

# 2016 ANNUAL REPORT AND AUDITED ACCOUNTS OF THE FISCAL RESPONSIBILITY COMMISSION



2016 ANNUAL REPORT AND AUDITED ACCOUNTS OF THE FRC



**FISCAL  
RESPONSIBILITY  
COMMISSION**  
FEDERAL REPUBLIC OF NIGERIA



# FISCAL RESPONSIBILITY COMMISSION

## FEDERAL REPUBLIC OF NIGERIA



# 2016

## ANNUAL REPORT AND AUDITED ACCOUNTS







**FISCAL  
RESPONSIBILITY  
COMMISSION**  
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## **VISION, MISSION AND VALUES OF THE FISCAL RESPONSIBILITY COMMISSION**



### **VISION**

A transparent and accountable Government financial management framework of Nigeria



### **MISSION**

To ensure that revenue-raising policies, resource allocation decisions and debt management decisions are undertaken in a prudent, transparent and timely fashion



### **VALUES**

- Integrity
- Truth
- Justice
- Prudence



**FISCAL  
RESPONSIBILITY  
COMMISSION**  
FEDERAL REPUBLIC OF NIGERIA

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## LIST OF ACRONYMS

<b>BPE</b>	-	Bureau of Public Enterprises
<b>CAC</b>	-	Corporate Affairs Commission
<b>CBN</b>	-	Central Bank of Nigeria
<b>CCB</b>	-	Code of Conduct Bureau
<b>CSOs</b>	-	Civil Society Organizations
<b>DFID</b>	-	Department for International Development
<b>DMO</b>	-	Debt Management Office
<b>EFCC</b>	-	Economic and Financial Crimes Commission
<b>DSA</b>	-	Debt Sustainability Analysis
<b>ECA</b>	-	Excess Crude Account
<b>ERGP</b>	-	Economic Recovery and Growth Plan
<b>FAAC</b>	-	Federation Account Allocation Committee
<b>FAAN</b>	-	Federal Airport Authority of Nigeria
<b>FCT</b>	-	Federal Capital Territory
<b>FEC</b>	-	Federal Executive Council
<b>FG</b>	-	Federal Government
<b>FIRS</b>	-	Federal Inland Revenue Service
<b>FGN</b>	-	Federal Government of Nigeria
<b>FMF</b>	-	Federal Ministry of Finance
<b>FOI</b>	-	Freedom of Information Act
<b>FRA</b>	-	Fiscal Responsibility Act
<b>FRC</b>	-	Fiscal Responsibility Commission
<b>GDP</b>	-	Gross Domestic Product
<b>ICPC</b>	-	Independent Corrupt Practices and Other Related Offences Commission
<b>ICT</b>	-	Information and Communications Technology
<b>IGR</b>	-	Internally Generated Revenue
<b>IMF</b>	-	International Monetary Fund
<b>MDAs</b>	-	Ministries Department and Agencies
<b>MTEF</b>	-	Medium Term Expenditure Framework
<b>NAC</b>	-	National Automotive Council
<b>NAFDAC</b>	-	National Agency for Food & Drug Administration Control





<b>NAMA</b>	-	Nigerian Airspace Management Agency
<b>NASENI</b>	-	National Agency for Science and Engineering Infrastructure
<b>NASS</b>	-	National Assembly
<b>NBS</b>	-	National Bureau of Statistics
<b>NCAA</b>	-	Nigerian Civil Aviation Authority
<b>NCC</b>	-	Nigerian Communication Commission
<b>NCS</b>	-	Nigeria Customs Service
<b>NDIC</b>	-	Nigeria Deposit Insurance Corporation
<b>NIMASA</b>	-	Nigerian Maritime Administration and Safety Agency
<b>NIP</b>	-	National Implementation Plan
<b>NIRP</b>	-	National Industrial Revolution Plan
<b>NIS</b>	-	Nigeria Immigration Service
<b>NITDA</b>	-	Nigerian Information Technology Development Agency
<b>NNPC</b>	-	Nigerian National Petroleum Corporation
<b>NPA</b>	-	Nigerian Ports Authority
<b>NPC</b>	-	National Planning Commission
<b>NPS</b>	-	Nigerian Postal Service
<b>NSC</b>	-	Nigerian Shippers Council
<b>NSDC</b>	-	National Sugar Development Council
<b>NSITF</b>	-	Nigerian Social Insurance Trust Fund
<b>NTDC</b>	-	Nigeria Tourism Development Commission
<b>OAGF</b>	-	Office of the Accountant General of the Federation
<b>OPEC</b>	-	Organization of Petroleum Exporting Countries
<b>OSGF</b>	-	Office of the Secretary to the Government of the Federation
<b>RMRDC</b>	-	Raw Material Research and Development Council
<b>SEC</b>	-	Securities and Exchange Commission
<b>SME</b>	-	Small and Medium Enterprises





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FEDERAL REPUBLIC OF NIGERIA





**HIS EXCELLENCY  
PROF. YEMI OSINBAJO, GCON, SAN**  
VICE-PRESIDENT  
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**FISCAL  
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# CHAIRMAN'S STATEMENT





## CHAIRMAN'S STATEMENT

It is my honour to present once again the Annual Report and Audited Accounts of the Fiscal Responsibility Commission (FRA) for the Year ended 31st December, 2016. The report provides incisive information on the Monitoring and Enforcement of the Fiscal Responsibility Act 2007, (FRA) by the Fiscal Responsibility Commission

The publication of this report is in fulfilment of section 10 of FRA 2007 which mandates the FRC to prepare and submit to the National Assembly (NASS) in each financial year a report of its activities, including its audited accounts for the preceding financial year. Efforts made by the Federal Government in the area of prudent management of its resources are also highlighted. The report also reveals the efforts made in 2016, against all odds, to secure greater Accountability and Transparency in Fiscal operations of the Federal Government, within the Medium Term Policy Framework and ensure long term Macro-Economic stability of the National economy.



BARR. VICTOR C. MURUAKO, KSI

The year 2016 was indeed a momentous year, the resounding victory of Donald Trump at the 2016 US Presidential Elections, the attendant economic upheaval triggered by the outcome of the United Kingdom referendum to exit the European Union "BREXIT" and China's increased globalization drive are instances of some political events that shaped 2016. Other key themes on the global scene were – the unexpected geopolitical shifts and the waning effect of monetary stimulus which disrupted the growth in advanced economies, slow recovery of oil prices which led to a major currency shake-up in Latin America and Russia as well as terrorist threats in traditional luxury destination for tourist like France.

For Nigeria, the year 2016 was heralded by uncertainties in the overall economy. Nigeria's economic outlook appeared gloomy the delay in the reversal of the depressed state of oil prices impacted negatively on the economy and these led the Nigerian economy into recession in the second quarter.



Following the global contagion resulting in significant changes in some economic fundamentals – the GDP growth rate plunged from 2.79% recorded in 2015 to -1.51% in 2016. This contraction reflects a decline in the oil and non-oil sectors by 13.65% and 0.22% in 2016, from -5.45% and 3.75% respectively in the preceding year.

Notably, two factors were largely responsible for the downward trend in 2016 – the evolving global oil dynamics and reduced oil production as a result of the resurgence of Niger Delta Militancy on the one hand and the impact of reduced foreign exchange earnings on the other hand.

The 2016 budget theme: **“Budget of Change”** was designed to engender a diversified and sustainable economy through infrastructural development, investment in real sector and social security provision for the very poor and vulnerable in Nigeria.

The budget while aiding industries, trade and investment to pick up most importantly, address the immediate problem of youth unemployment and the insurgency in the North-East Zone of the Country.

According to NBS report, Nigeria's unemployment rate rose for the seventh straight quarter to 13.9% in the third quarter of 2016 from 13.3% in the previous period. Meanwhile, youth unemployment rate increased to 25% from 24% in the previous period. A year earlier, the unemployment rate was recorded at 9.9%. This was attributed to massive job losses as more companies laid off staff during the recession in order to cut costs and optimize profit. Rising energy costs (upward review of the pump price of premium motor spirit (fuel) and increase in electricity tariff) further unleashed untold hardship on businesses and citizenry.

In the end, 2016 ended up being a year that proved the resilience of markets once again, albeit with bout of angst and volatility. While there were some obvious near-term headwinds, many still share optimism in the future of Nigeria's transitioning economy that it still remains a destination for investments.

The oil sector experienced a number of challenges ranging from oil theft, price challenges & production shutdown. The non-oil sector was negatively impacted by general decline in global economic activities, slump in public and private expenditure as well as security challenges.



Inflation continued to rise, driven by exchange rate pass-through effect arising from imported goods, increases in electricity tariff and fuel prices as well as higher input costs which were occasioned by the shortage of FOREX and security challenges.

Monetary policy in 2016 was influenced by key development in the global economy including weak global growth; weak commodity prices/commodity prices slumps while financial conditions worsened.

Central Bank of Nigeria (CBN) adopted tight monetary policy stance which led to liquidity crunch resulting in overall increase in money rates. Real deposit and prime lending rates were however negative given the prevailing headline inflating rate of 18.55% as at December, 2016.

Nigerians external trade further deteriorated in 2016 but recorded significant improvement during the fourth quarter of the year. Total trade rose by N1,759.21 billion to a total of N5,286.57 billion in the fourth quarter of 2016, from N3,517.36 billion in the corresponding period in 2015. The increase was driven by significant expansion in both imports/exports.

The average exchange rate of the Naira/Dollar remained relatively stable at official/inter-bank segment at N305.23/US\$ while Bureau De-Change (BDC) stood at N455.26/US\$ in December, 2016. The total public debt/GDP ratio stood at 16.27% as at the end of December, 2016 and was significantly below the country specific threshold of 19.39% and international threshold of 56%.

The implementation of the 2016 budget was greatly affected by the poor independent revenue outturn for the entire 2016 fiscal year. A total of N341.18 billion excluding revenue from other funding sources was received to fund the Federal Budget, translating to a revenue shortfall of N622.76 billion.

There was revenue under performance on net oil revenue that accrued into the federation account in the fourth quarter of 2016 at N273.64 billion. This could be attributed to persistent low oil price in the international market and vandalism of oil facilities in the Niger-Delta Region which adversely impacted oil production.

