on improving efficiency in budget implementation, while creating effective project management planning geared towards improving the level of capital budget implementation in the country.

APPENDIX I

**OFFICE OF THE ACCOUNTANT GENERAL OF THE FEDERATION
FEDERAL MINISTRY OF FINANCE
FUNDS DEPARTMENT, GARKI - ABUJA**

OF 2019 CAPITAL PERFORMANCE FOR MINISTRIES DEPARTMENTS AND AGENCIES (MDAs) AS AT 22ND OCTOBER, 2019

MINISTRY	1ST RELEASES =N=	ONLINE AIEs =N=	MANUAL AIEs =N=	TOTAL RELEASES = N=	CASHBACKED =N=	MDAs BALANCE @ 31ST AUGUST, 2019 =N=	UTILISATION %	
							UTILISATION =N=	CASHBACK %
PRESIDENCY	5,099,672,119	-	-	5,099,672,119	5,099,672,119	277,069,513	4,822,602,605	94.57
SECRETARY TO GOVT. OF THE FEDERATION	1,662,303,782	10,000,000,000	-	11,662,303,782	11,662,303,782	1,296,698,363	10,365,605,420	88.88
YOUTH DEVELOPMENT	-	-	-	-	-	-	-	#DIV/0!
WOMEN AFFAIRS	-	-	-	-	-	-	-	#DIV/0!
AGRICULTURE	10,183,773,506	-	-	10,183,773,506	10,183,773,506	9,728,996,036	454,777,470	4.47
WATER RESOURCES	10,358,410,720	-	-	10,358,410,720	10,358,410,720	9,705,886,330	652,524,390	6.30
AUDITOR-GEN.	-	-	-	-	-	-	-	#DIV/0!
DEFENCE	-	6,392,719,771	-	6,392,719,771	6,392,719,771	3,515,297,723	2,877,422,048	45.01
ICPC	-	-	-	-	-	-	-	#DIV/0!
EDUCATION	15,617,801,422	-	-	15,617,801,422	15,617,801,422	15,388,888,635	228,912,787	1.47
FCTA	-	825,849,676	-	825,849,676	825,849,676	-	825,849,676	100.00
FOREIGN & INTER GOVT. AFFAIRS	1,440,579,256	503,116,500	-	1,943,695,756	1,943,695,756	1,943,695,756	-	-
FINANCE	356,938,915	313,156,000	-	670,094,915	670,094,915	356,938,915	313,156,000	46.73
HEALTH	13,804,647,294	1,885,000,000	-	15,689,647,294	15,689,647,294	9,960,362,685	5,729,284,609	36.52
TRADE & INVESTMENT	1,785,954,449	-	-	1,785,954,449	1,785,954,449	-	1,785,954,449	100.00
INFORMATION COMMUNICATION TECHNOLOGY	168,000,000	-	-	168,000,000	168,000,000	32,555,000	135,445,000	80.62
INTERIOR	-	-	-	-	-	-	-	#DIV/0!
HEAD OF SERVICE	-	500,000,000	1,500,000,000	2,024,642,235	2,000,000,000	500,000,000	1,500,000,000	75.00
JUSTICE LABOUR & PRODUCTIVITY	-	65,700,000	-	65,700,000	65,700,000	65,700,000	-	-
	241,000,000	839,601,621	-	1,080,601,621	1,080,601,621	-	1,080,601,621	100.00

POWER	119,842,495,829	1,208,017,972	-	121,050,513,801	121,050,513,801	117,699,640,442	3,350,873,359	2.77
SCIENCE AND TECH.	273,261,156	-	-	273,261,156	273,261,156	-	273,261,156	100.00
TRANSPORT	70,415,147,912	20,000,000,000	-	90,415,147,912	90,415,147,912	55,460,688,952	34,954,458,960	38.66
PETROLEUM	-	-	-	-	-	0	-	#DIV/0!
MINES & STEEL	-	-	-	-	-	0	-	#DIV/0!
NATIONAL WAGES & SALARIES	-	-	-	-	-	-	-	#DIV/0!
ENVIRONMENT BUDGET AND NATIONAL PLANNING	258,396,552	-	-	258,396,552	258,396,552	0	258,396,552	100.00
OFFICE OF NATIONAL SECURITY ADVISER	-	4,590,153,248	-	4,590,153,248	4,590,153,248	547,492	4,589,605,756	99.99
NIGER DELTA FISCAL RESPONSIBILITY	-	73,498,000	-	73,498,000	73,498,000	24,007,749	49,490,251	67.34
ICRC	-	-	-	-	-	-	-	#DIV/0!
NAT. POPULATION CODE OF CONDUCT BUREAU	-	-	-	-	-	-	-	#DIV/0!
CODE OF CONDUCT TRIBUNAL	-	-	-	-	-	-	-	#DIV/0!
PUBLIC COMPLAINTS COMMISSION	-	-	-	-	-	-	-	-
REV. MOB. ALL.	-	300,000,000	-	300,000,000	300,000,000	-	300,000,000	100.00
FCSC	-	-	-	-	-	-	-	#DIV/0!
POLICE SERVICE COMMISSION	-	-	-	-	-	-	-	#DIV/0!
FED. CHARACT. COMM.	-	-	-	-	-	-	-	#DIV/0!
CAPITAL SUPPLEMENTATION	-	-	-	-	-	-	-	#DIV/0!
CAPITAL SUPPLEMENTATION	-	68,085,116,890	2,789,241,633	70,874,358,523	70,874,358,523	-	70,874,358,523	100.00
GRAND TOTAL	251,533,382,911	116,219,014,972	4,289,241,633	372,066,281,750	372,041,639,515	226,299,558,466	145,742,081,050	39.17