Gross non-oil revenue of N552.81 billion was collected in the fourth quarter of 2016. This implies a shortfall of N500.80 billion from the quarterly estimate of N1,053.61 billion. The non-oil revenue component like Solid Mineral Sectors,



Dividends from federation Investment yielded no revenue return.

Going forward, it is gratifying to note that the present administration has set a great score by making reference to the Fiscal Responsibility legislation in its various policy pronouncements. It is only through sound institutional governance that Nigeria can have a head-way in fiscal prudence and transparency. The need for fiscal responsibility, accountability and transparency has become more and more obvious, especially in the light of the present administration's quest for good governance devoid of financial mismanagement and corrupt practices in all its ramifications.

The idea of managing public income and expenditure in a responsible and responsive way in the larger interest of the country is the sole *raison d'etre* of fiscal responsibility legislation. It is indeed about prudent management of resources based on fundamental rules of action that provides the framework for evidence based budgeting. Needless to say, various laws and policies have made provisions for different aspects of fiscal responsibility. These range from the Constitution of the Federal Republic of Nigeria 1999, FRA 2007, Public Procurement Act, Extractive Industries Transparency Initiative, financial Regulations etc.

The Fiscal Responsibility Commission (FRC) was established by the Fiscal Responsibility Act (FRA) 2007. The FRC is mandated to monitor and enforce the provisions of the FRA, 2007 which objectives are:

- (i) To provide for prudent management of the nation's resources.
- (ii) To ensure long term macroeconomic stability of the nation economy.
- (iii) To secure greater accountability and transparency in Fiscal Operations within a Medium Term Fiscal Policy Framework

The establishment of the Fiscal Responsibility Commission to ensure the promotion and enforcement of the nation's economic objectives. Set out in the 1999 Constitution. According to the FRA, 2007, the FRC is also mandated to:

- (a) Disseminate such standard practices, including international good practices that will result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in Fiscal matters, and



- (b) Undertaking Fiscal and Financial Studies, analysis and diagnosis ' and disseminate the result to the general public.

## **REVENUE GENERATION AND ACCRUAL TO EXCESS CRUDE ACCOUNT**

Relevant government agencies are required to make remittances into Federation Account for Federally collectible revenue while the Federal Government (FG) independent revenue is remitted into FGN Consolidated Revenue Fund. The FGN independent revenue especially Operating Surplus payable by scheduled Corporations is covered by Sections 21 to 23 of the FRA, 2007. The Act empowers the FRC to monitor compliance by the Schedule Corporations.

Over the years, the Commission, despite its limited resources, has been striving to ensure compliance by the relevant MDAs with these sections. The Commission since its inauguration has been able to ensure the remittance by the MDAs of over about N1.273 trillion into the Consolidated Revenue Fund (CRF). Had the Commission been adequately supported with funds, more revenue would have been generated.

Another contentious issue is the budget process which is spelt out in the Act. Over the years, the Commission has been in the forefront of ensuring that this important process is strictly adhered to. Unfortunately, the compliance to the Act has been more in the breach against the time-line as provided for it by FRA 2007.

The need for synergy among the various arms of Government and relevant agencies of government like the National Assembly, Federal Ministry of Finance, The Budget Office of the Federation, Office of the Accountant General of the Federation and the Fiscal Responsibility Commission cannot be overemphasized. Such synergy will enable compliance with the FRA, 2007, especially as it relates to revenue generation/monitoring, budgeting and expenditure control.

A situation where other bodies other than the Fiscal Responsibility Commission determine and give directives to some corporations on payment of their operating surplus does not augur well for good accounting practice or fiscal transparency and prudence. This is a clear violation of the provisions of FRA 2017 which clearly states, it is the duty of the Commission. We strongly recommend inter-agency cooperation to ensure a coordinated government



effort towards the generation of more independent revenue.

The standardized Operating Surplus Template designed by the Fiscal Responsibility Commission with due consultation with scheduled corporations and relevant stakeholders was approved for use by all Ministerial Departments and Agencies at a review meeting in November, 2016 with the Honourable Minister of Finance, Mrs Kemi Adeosun, Myself, the Accountant-General of the Federation and other officials in attendance. The approval resulted in the issuance of Finance Circular Ref: No. FMF/HMF/2016/1 dated November, 2016 by the Minister and Federal Treasury Circular Ref: No. TRY A10 & B10/2016 dated 22nd November, 2016 by the Accountant General of the Federation.

We have applied and were assured of funding to print, launch and hold technical workshop on the template for officers of all 122 listed scheduled corporation. The adoption of the template will eliminate the creative accounting being adopted by agencies to short-change the Federal Government on operating surpluses due to be remitted into the Consolidated Revenue Fund. In other words, there will be correct calculation in the amount due to be paid by the scheduled corporations.

The Fiscal Responsibility Commission aligns itself with the disposition of this administration to tackle the challenges of corruption and we will continue to interrogate and collaborate with respective schedule corporations to enhance greater compliance to Fiscal Responsibility Frameworks by all relevant functionaries of government.

May I acknowledge with gratitude, the very commendable support we have continued to receive from some important Agencies and Institutions in the compilation of this Report, especially Ministry of Finance, Ministry of Budget and National Planning, Budget Office of the Federation, Office of the Accountant General of the Federation, National Bureau of Statistics, National Assembly Committees on Finance, Debt Management Office, Central Bank of Nigeria as well as many others.

It is our ultimate expectation and hope that the issues and challenges highlighted in this Report will receive the desired and necessary attention from all concerned in order to redress the negative curve in the nation's economic indicator and firmly set the economy on the path of long term stability and inclusive growth.



I wish to note the need for vigilance and citizen's participation in the enforcement of the Fiscal Responsibility Act, 2007 by virtue of the provision of Section 51 thereof cannot be over-stressed.

I therefore call on all readers of this Report, as critical stakeholders, to join the Commission in ensuring that the noble aims and objectives of the Act are realized for the greater good of all.

Thank you.

Yours in Fiscal Responsibility



**Victor Chinemerem Muruako Esq.**  
Acting Chairman



## INTRODUCTION

This Report is in fulfilment of section 10 of the FRA2007 which requires the Commission to prepare and submit a report of its activities along with audited financial statement for each financial year fiscal year to the National Assembly. The report is arranged in ten sections to cover every aspects of the Commission's activities in 2016 with the audited financial statements and adopted Operating Surplus Template included as appendix.

Chapter 1 summarises the Mandate of the Fiscal Responsibility Commission and its functions under the enabling law, the Fiscal Responsibility Act, 2007.

Chapter 2 dwells on the monitoring of the budgetary process, covering the preparation, planning and approval of the Medium Term Expenditure Framework for 2016-2018 and the 2016 Annual Budget of the Federal Government. The implementation of the 2016 budget; revenue performance, expenditure analysis, savings and assets management are analysed with a report on physical verification of selected federal government capital project across the six geo-political zones of the country.

Chapter 3 reports on the debt, indebtedness and borrowings as outlined in Sections 41 – 47 of the FRA, 2007.

Chapter 4 considers the all-important monitoring of scheduled corporations and their compliance with the requirements of Sections 21 – 24 of the FRA, 2007. Details of operating surplus remitted to the Consolidated Revenue are provided to highlight the importance attached to increasing FGN independent revenue generation.

Chapter 5 discusses the legal framework for the domestication of fiscal responsibility legislation at the States. Chapter 6 considers the critical issues of transparency and accountability in fiscal matters as emphasised in the FRA 2007.

Chapter 7 highlights communication, research and dissemination of standards while chapter 8 summarises investigation activities in the enforcement process of the FRA 2007.

Institutional strengthening and capacity building is covered in chapter 9 with challenges and prospects in chapter 10.







## CHAPTER

# 1

## THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION



# CHAPTER ONE

## THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

The Fiscal Responsibility Act, 2007, was enacted “to provide for the prudent management of the Nation's resources; ensure long term macroeconomic stability of the national economy; secure greater accountability and transparency in fiscal operations, within a Medium Term Fiscal Policy Framework; and the establishment of the Fiscal Responsibility Commission to ensure the promotion and enforcement of the nation's economic objectives, and for related matter”.

### 1.1 FUNCTIONS OF THE COMMISSION

The mandate of the Fiscal Responsibility Commission is encapsulated in section 3 of the FRA, 2007, which specifies the functions of the FRC thus:

- 3(1) The Commission shall:
- (a) *monitor and enforce the provisions of this Act and by so doing, promote the economic objectives contained in Section 16 of the Constitution;*
  - (b) *disseminate standard practices including international good practice that will result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in fiscal matters;*
  - (c) *undertake fiscal and financial studies, analysis and diagnosis and disseminate the result to the general public;*
  - (d) *make rules for carrying out its functions under the Act; and*
  - (e) *perform any other function consistent with promotion of the objectives of this Act.*

A breakdown of the economic objectives contained in section 16 of the Constitution of the Federal Republic of Nigeria which the Commission is expected to promote are as follows:

- (i) To harness the resources of the nation and promote national prosperity and an efficient, dynamic and self-reliant economy;
- (ii) To control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity;
- (iii) To manage or operate the major sectors of the economy as well as protect the right of every citizen to engage in any economic activities outside the major sectors of the economy;
- (iv) The promotion of a planned and balanced economic development; and
- (v) To ensure that the material resources of the nation are harnessed and distributed as best as possible to serve the common good.

According to the Act, for the purpose of performing its functions, the Commission shall have powers to:

- (a) Compel any person or government institution to disclose information relating to public revenues and expenditures; and
- (b) Cause an investigation into whether any person has violated any provision of the Act.

Section 2(2) provides that if the Commission is satisfied that such a person has committed any punishable offence under this Act or violated any provisions of this Act, the Commission shall forward a report of its investigation to the Attorney-General of the Federation for possible prosecution.

For the purpose of exercising its investigative powers under the FRA, 2007, the Commission is collaborating with the Nigeria Police Force which has deployed, at the Commission's request, some police officers to bolster the Commission's Investigations Unit. The rest of this report is on the efforts made by the FRC to execute its mandate.







# CHAPTER 2

## MONITORING THE BUDGETARY PROCESS



## CHAPTER TWO

## MONITORING THE BUDGETARY PROCESS

### 2.1 INTRODUCTION

The Fiscal Responsibility Commission in 2016 essentially continued to monitor the planning, preparation and execution of annual budget and related activities to ensure prudent management of the nation's resources with greater accountability and transparency consistent with the requirements of the Fiscal Responsibility Act 2007.

The Commission traditionally monitors the following areas:

- ❖ Preparation and approval the Medium Term Expenditure Framework (MTEF);
- ❖ Preparation and approval of the Annual Budget (Appropriation Act);
- ❖ Execution of the Budget and maintaining standards in the publication of Budget Implementation Reports (BIRs);
- ❖ Determination, Monitoring and Remittance of Operating Surplus by scheduled corporations into the Consolidated Revenue Fund (CRF) of the federal government.
- ❖ Monitoring and ensuring the remittance of Internally Generated Revenue by MDAs into the Consolidated Revenue Fund;
- ❖ Savings and Assets Management; and
- ❖ Developments in the general macroeconomics progress that has impact on

## 2.2 MTEF PREPARATION AND APPROVAL

The Medium Term Expenditure Framework (MTEF) is an important feature of the Fiscal Responsibility Act, 2007. It is the foundation for the preparation of annual federal budget. In fact the MTEF signifies the commencement of the budgeting process. The FRA 2007 accordingly sets out in sections 11 – 14 extensive guidelines for the preparation and approval of the MTEF which form the basis for the commission's monitoring and enforcement.

The federal government should be commended for preparing the MTEF over the years in spite of challenges which cascades into perennial delays in the entire budgeting process. It is hoped that reforms being introduced through the launching of Economic Recovery and Growth Plan (ERGP) will ameliorate the system.

Section 14 of FRA 2007 mandates the Minister of Budget and National Planning to present draft MTEF to the Federal Executive Council (FEC) for endorsement not later the second quarter of the year. The endorsed MTEF shall in turn be presented to the National Assembly for approval not later than four months to the end of the financial year.

The Federal Executive Council endorsed the MTEF 2017 – 2019 on Wednesday, August 24, 2016 while the actual submission by the President to NASS took place on Tuesday October 4, 2016. The submission of the MTEF was rather late in every respect as neither the FEC endorsement nor the presentation to NASS occurred within the stipulated time.

The foregoing has negative implications for the presentation and passage of the annual budget. Delays in the approval of the MTEF and annual budget has been the bane of the federal government budgeting process.

The federal budget has never been passed early before the end of the financial year in the last seven years. These delay obviously resulted in poor budget implementation which has to be seriously addressed.

The continuous request by the executive, and subsequent approval by the legislature, for the extension of the financial year for the implementation of capital components of the budget into the following year has become the norm rather than exception. The trend clearly goes against the Financial Year Act which defines the financial year as a period of twelve months starting from 1st



January to 31st December of every year.

Notwithstanding the resolution of the NASS granting and subsequently approving the request founded on the late passage of the budget, the action remains illegal. This is predicated on the legal position that you cannot amend an extant law by a resolution of the NASS. This act of extending the Appropriation Act for the budget to run for one calendar year from the date of assent by the president mis-aligns other fiscal activities programmed within the financial year ending in December.

There is no available information in the MTEF about the preparation of Medium Term Sector Strategies (MTSS) by the MDAs. MTSS preparation should precede the MTEF and all relevant stake holders should be brought on board during the preparation process.

Consultations with diverse stakeholders such as states, designated government agencies, organized private sector and civil society organizations should be an important element of MTEF preparation. Documentation of the process and fact of the consultation should be clearly stated in the MTEF as provided in the FRA 2007.

There is a need for to have a fundamental economic policy document – such as its being proposed in the ERGP to anchor all sectorial activities and introduce coherence and convergence into sector policies.



Ag. chairman in a discussion with the Hon. Minister Mrs. Kemi Adeosun during the presentation of 2016-2018 MTEF at House of Representatives

### 2.3 PREPARATION AND APPROVAL OF THE ANNUAL BUDGET

Section 18 & 19 of the FRA 2007 clearly spell out guidelines for the preparation and approval of the annual budget and categorically stipulates that MTEF shall be the foundation for the annual budget.

The alignment of the budget with the MTEF taking into account the intricate nature of the relationship of the executive and legislature is the focal point of the Commission's interest in the area of budget monitoring. Lack of synergy between the two arms of government usually results in delays in the approval of the Framework for the Annual budget.

The major components of 2017 Budget were in agreement with parameters as approved in the MTEF 2017 – 2019 after harmonization of the benchmark price of oil which is usually the high point of the MTEF.

Table 2.1 shows the major MTEF and Budget components for 2017 in comparison with 2016.

**Table 2.1: Major Components of Budgets & MTEF**

S/N	Item	2017 Budget & MTEF	2016 Budget & MTEF
1	Oil Benchmark Price	USD42.50	USD38.00
2	Oil Production	2.200 mbpd	2.200 mbpd
3	Foreign Exchange Rate	₦305 – USD1	₦197 – USD1
4	Oil revenue	₦2.122 Trillion	₦717.55 Billion
5	Non – Oil Revenue	₦1.410 Trillion	₦1.567 Trillion
6	Independent Revenue	₦808.00 Billion	₦1.506 Trillion
	Other FGN Revenue	₦744.15 Billion	₦64.38 Billion
7	FGN Aggregate Revenue	₦5.084 Trillion	₦3.855 Trillion
8	FGN Aggregate Expenditure	₦7.441 Trillion	₦6.061 Trillion
9	Fiscal Deficit	₦2357 Trillion	₦2.205 Trillion
10	Gross Domestic Product	₦107.958 Trillion	₦102.921 Trillion
11	Fiscal Deficit as % of GDP	2.48%	2.14%

Source: BOF



The parameters for the 2017 Budget clearly recognized the continued improvement in international price of oil from the oil slump which characterized the 2015 budget implementation.

The approval process for the 2017 Budget was not different from previous years as the MTEF 2017 – 2019 which was to signal the commencement of the process was submitted late to the NASS. The need for training and consolidation of the gains of the introduction of Zero Based Budgeting contributed to the delay. The need for the Budget to reflect as closely the reality on ground led to the MTEF being reworked a number of times. The Revenue framework in particular which had to be adjusted in line with the revenue generating capacity of the relevant agencies and in conformity with available statistics.

The presentation and assent to the Budget over the years followed a disturbing pattern which Government has expressed deep concern at correcting in order to allow for prudent and effective management of the economy in line with the FRA, 2007.

The 2017 Budget was presented to the NASS on 14 December 2016 and passed into the Appropriation Act by the NASS on. The Act was however assented to by the Acting President on 12 June 2017 after so many pertinent issues that characterized the process were resolved especially with the absence of the President who was then abroad on medical vacation.

Table 2.2 shows the timings of Budget submission and assent by the President from 2011 to date.

**Table 2.2: Time of Submission and approval of Budgets 2011 - 2017**

Fiscal Year	Date Budget Presented to NASS	Date Budget Signed by the President	Time Lag Between Budget Presentation and Presidential Assent
2011	15 December, 2010	26 May, 2011	5 Months
2012	13 December, 2011	13 April, 2012	4 Months
2013	10 October, 2012	26 February, 2013	5 Months
2014	19 December, 2013	21 May, 2014	5 Months
2015	17 December, 2014	07 May, 2015	5 Months
2016	22 December, 2015	06 May, 2016	5 Months
2017	14 December, 2016	12 June, 2017	6 Months



The effect of this perennial delays is quite obvious and manifests negatively in the poor implementation of the Budget. There has been an average of 5 months between the time of presentation to the NASS and assent by the President. Though the Fiscal Responsibility Act, 2007 does not specify a time-limit for the submission and passage of the annual budget into law, it stands to reason that the Budget instrument should be ready for execution from the beginning of the fiscal year. The situation where budgets are awaited months into the fiscal year owing to the late passage messes up budget tracking and contributes especially to poor implementation of Capital Budgets thereby stifling National development.

There is therefore a need for a strict budget timetable to be incorporated in the FRA. This way, relevant agencies will be committed to specific tasks, timelines and deadlines which if enforced will go a long way towards solving the perennial problem of late preparation and passage of annual budgets as well as the uncertainty in delimiting the budget cycle.

It is pertinent to reiterate the Commissions earlier recommendations that the National Budget Cycle should begin in July immediate after the endorsed MTEF has passed through FEC. By this the Appropriation Bill could be signed into law as the Appropriation Act not later than 31 December. The Appropriation Bill would therefore need to be presented to the NASS in September each year and approved early December to enable the President sign the budget in same December.

## **2.4 THE 2016 BUDGET**

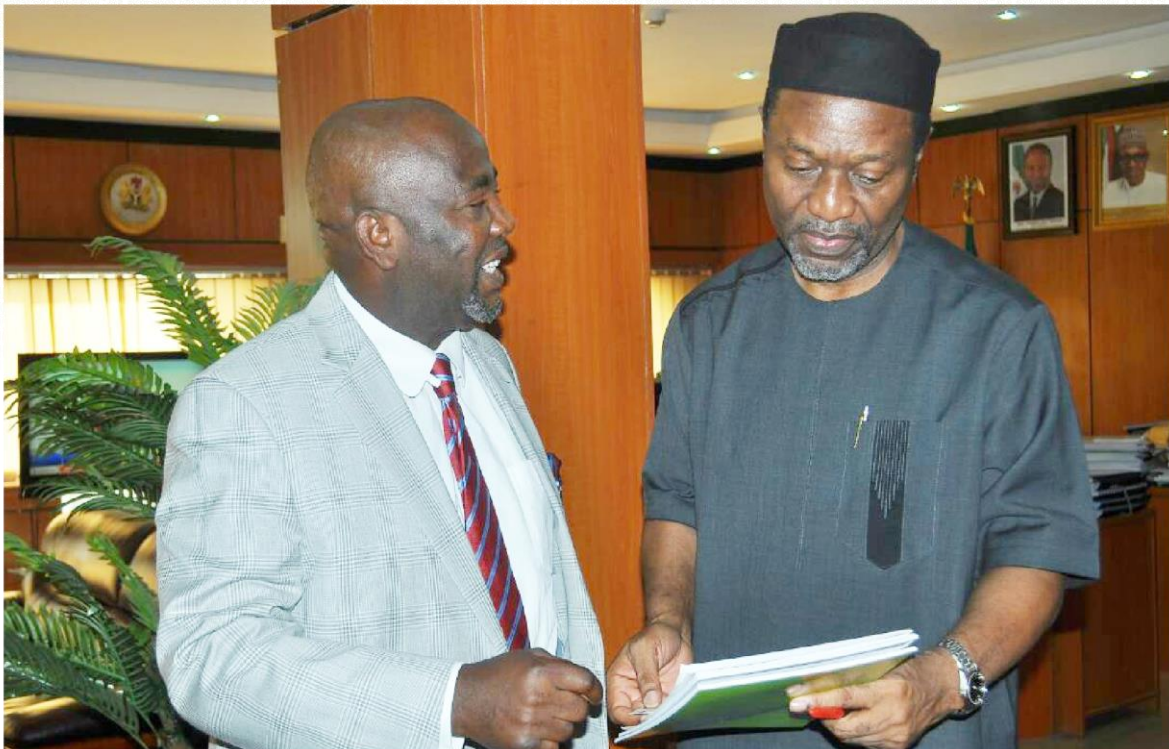
The 2016 Budget of the Federal Government was presented to the National Assembly on 22 December 2015 and was signed into law on 06 May, 2016. The Budget in line with the government focus was appropriately titled a “**Budget of Change**”.

The 2016 Budget being the first to be prepared by the new administration after assumption of power in 2015 promised to be a departure from the old order. The Budget reflected the transfer of the Budget Office of the Federation from the Ministry of Finance to the National Planning Commission to form the new Ministry of Budget and National Planning. Similarly, the creation of new ministries notably, Ministry of Power, Works and Housing and Ministry of Transport and Aviation from separate ministries underscores government commitment to implement its change agenda.





The uncertainties in global economy and country specific challenges restricted the scope of the Budget in addressing the change required for an immediate departure from the past. The government aptly recognized the dwindling oil revenue and focused on diversifying the economy through aggressive Non-oil revenue and FGN independent revenue. The introduction of Zero Based Budgeting was further deepened to reduce expenditure and improve reliability of Budget estimates.



Ag. Chairman presenting FRC Annual Reports and other publications to the  
Hon. Minister Budget and National Planning

## 2.5 BUDGET 2016 ASSUMPTIONS

2.5.1 The basic assumptions for the 2016 budget were as stipulated in the approved MTEF 2016 - 2018.

### Oil Revenue

Benchmark oil price	US\$38/barrel
Oil production	2.2 mbpd
Naira/US\$ Exchange rate	₦197



### Non-oil Revenue

Company Income Tax	30%
VAT	5%
Custom duty	based on CIF value of imports.
GDP Growth Rate	4.3%
Fiscal Deficit	2.14%

Efforts at achieving efficiency in expenditure control was expounded in the Budget. These efforts are predicated on consolidating the success of the cost savings measures put in place in the previous year to achieve maximum cost savings and value for money. In this regard, more MDAs were enrolled into the Integrated Payroll and Personnel Information System (IPPIS) to achieve better control over personnel costs. Other measures embedded in the Government Integrated Financial Management System (GIFMIS), and other strategies for general reduction in overheads would be vigorously pursued.

## 2.6 KEY BUDGET COMPONENTS

The total projected expenditure of the Federal Government in 2016 fiscal year as appropriated amounted to N6.060 trillion. Compared with the 2015 Budget of N5.068 trillion, the 2016 Budget represented an increase of N997 billion or 19.67%.

The component of the 2016 Budget is detailed in Table 2.3 below:

**Table 2.3: Components of 2016 Budget**

S/N	Component	2016 Budget	% of Aggregate	2015 Budget	% of Aggregate
		<b>₦000</b>	<b>%</b>	<b>₦000</b>	<b>%</b>
1	Personnel	1,748.33		1,834.92	
	Pension & Gratuity	298.11		291.05	
	<b>Total Personnel</b>	<b>2,046.44</b>	<b>33.77</b>	<b>2,125.97</b>	<b>41.95</b>
2	Overheads	463.39		981.80	
	Presidential Amnesty	136.56		63.28	
	<b>Total Overheads</b>	<b>599.95</b>	<b>9.90</b>	<b>1,045.08</b>	<b>20.62</b>





3	Debt Service - Domestic	1,307.40		894.61	
	Foreign	54.48		59.01	
	<b>Total Debt service</b>	<b>1361.88</b>	<b>22.47</b>	<b>953.62</b>	<b>18.82</b>
	<b>Sinking Fund</b>	<b>113.44</b>	<b>1.87</b>		
4	<b>Statutory Transfer</b>	<b>351.37</b>	<b>5.80</b>	<b>386.24</b>	<b>7.62</b>
5	<b>Capital Expenditure</b>	<b>1587.40</b>	<b>26.19</b>	<b>557.00</b>	<b>10.99</b>
6	<b>Aggregate Expenditure</b>	<b>6,060.48</b>	<b>100.00</b>	<b>5,067.91</b>	<b>100.00</b>

Source: BOF

Analysis of Table 2.3 revealed that the ratio of recurrent to capital expenditure in 2016 was projected at 73.81% to 26.19% respectively compared with 89.01% to 10.99% in 2015 budget. The improvement in the ratio underscored government's commitment to revamp the decaying infrastructure across the country through increased capital budgetary and re-prioritisation of the execution of ongoing projects.

The total capital expenditure appropriated for 2016 amounted to N1.587 trillion or 26.19% of aggregate expenditure which represent an increase of N1.030 trillion or 184.49% over 2015 appropriation.

The reduction budgeted in recurrent expenditure could be the effect of adopting ZBB technique in the compilation of budget estimates. ZBB entails justification and approval of each line item of the budget rather than the conventional incremental basis without considering changes from the previous period. Most expenditure in the 2016 budget were re-evaluated without blanket increase/decrease in line items to achieve real cost savings.

The total non-debt recurrent expenditure budgeted for 2016 amounted to N2.646 trillion representing 43.67% of aggregate expenditure. This, when compared with the Budget of N3.171 trillion for 2015 represented a reduction of 18.90%. Personnel cost in 2016 Budget accounted for N2.046 trillion representing 33.77% of aggregate expenditure or 77.32% of non-debt recurrent expenditure. Overheads component of the non-debt recurrent expenditure was budgeted at N599.95 billion representing 9.90% of aggregate expenditure or 22.67% of non-debt recurrent expenditure.

A total of N1.362 trillion was appropriated for debt service in 2016 representing

22.47% of aggregate expenditure and an increase of N408.26 billion or 42.81% over N953.62 billion appropriated in 2015. The sum of N113.44 or 1.87% of aggregate expenditure was appropriated as sinking fund towards additional debt service. The cost of servicing debt has been on the increase in the last three years with the oil slump which necessitated increased borrowing to finance the budget.

The 2016 Budget proposal has aggregate revenue of N3.855 trillion against aggregate expenditure of N6.060 trillion resulting in a fiscal deficit of N2.205 trillion. The fiscal deficit works out as 2.14% of GDP which is within the 3% limit imposed by the Fiscal Responsibility Act, 2007.

The deficit as in previous years would be financed by foreign borrowings, domestic borrowing (FGN Bond), privatisation proceeds and proceeds of sale of government properties.

## **2.7 BUDGETARY EXECUTION AND ACHIEVEMENT OF TARGETS**

The monitoring and enforcement of the implementation of FRA 2007 remained challenging during the year. This is obviously due to the continued apathetic approach of MDAs to the requirements of FRA 2007. The Commission on its part could not expand its monitoring and enforcement capacity due to paucity of funds.

The instruments to facilitate an effective Budgetary process and implementation monitoring include the preparation of Annual Cash Plan, Disbursement Schedule and periodic Budget Implementation Reports.

## **2.8 ANNUAL CASH PLAN AND DISBURSEMENT SCHEDULE**

Section 25 requires that an annual cash plan is prepared in advance by the Accountant General of the Federation and shows projected monthly cash flows for the financial year. The plan is to be revised periodically to reflect actual cash flows.

Section 26 on the other hand requires that a Disbursement Schedule shall be prepared by the Finance Minister within 30 days of the Appropriation Act and must be derived from the Annual Cash Plan.



The import of sections 25 and 26 underscore the need to ensure efficient and effective management of revenue and expenditure across all MDAs towards the achievement of budget targets.

The annual cash plan is to be prepared in advance of the year or at the time the appropriation bill is being presented to the NASS. The disbursement schedule on the other hand is expected to be prepared within one month of the Budget being signed into law. Other than in 2015 when a combined statement depicting annual cash plan and disbursement schedule was prepared and submitted to the Commission, the requirement of sections 25 and 26 are being observed in the breach.

It is pertinent to state here that the implications of operating the Appropriation Acts without a Cash Plan and Disbursement schedule in the manner prescribed by FRA 2007 invariably results in arbitrariness in the execution of the Budget as continuously witnessed over the years.

## **2.9 BUDGET IMPLEMENTATION REPORTING**

Sections 30(1) & (2) of FRA 2007 makes it mandatory for the preparation and submission of Quarterly Budget Implementation Reports to the Fiscal Responsibility Commission and the Joint Finance Committee of Finance of the National Assembly not later than 30 days after the end of each quarter. Similarly, section 50 requires a Budget Execution Report to be prepared for the entire budget year not later than six months after the end of the fiscal year. These reports are also required to be published in the print and electronic media and on the website of the Ministry of Budget and National Planning for ease of access by the public.

In spite of several requests and reminders for the preparation and submission of BIRs, the reports were still being submitted behind schedule thereby limiting their use as effective tools in budget implementation. For example the 1st and 2nd quarters BIR were uploaded onto the BOF website around February/March 2016 while those for the 3rd and 4th quarters were uploaded in May 2016.

Despite repeated calls for the preparation of Consolidated Budget Execution Reports as required by section 50 of FRA 2007, no such report was produced for 2016. By consolidating the 4th quarter BIR with the CBER, vital overall analysis of the fiscal year could not be carried out. It is however worthy of mention that

monitoring reports on selected projects across MDAs were provided in the 3rd and 4th quarter BIRs.

As continuously reiterated in previous reports, the BOF is once again enjoined to comply with the requirements of sections 30 and 50 of the FRA with particular emphasis on the following:

- i. Separate reports should be prepared for each quarter
- ii. Each quarter's BIR should contain details of the Annual Cash Plan and Disbursement Schedule
- iii. Annual Consolidated Budget Execution Reports should be prepared separately and independent of the 4th Quarter BIR.
- iv. BIRs should be published and circulated in the mass media in addition to upload on the BOF website.

## **HIGHLIGHTS OF 2016 BUDGET PERFORMANCE**

### **2.10 REVENUE PERFORMANCE**

The revenue framework for the federation in 2016 consisted oil revenue budgeted at N3.524 trillion or 36.38% and non-oil revenue of N6.180 trillion or 63.62%. This aptly reflects government strategy to diversify the economy towards Non-oil revenue. The actual revenue performance depicts the relative success of the various measures rolled out towards the diversification.

In 2016 the Brent crude oil price totalled an average of US\$43.55 per barrel. Compared with the average of US\$52.46 recorded in 2015, this was a decrease of US\$8.91 of 16.98% and an increase of US\$5.55 or 14.61% over the benchmark price of US\$38 budgeted for 2016. Though the 2016 average was lower, monthly prices were actually on the increase throughout the year. The upswing in oil prices was largely due to agreements by the Organization of the Petroleum Exporting Countries (OPEC) to curb production.

Average oil production in 2016 was 1.81 mbpd or 82.27% of the budget of 2.2 mbpd. Compared with the actual production of 2.14 mbpd in 2015, this was a reduction of 0.33 mbpd or 17.73%. The volume decrease in average daily oil





production in the year could be attributed to the dynamics of demand and supply in the international oil market as well as other factors plaguing the oil industry including crude oil theft, illegal bunkering and pipeline vandalism.

The foreign exchange rate of Naira/Dollar in 2016 averaged N269.91. This represents a depreciation of N79.75 or 41.94% compared with the average rate of N190.16 in 2015. The weakened Naira provided a cushioning to shore up oil revenue to partially diffuse the effects of low oil production.

Table 2.5 showed that, of the N7,946.22 billion budgeted for federally collected revenue in 2016, only N5,043.11 billion or 63.43% was actually collected. Whereas in 2015, N6,107.08 or 67.82% was actually collected out of the total budget of N9,005.32 billion. Year on year analysis of 2016 actual revenue performance against 2015 revealed a shortfall of N1,063.97 billion or 17.42%.

Analysis of the gross federally collected revenue performance for the various categories of revenue in 2016 is presented in Table 2.4.

**Table 2.4: Federally Collected Revenue Performance for 2016**

Revenue Items	2016			2015			Actual 2016 v 2015	
	Actual	Budget	% Perf.	Actual	Budget	Perf.	Variance	
	Nbn	Nbn	%	Nbn	Nbn	%	Nbn	%
<b>Oil Revenue (Gross)</b>								
Crude Oil Sales	1,453.24	1,778.30	81.72	1,859.36	2,583.16	71.98	(406.12)	(21.84)
Gas Sales	43.61	847.39	5.15	92.16	615.06	14.98	(48.55)	(52.68)
Royalties	334.8	501.71	66.73	536.51	648.5	82.73	(201.71)	(37.60)
Petroleum Profit Tax (PPT)	857.54	602.58	142.31	1,245.87	1,580.85	78.81	(388.33)	(31.17)
Other Oil Revenue	5.95	3.78	157.41	19.45	3.65	532.88	(13.50)	(69.41)
<b>Total Oil Revenue</b>	<b>2,695.14</b>	<b>3,733.76</b>	<b>72.18</b>	<b>3,753.35</b>	<b>5,431.22</b>	<b>69.11</b>	<b>(1,058.21)</b>	<b>(28.19)</b>
<b>Non- Oil Revenue (Gross)</b>								
Value Added Tax (VAT)	811.00	1,475.03	54.98	778.72	1,283.70	60.66	32.28	4.15
Company Income Tax (CIT)	988.44	1,877.02	52.66	1,029.10	1,423.60	72.29	(40.66)	(3.95)
Customs & Excise Duties	506.84	723.72	70.03	514.35	718.26	71.61	(7.51)	(1.46)
Special Levies	41.69	138.69	30.06	31.56	148.54	21.25	10.13	32.10
<b>Total Non-oil Revenue</b>	<b>2,347.97</b>	<b>4,214.46</b>	<b>55.71</b>	<b>2,353.73</b>	<b>3,574.10</b>	<b>65.86</b>	<b>(5.76)</b>	<b>(0.24)</b>
<b>Grand Total</b>	<b>5,043.11</b>	<b>7,948.22</b>	<b>63.45</b>	<b>6,107.08</b>	<b>9,005.32</b>	<b>67.82</b>	<b>(1,063.97)</b>	<b>(17.42)</b>

Source: OAGF and BOF

Total actual oil revenue collected amounted to N2,695.14 representing 72.14% of budget and 71.81% of the previous year's actual collections. The 2016 actual figures showed a shortfall of N1,058.21 or 28.19% over 2015.

The performance of the component of oil revenue were: crude oil sales N1,453.24 billion or 81.72%; Gas sales N43.61 billion or 5.16%; Royalties N334.8 billion or 66.01%; Petroleum Profit Tax N857.54 billion or 142.31% and other oil revenue N5.95 billion or 157.41%. Compared with 2015, all oil revenue components showed relative decline.

The decline in oil revenue could be the result of challenges experienced in the oil sector in 2016. These challenges include; oil theft, instability in international oil price and production shutdown arising from vandalism of oil and gas facilities in the Niger Delta region.

The total non-oil revenue actually collected in 2016 amounted to N2,347.97 billion or 55.71% of the year's budget and 99.76% of the previous year's actual collection. The policies and measures deployed to improve non-oil revenue performance to drive the much desired revenue diversification were negatively impacted by a general decline in global economic activities, slump in public and private expenditure as well as security challenges, among others.

Analysis of performance of the component of non-oil revenue showed that: Value Added Tax recorded N811.00 billion or 54.98%; Company Income Taxes N988.44 billion or 52.66% and Customs and Excise Duties N506.84 billion or 70.03%. On a general note, non-oil revenue components witness decline. Other than the Value Added Tax that showed a marginal increase of N32.28 billion or 4.15%, Company Income Tax and Customs and Excise Duties showed a marginal decline of N40.66 billion or 3.95% and N7.51 billion or 1.46% respectively.

## **2.11 NET DISTRIBUTABLE REVENUE**

The net distributable revenue is the balance of funds available in the Federation Account for distribution among the three tiers of government after deduction of all costs.

Table 2.6 shows that a total of N3,680.23 billion was available for distribution in 2016, which represented 64.34% of budget and 77.59% of the actual funds available in 2015.





The shortfall meant that lower revenues were distributed as statutory allocations in 2016. This seriously hampered the abilities of the various governments (particularly states and local governments) in meeting their financial obligations. As a result, most states were unable to pay salaries for which the federal government had to consider a bail out to forestall a complete breakdown of the economy which could have led to a much more debilitating social crisis.

Analysis of Table 2.5 revealed that oil revenue contribution to the net distributable fund was 39.09% as against 52.95% in 2015. Non-oil revenue on the other hand contribute 60.67% compared with 52.95% in the previous year. For the first time solid minerals contributed 0.24% which was 60.65% of the year's budget. These figures reasonably represent the direction of government in its diversification efforts. As observed in previous reports, efforts should be intensified to garner more revenue from solid minerals while strategies for improved non-oil revenue should be rejigged.

**Table 2.5: Net Distributable Funds for 2016**

Items Description	2016		2015	Actual Performance	
	Actual	Budget	Actual	% Budget	% Prev Year
	N'bn	N'bn	N'bn	%	%
<b>(Gross) Oil Revenue</b>	<b>2,695.43</b>	<b>3,534.83</b>	<b>3,753.55</b>	<b>76.25</b>	<b>71.81</b>
Less: Joint Venture Cash Calls	782.00	1,094.32	792.81	71.46	98.64
National Domestic Gas Development	-	280.94	-	-	-
Gas Infrastructure Development & Other Gas Expenses	-	305.07	-	-	-
Consumption	-	150.00	-	-	-
Crude Oil Pre - Export Inspection Agency Expense	-	3.94	-	-	-
DPR Cost of collection	16.98	-	24.70	-	-
Excess Crude A/C	242.71	-	48.93	-	496.04
Oil Excess Revenue	-	-	-	-	-
Domestic Fuel Subsidy	-	-	-	-	-
Derivation	214.99	221.07	375.32	97.25	57.28
<b>Net Oil Revenue</b>	<b>1,438.75</b>	<b>1,479.49</b>	<b>2,511.79</b>	<b>97.25</b>	<b>57.28</b>
<b>Net Solid Mineral Revenue</b>	<b>8.63</b>	<b>14.23</b>	-	<b>60.65</b>	-
<b>Federation / Investment Funded by (FAAC)</b>	<b>-</b>	<b>197.00</b>	-	-	-
<b>Net Non- Oil Revenue</b>	<b>2,232.83</b>	<b>4,006.65</b>	<b>2,231.22</b>	<b>55.73</b>	<b>100.07</b>
Balance in Special Acct. b/f	-	22.25	-	-	-
<b>Distributable Revenue</b>	<b>3,680.21</b>	<b>5,719.62</b>	<b>4,743.01</b>	<b>64.34</b>	<b>77.59</b>
<b>Distribution:</b>					
To Federation Account	2,901.67	4,303.58	3,995.43	67.42	72.62
To VAT Pool Account	778.56	1,416.03	747.58	54.98	104.14

Source: OAGF and BOF



## 2.12 FGN REVENUE PERFORMANCE

The total revenue available to the FGN to fund its annual budget is the share of revenue from the federation account and FGN independent revenue from MDAs including operating surplus remittance to the CRF.

The 2016 FGN revenue budget amounted to N3,855.75 billion which was N124.74 billion or 3.34% lower than the previous year's budget of N3,731.01 billion. Actual performance in 2016 was N2,621.16 billion or 67.98%. In absolute term, this was N619.18 billion lower than the actual revenue realized in 2015.

Analysis of the FGN revenue performance for 2016 is provided in Table 2.6.

**Table 2.6: FGN Revenue Performance for 2016**

Revenue Category	2016			2015			Actual 2016 v 2015	
	Actual	Budget	Perf.	Actual	Budget	Perf.	Variance	
	Nbn	Nbn	%	Nbn	Nbn	%	Nbn	%
<b>Share of oil Revenue</b>	<b>697.80</b>	<b>717.55</b>	<b>97.25</b>	<b>1,218.22</b>	<b>2,114.54</b>	<b>57.61</b>	<b>(520.42)</b>	<b>(42.72)</b>
<b>Share of Non-oil Revenue</b>	818.51	1,567.94	52.20	824.22	1,156.05	71.30	(5.71)	(0.69)
Value Added Tax (VAT)	109.00	198.24	54.98	104.66	113.63	92.11	4.34	4.15
Company Income Tax (CIT)	457.91	867.46	52.79	473.32	454.54	104.13	(15.41)	(3.26)
Customs & Excise Duties	228.61	326.44	70.03	232.00	453.24	51.19	(3.39)	(1.46)
Share of company/investment		95.55					-	
Share of Special Levies	18.80	62.56	30.05	14.25	-	-	4.55	
Share of balance in special accounts	-	10.79					-	
Share of Solid Minerals Revenue	4.19	6.90	60.72				4.19	
<b>Independent Revenue</b>	<b>237.75</b>	<b>1,505.88</b>	<b>15.79</b>	<b>323.37</b>	<b>452.04</b>	<b>71.54</b>	<b>(85.62)</b>	<b>(26.48)</b>
FGN Balance of special account	-	14.38					-	
Unspent balance from previous fiscal year	-	50.00					-	
Other financing sources	867.10	-		388.97			478.13	
<b>Total Revenue Available</b>	<b>2,621.16</b>	<b>3,855.75</b>	<b>67.98</b>	<b>3,240.34</b>	<b>3,731.01</b>	<b>86.85</b>	<b>(619.18)</b>	<b>(19.11)</b>

Source: OAGF and BOF

The basic total actual FGN revenue for 2016 amounted to N1,754.06 billion or 45.50% compared with N3,731.01 billion or 86.85% recorded in 2015. Actual year



on year comparison showed revenue realization from other financing sources of N867.10 which was N478.13 billion or 122.92% more than the receipts of N388.97 billion in 2015.

Analysis revealed that oil revenue in 2016 performed better than non-oil revenue categories which performed below budget. This was clearly a reflection of the low performance of the federally collected revenue. Oil revenue showed 97.25% performance against budget and a decline of N520.42 billion or 42.72% compared with 2015 actual. Non-oil revenue on the other hand showed a combined performance of 52.20% against budget with a marginal decline of N5.73 billion or 0.69% over the previous year.

Other than VAT that showed an increase of 4.15% over the previous year actual, both CIT and CED decreased by 3.26% and 1.46% respectively. The budget performance for VAT, CIT and CED were quite unimpressive at 54.98%, 52.79% and 70.03% relatively. There is need to study the effectiveness of the measures aimed at improving non-oil revenue in line with the process for budget estimates.

FGN Independent revenue realized in 2016 totaled N237.75 billion representing a dismal 15.79% of a budget of N1,505.88. This performance was way poorer than the performance of 71.54% recorded in 2015. Comparing the 2016 actual revenue with those of 2015 showed a decline of N85.62 billion or 26.48%. The poor performance of FGN independent revenue reflects a combined effect of weak budgeting process and inefficient revenue collection strategies.

Despite the measures aimed at improving independent revenue, it is imperative that concerted efforts has to be made to ensure effectiveness to propel MDAs to improve IGR while leakages must be blocked. There is ample capacity to increase IGR if measures are properly harnessed. It may be necessary to exploit incentive schemes to boost IGR collection.

### **2.13 EXCESS CRUDE ACCOUNT**

The Excess Crude Account (ECA) was created as a stabilization and savings fund to augment budgets, mainly on account of the volatility of the international oil market. The account is therefore funded with the proceeds accruing from oil revenues in excess of the oil benchmark price as approved in the MTEF and Budget.

As a result of the continued volatility in oil price amid production shortages, FG still transferred N242.72 billion to the ECA in the 3rd and 4th quarters of 2016 compared with N48.94 billion transferred in 2015. This showed a renewed discipline and transparency in the management of the ECA.

The ECA inflows and outflows in 2016 is provided in Table 2.7.

**Table 2.7: Details of Excess Crude Account for 2016**

Items Description	2016				2016	2015
	QTR 1	QTR 2	QTR 3	QTR 4	FULL Year	Full Year
	Nbn	Nbn	Nbn	Nbn	Nbn	Nbn
<b>Inflows:</b>						
<b>Transfer to ECA</b>	0	0	145.48	97.24	242.72	48.94
<b>Outflows:</b>						
Payment for Petroleum Products Subsidy	0	0	0	0	0	359.39
Distribution among tiers of Government	0	0	85.17	0	85.17	98.19
Transfer for Special Intervention Fund	0	0	0	0	0	0.56
<b>Total Outflow</b>	<b>0</b>	<b>0</b>	<b>85.17</b>	<b>0</b>	<b>85.17</b>	<b>458.34</b>
<b>Net Excess Crude Account</b>	<b>0</b>	<b>0</b>	<b>60.31</b>	<b>97.24</b>	<b>157.55</b>	<b>(409.20)</b>

Source: OAGF and BOF

Table 2.7 revealed that N85.17 billion was withdrawn from the ECA in 2016 compared with N458.34 billion withdrawn in 2015. The withdrawal of N85.17 billion in 2016 compared reasonably well with the distribution of N98.19 billion shared among the three tiers of government in 2015 as augmentations to fund the 2016 budget in accordance with section 35 of FRA, 2017. The withdrawal of N359.39 billion for the payment of petroleum products subsidy in 2015 was in violation of section 35 of FRA 2007, such payment was clearly outside the scope of the ECA.

With the success of the Sovereign Wealth Fund in the investment of excess crude oil earnings, it is apt for a definitive stand is taken on the continued maintenance of the ECA. This stems from the fact that the SWF has a component to augment funding of the budget that may be occasioned by the volatility in international oil price as provided in section 35 of FRA, 2007.





## 2.14 FEDERAL GOVERNMENT EXPENDITURE

The total appropriated for FGN expenditure in the 2016 Budget amounted to N6,060.48 billion. This is made up of N2,646.39 billion (43.67%) for Recurrent (Non-Debt) Expenditure, N1,475.32 billion (24.34%) for Debt service, N351.37 billion (5.8%) for Statutory Transfers and N1,587.40 billion (26.19%) for Capital Expenditure.

Analysis of the component of the aggregate expenditure revealed varying degrees of performance which reflected the ability of government to effectively implement the budget within the aggregate revenue and the budgeted fiscal deficit.

Details of the FGN expenditure for 2016 in comparison with 2015 is provided in Table 2.8:

**Table 2.8: Details of FGN Expenditure for 2016**

Expenditure Category	2016			2015			Actual 2016 v 2015	
	Actual	Budget	Perf.	Actual	Budget	Perf.	Variance	
		Nbn	%	Nbn	Nbn	%	Nbn	%
<b>Recurrent Expenditure:</b>								
Personnel	1,874.70	2,046.44	91.61	2,077.45	2,125.97	97.72	202.75	9.76
Overheads*	619.55	599.95	103.27	472.62	1,045.08	45.22	(146.93)	(31.09)
<b>Total Recurrent Non-dept</b>	<b>2,494.25</b>	<b>2,646.39</b>	<b>94.25</b>	<b>2,550.07</b>	<b>3,171.05</b>	<b>80.42</b>	<b>55.82</b>	<b>2.19</b>
<b>Debt Service**</b>	<b>1,384.90</b>	<b>1,475.32</b>	<b>93.87</b>	<b>1,060.39</b>	<b>953.62</b>	<b>111.20</b>	<b>(324.51)</b>	<b>(30.60)</b>
Statutory Transfer	344.00	351.37	97.90	338.55	386.24	87.65	(5.45)	(1.61)
<b>Capital Expenditure***</b>	<b>173.09</b>	<b>1,587.40</b>	<b>10.90</b>	<b>601.26</b>	<b>557.00</b>	<b>107.95</b>	<b>428.17</b>	<b>71.21</b>
<b>Aggregate Expenditure</b>	<b>4,396.24</b>	<b>6,060.48</b>	<b>72.54</b>	<b>4,550.27</b>	<b>5,067.91</b>	<b>89.79</b>	<b>154.03</b>	<b>3.39</b>

Source: OAGF and BOF

\* Include N82.62 billion for 2015 recurrent expenditure

\*\* Includes N49.58 billion for sinking fund

\*\*\* Includes N1,017.88 billion disbursed between January – May, 2017

Analysis of Table 2.8 revealed that the components of the aggregate expenditure achieved varying degrees of performance which reflected the FGN's inability to effectively implement the budget as a result of low revenue generation.



The recurrent non-debt expenditure which comprise personnel costs and overheads recorded a total of N2,494.25 or 94.25% of the 2016 budget compared with N2,550.07 or 80.42% achieved in the previous year. Out of this expenditure category, personnel costs in 2016 accounted for N1,874.70 or 91.61% of budget. Overheads on the other hand totalled N619.55 or 103.27%. Included in the overheads for 2016 was other service wide votes, disbursements for presidential amnesty programme and special intervention fund which recorded N387.65 billion or 88.80% of budget.

The Government was very resolute on plans to cut the growing recurrent expenditure during the preparation of the 2016 Budget. Several measures to achieve economy in governance were consequently introduced to complement the continued enrolling of more MDAs in the Integrated Payroll and Personnel System (IPPIS) and total compliance with the TSA. These measures resulted in huge savings in personnel costs through detection and elimination of ghost workers and multiple salary payments. The establishment of Efficiency Unit the Ministry of Finance further enhanced quality of spending and cost savings across MDAs.

The amount of N1,384.90 billion was disbursed for debt service in 2016 representing 93.87% of Budget. Compared with actual debt service of N1,060.39 billion in 2015, the year on year increase was N324.51 billion or 30.60%. The debt service in 2016 which included N49.58 billion for sinking fund was 25.58% of aggregate expenditure compared with 23.30% in 2015. The increasing debt stock of the FGN resulted in the high debt service rate.

The fact that the debt service in 2016 surpassed disbursements for capital expenditure indicated that recurrent expenditures were being financed by borrowings which is at variance with section 44(2) of FRA 2007 that specifically allows borrowings to finance long term capital expenditure. It is pertinent to mention that there is need to keep watch on the debt profile while concerted efforts must continually be made to boost revenue generation and restructure the debt portfolio to achieve a reduction in borrowing costs.

The 2016 Capital budget was N1,587.40 or 26.19% of aggregate expenditure. In comparison with 2015 budget of N557 billion, this amount to an increase of N1,030.40 billion or 154.06%. However, the actual total capital budget disbursement in 2016 appropriation amounted to N1,190.97 billion or 75.03%. Of this amount N173.40 billion was disbursed as at 31 December, 2016 while the total of N1,017.88 billion was disbursed between January and May 2017. This



was a result of the late passage of the 2016 Budget in June, 2016. Consequently, the extension of the capital budget implementation to May, 2017 was inevitable. The capital budget achieved 75.03% performance which when compared with previous years is quite laudable and should be sustained.

## 2.15 CAPITAL EXPENDITURE BUDGET IMPLEMENTATION

In line with Government's focus to allocate greater resources to developmental projects in 2016, priority was given to infrastructure projects in the roads, rail, housing, aviation and power Sectors. In that regard, a total of N1,587.40 billion was allocated to Capital Expenditure in the year under review.

According to the Budget Implementation Report, a total of N1,219.47 billion was released and cash backed to MDAs for the 2016 Capital Projects and Programmes. It further revealed that N436.22 billion, N156.85 billion, N64.42 billion and N27.26 billion were released in the first, second, third and fourth batches respectively. The total of N487.75 was released as Authority to Incur Expenditure (AIEs).

Analysis of the BIR revealed that as at 5th May, 2017, a total of N1,191.97 billion (or 97.75%) of the annual appropriated amount released and Cash backed had been utilized by MDAs.

Out of the 40 MDAs reported upon by the OAGF, 24 or 60% had utilized more than 97.75% of the amount Cashed backed, which is more than the overall average utilization rate. 5 out of these utilized 100% of their Cash backed funds. 16 MDAs however utilized below the average utilization rate of their cash backed funds. The report showed that:

Table 2.9 shows the performance of 14 key priority sectors as at 5th May, 2017 which signified the end of the 2016 FGN capital budget implementation



**Table 2.9: Performance of Key Priority MDAs**

MDA	Annual Appropriation	Total Released	Total Cashed Backed	Utilization			
	₦ Million	₦ Million	₦ Million	₦ Million	As % of Appropriation	As % of Cash Backed	As % of Release
Federal Ministry of Works, Power & Housing	422,964.93	307,411.75	307,411.75	300,993.41	71.16	97.91	97.91
Transport	188,674.68	143,121.93	143,121.93	134,743.00	71.42	94.15	94.15
Agriculture	46,173.96	30,989.10	30,989.10	30,971.85	67.08	99.94	99.94
Water Resources	46,081.12	46,543.79	46,543.79	46,367.83	100.62	99.62	99.62
Education	35,433.49	22,647.18	22,647.18	20,821.59	58.76	91.94	91.94
Health	28,650.34	28,592.59	28,592.59	27,809.90	97.07	97.26	97.26
Science & Technology	27,006.18	16,017.58	16,017.58	15,740.38	58.28	98.27	98.27
Niger Delta	19,440.33	11,161.20	11,161.20	11,074.36	56.97	99.22	99.22
FCTA	29,297.12	15,000.00	15,000.00	14,997.00	51.19	99.98	99.98
Defence	130,864.44	97,255.51	97,255.51	94,618.73	72.3	97.29	97.29
ONSA	32,084.09	33,218.26	33,218.26	33,218.26	103.54	100	100
Interior	61,713.28	40,887.23	40,887.23	40,742.91	66.02	99.65	99.65
Presidency	23,004.20	27,942.01	27,942.01	25,131.63	109.25	89.94	89.94
OSGF	20,319.29	13,407.79	13,407.79	12,338.94	60.73	92.03	92.03
<b>Total Average Utilization by All MDAs</b>	<b>1,832,031.19</b>	<b>1,219,471.75</b>	<b>1,219,471.75</b>	<b>1,191,974.94</b>	<b>65.06</b>	<b>97.75</b>	<b>97.75</b>

*Source: OAGF and BOF*

The Constraints experienced in the course of the implementation of the 2016 capital budget according to the BIR were as a result of:

- i. Late passage of the budget by the National Assembly
- ii. Revenue shocks
- iii. Uncertainty in the international market and
- iv. Fall in oil production as a result of militancy in the Niger Delta region.

In addition, some MDAs experienced delays in their procurement processes or were unable to access their funds.

In order to improve the level of capital budget performance, the following suggestions arising from periodical capital project monitoring may be worth considering.

- i. MDAs must provide more or better information to monitoring groups and the public in order to improve transparency and accountability.





- ii. End users must be involved in projects conceptualization, Contracts award, execution and certificate valuation for payments to ensure value for money.
- iii. The support of political and administrative leaders in communities where federal projects are situated is vital.
- iv. Processes for zero based budgeting should be intensified in order to reduce cases of MDAs spreading resources too thinly among many projects.
- v. Contract budgeting and award should be consistent with MTEF and annual budget. This is to avoid inconsistency in budgetary provisions for projects that lead to abandoned projects littering the country.
- vi. MDAs must pay attention to project duration and ensure that projects are completed within same.
- vii. MDAs must ensure that designs are properly carried out prior to Contract Award to ensure all required works are captured. This will eliminate redesigning and re-scoping at site and save scarce resources for Government.
- viii. Government should encourage the use of qualified indigenous engineers and contractors in projects execution rather than foreigners.
- ix. Selective capital expenditure releases in the implementation process should be adequate to ensure meaningful project execution.
- x. Adequate provisions should be made for regular and effective project monitoring and evaluation to ensure compliance with project specifications, execution time frame and overall value for money.
- xi. Loans secured for capital expenditure implementation must be for specific projects in accordance with FRA 2007. These loans must be an integral part of the budgeting process.

## 2.16 REVENUE MONITORING

As part of the efforts to ensure prompt remittance of revenue and promote accountability and greater transparency, the Commission as in previous years intensified activities in revenue monitoring.

For federally collected revenue, the FIRS and NCS were quite responsive in submitting revenue returns on quarterly basis. However, NNPC and DPR on the other hand consistently failed in the last five years to make any revenue submissions despite many requests and reminders. Requests and reminders for revenue returns were just never responded to.

For FGN independent revenue, the Commission concentrated on only 48 MDAs out of the over 400 MDAs due to inadequate logistics. Despite several attempts to enlist the buy in of MDAs on the need for effective revenue monitoring, the results still remain dismal. The level of apathy and perennial unwillingness of MDAs to comply with the provisions of FRA 2007, give cause to worry and calls for sanctions of the defaulting agencies.

Of the regular MDAs monitored in 2016, 19 submitted revenue returns for the four quarters of the year while only 2 submitted for the first to third quarters. The remaining 27 agencies did not make any submissions at all. This response rate has not been too different from previous years and indeed worrisome. In order to stem the pattern of non-compliance, the option of sanctions by way of penalties should seriously be considered to bring recalcitrant MDAs to appreciate the importance of revenue monitoring.

Analysis of revenue returns submitted in 2016 revealed that a total of N8,275,561,007.42 independent revenue was remitted to the treasury by 21 MDAs. This was an improvement compared to a total of N4,903,408,623.98 remitted by 25 MDAs in 2015.

Table 2.10 shows analysis of the MDAs revenue returns for 2016.





**Table 2.10: Summary of MDAs Revenue Returns for 2016**

S/N	MDA	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
		N	N	N	N	N
1	Federal Ministry of Environment	25,745,001.05	13,025,000.00	129,564,000.00	811,278,501.05	979,612,502.10
2	Federal Ministry of Interior	184,502,500.00	150,397,750.00	176,697,501.05	196,356,201.05	707,953,952.10
3	Federal Ministry of Justice	3,608,327.64	4,350,946.68	13,951,896.40	839,040.00	22,750,210.72
4	Fed. Ministry of Mines and Solid Mineral Devt.	478,179,793.97	715,166,451.32	847,158,160.91	824,399,020.12	2,864,903,426.32
5	Federal Road Safety Corps	448,093,647.18	480,498,312.10	534,736,280.45	483,280,582.35	1,946,608,822.08
6	Federal Ministry of Health	-	-	15,314,050.00	203,050.00	15,517,100.00
7	Federal Ministry of Defence	310,000.00	2,170,000.00	4,048,450.00	18,271,755.00	24,800,205.00
8	Federal Ministry of Labor & Productivity	29,351,118.31	32,535,727.26	34,803,039.09	42,800,550.18	139,490,434.84
9	Federal Ministry of Trade & Investments	127,959,283.40	153,855,621.00	209,990,018.22	153,578,143.16	645,383,065.78
10	Federal Ministry of Youth Urban Devt.	323,214.53	656,920.26	2,220,000.00	6,696,640.00	9,896,774.79
11	Fed. Ministry of Information	-	-	33,245,541.02	11,653,974.18	44,899,515.20
12	National Youth Service Corps	-	366,000.00	7,024,400.00	754,289.50	8,144,689.50
13	National Sports Commission	9,554,200.00	14,396,808.00	17,646,100.00	9,643,900.00	51,241,008.00
14	National Assembly Service Commission	3,402,386.43	3,410,386.43	5,067,736.43	3,402,386.43	15,282,895.72
15	National Judicial Council	114,745,642.23	178,664,477.95	14,163,753.85	3,012,571.69	310,586,445.72
16	Nat Office for Techn Acquisition And Promotion	50,383,250.00	110,916,000.00	115,241,000.00	127,592,150.00	404,132,400.00
17	Off. of the Auditor-Gen. of the Federation	7,347,000.00	5,722,000.00	10,216,220.00	5,603,000.00	28,888,220.00
18	Independent National Electoral Commission	16,835,570.00	12,658,719.55	1,267,050.00	3,888,000.00	34,649,339.55
19	National Assembly	-	-	-	14,880,000.00	14,880,000.00
20	Office of the Secretary to Federal Government	280,000.00	-	3,280,000.00	-	3,560,000.00
21	Federal Ministry of Women Affairs & Social Devt.	-	-	2,380,000.00	-	2,380,000.00
	<b>TOTAL</b>	<b>1,500,620,934.74</b>	<b>1,878,791,120.55</b>	<b>2,178,015,197.42</b>	<b>2,718,133,754.71</b>	<b>8,275,561,007.42</b>

Source: MDAs Quarterly Revenue Returns

The IGR generated and remittances by 17 medical institutions that submitted revenue returns for 2016 is presented in Table 2.11:



**Table 2.11: Summary of Medical Institutions Revenue Returns for 2016**

S/N	MDA	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
		N	N	N	N	N
1	Federal Medical Centre Abeokuta	1,031,385.96	1,417,624.99	2,037,991.71	2,334,606.74	6,821,609.40
2	Federal Medical Centre Azare, Bauchi	350,192.88	156,800.00	666,800.00	557,590.38	1,731,383.26
3	Federal Medical Centre Bayelsa	14,000.00	17,441,467.25	34,288,353.95	9,267,149.95	61,010,971.15
4	Federal Medical Centre Ebute-Metta	16,038,110.45	19,278,879.60	17,156,503.40	14,670,726.90	67,144,220.35
5	Federal Medical Centre Gusau	3,505,020.00	3,877,720.00	4,348,650.00	5,205,900.00	16,937,290.00
6	Federal Medical Centre Katsina	304,000.00	925,452.00	50,000.00	119,000.00	1,398,452.00
7	Federal Medical Centre Lokoja	2,125,450.00	1,562,800.00	1,321,155.00	2,143,550.00	7,152,955.00
8	Federal Medical Centre, Nguru Yobe	2,006,170.00	2,367,840.00	3,201,910.00	1,989,900.00	9,565,820.00
9	Federal Medical Centre, Umuahia	3,704,295.00	1,373,023.00	445,473.00	1,677,209.00	7,200,000.00
10	Federal Teaching Hospital, Abakaliki	9,105,830.00	11,741,630.00	16,010,155.00	15,031,915.00	51,889,530.00
11	Federal Teaching Hospital, Gombe	19,548,462.47	19,506,312.89	16,269,912.77	19,874,086.26	75,198,774.39
12	ABU Teaching Hospital	2,290,700.00	2,826,900.00	3,241,000.00	4,367,132.41	12,725,732.41
13	ATBU Teaching Hospital	3,205,060.00	3,569,272.60	4,126,220.00	2,731,849.40	13,632,402.00
14	University College Hospital, Ibadan	5,098,445.50	6,919,800.00	1,263,100.00	659,000.00	13,940,345.50
15	University of Abuja Teaching Hospital	3,638,000.00	2,618,000.00	973,000.00	1,142,000.00	8,371,000.00
16	University of Jos Teaching Hospital	1,516,388.13	829,478.08	1,066,906.44	1,449,430.84	4,862,203.49
17	University of Benin Teaching Hospital	16,648,250.00	16,500,991.00	41,674,741.82	14,326,506.00	89,150,488.82
	<b>TOTAL</b>	<b>90,129,760.39</b>	<b>112,913,991.41</b>	<b>148,141,873.09</b>	<b>97,547,552.88</b>	<b>448,733,177.77</b>

*Source: MDAs Quarterly Revenue Returns*

Analysis revealed that revenue generation capacity and remittances to treasury vary among institutions. The variation obviously relate to the location and size and medical facilities provided.

A total of N448,733,177.77 was remitted to the treasury in 2016 by 17 institutions out of the 40 that were requested to submit revenue returns. The other 23 institutions failed to respond to correspondences just like the general MDAs. Until serious sanctions are imposed, the objectives of revenue monitoring to block revenue leakages, improve remittances and increase transparency and accountability may be a mirage.



## **2.17 PHYSICAL VERIFICATION OF SELECTED FGN CAPITAL PROJECTS**

Pursuant to sections 30 and 50 of the Fiscal Responsibility Act, (FRA) 2007, the Fiscal Responsibility Commission in 2016 embarked upon the physical verification of various Federal Government capital projects completed and on-going by selected key Ministries, Departments and Agencies (MDAs). The exercise which was carried out between November and December 2016, covered projects across the 6 (six) geo-political zones of the country.

The projects verified were randomly selected from the Budget Implementation Reports (BIR) issued by the Budget Office of the Federation (BOF) and project information obtained directly from the relevant MDAs. Pre-inspection meetings were held to review documents received with relevant MDAs to determine the level of work done and the depth of inspection required on site. The MDAs' representatives, project consultants and the relevant contractors were present on site with the Commission's inspection teams for some projects where MDAs cooperated.

The main aims and objectives of the verification exercise were:

- i. To physically verify the existence of these projects
- ii. To assess the financial and physical targets of the projects by determining whether what was on ground was commensurate with the funds so far expended
- iii. To establish whether the projects are likely to be completed within the budget cost and duration
- iv. To sensitise the citizenry on the need to monitor the execution of capital projects located within their locality.
- v. To create more awareness on the duties and responsibilities of the Commission in the area of prudent management of government resources.

The list of projects visited according to Zones are enumerated below:



### **NORTH CENTRAL ZONE**

- Rehabilitation of Nasarawa - Loko road with Alushi loop in Nasarawa State
- Construction of Loko - Oweto Bridge across River Benue in Nasarawa and Benue States
- Construction of Katanga Earth Dam, Wamba LGA, Nasarawa State
- Construction of Oju - Adun - Okuku Road in Benue State
- Rehabilitation of Otukpa - Ayangba - Ajaokuta - Okene road in Kogi State.
- Rehabilitation of Ekuku Dam, Okene, Kogi State
- Asa Irrigation Project, Ballah, Asa, Kwara State

### **NORTHEAST ZONE**

- Construction of Kashimbila Gamoro Multipurpose Dam, Taraba State
- Dualisation of Kano-Maiduguri Road linking Kano - Jigawa - Bauchi - Yobe and Borno State. (Section IV, III and II)
- Construction of 7500M Kiri Dam and Irrigation Project.
- Yola Irrigation Project (Benue River / Lake Geriyo), Adamawa.
- University of Maiduguri Teaching Hospital, Borno
- Federal Neuropsychiatric Hospital Maiduguri, Borno State.

### **NORTHWEST ZONE**

- Construction of Gimi Dam, Kaduna
- Sabke Irrigation Project, Katsina State
- Establishment of Agro-processing Estate, Maradun, Zamfara State
- Establishment of Agro-processing Estate, Bakura, Zamfara State
- Usman Danfodio University Teaching Hospital, Sokoto

### **SOUTHEAST ZONE**

- Rehabilitation of Onitsha bound Carriageway of the Onitsha-Enugu Road in Anambra
- Reinstatement of Washouts at Km 6+750, Km 30+400 Onitsha Bound and Km 35+325 Enugu bound Carriageway of the Onitsha-Enugu Road in Anambra State
- Rehabilitation of Spur from Onitsha-Owerri Road to Okija-Ihembosi-Afor Upo-Ebenato-Ezenifite in Nnewi South LGA, Anambra State
- Rehabilitation of Ozalla-Akpugo-Amagunze-Ihuokpara-Nkomoro-Isu-Onicha (Enugu-Onitsha Road) with a spur to Onunwere in Enugu State
- Construction of Ojo-Achi-Mmakwu-Agwu-Ndiaboh-Mpu-Akazeze Road section II in Enugu State





- Construction of Ivo River Dam, Hydropower and Access Road in Enugu State
- Rehabilitation, Improvement & Expansion of Owerri- Umuahia Road, Section 1, 2 & 3
- Inyishi/Mbaa Earth Dam & Water Supply Project
- Construction of Olokoro-Itaja-Obu-Ohia-Isicourt Road in Abia State
- Federal Medical Centre, Umuahia, Abia State

### **SOUTH SOUTH ZONE**

- Rehabilitation of Alesi-Ugep (Iyamoyung-Ugep) Road in CRS
- Dualisation of East West road section (II-II) Ahoada – Kaima
- Dualisation of East West Road Section 1, Warri-Kaima (87km)
- University Teaching Hospital, Uyo
- Reconstruction of Owerri - Elele Road
- Dualisation of East West Road (Section IV) Warri – Port Harcour- - Oron
- Dualisation of Port Harcourt/Aba expressway -Obehia-Azumini-Ukanafun 50km road (Section 1 & 2)
- Rehabilitation of Ogoja (Mbok Junction) Abuochichie, Cross River State
- Ekeremor Water Supply Scheme, Bayelsa State
- Construction of 15km Interstate Road from Aiyegunle-Akoko Edo LGA, Edo State - Imeri Ose LGA in Ondo State
- Upgrade of 2x40 MVA Transmission substation in Yenagoa
- Provision of 33KV Transmission Line, Installation and Commissioning of 2 x 2.5 MVA 33/11 KV Substation at Federal University, Otuoke
- Completion of the Northern Ishua Water Supply, Edo State
- Construction of Ogwashuku Dam Project, Delta State

### **SOUTH-WEST ZONE**

- Construction of Asa Dam (Ogbomoso), Oyo-state.
- Construction of Ilesha Dam and Water Supply Scheme, Osun State
- Construction of Apariko Dam (Aisegba), Ekiti-State.
- National Orthopaedic Hospital (Igbobi), Lagos-State.
- Federal Medical Centre (FMC) Ebute-Metta, Lagos.
- Lagos University Teaching Hospital (LUTH), Idi-Araba, Lagos State.
- Rehabilitation of Abeokuta-Ibadan Road, Route 35, in Ogun and Oyo States.
- Addendum No. 3 to Dualization of Lagos-Ota Road, Lagos States.
- Rehabilitation of Odooba-Takie-Gambari-Otte (Oyo State Border) Road along Ibadan-Oyo-Ogbomosho- Ilorin Road.

The verification exercise revealed that while some (MDAs) have made appreciable progress in the implementation of their capital budgets, most of the projects were discovered to be behind schedule in execution, mainly, due to paucity of funds. This constraint and the fact that such projects have fallen behind schedule gave rise to most contractors applying for review of the contract sums.

This brings to the fore the need for the government to complete existing projects before embarking on new ones. Of equal importance is the necessity to embark on few manageable projects at any point in time, taking into consideration that funding is a major constraint in project execution.

Among the constraints encountered in the course of the exercise include:

- i. Inability of some MDAs to provide required vital documentations
- ii. Non availability of representatives on site to provide relevant project briefs to the Commissions inspection teams.

Detailed observations and findings as well as recommendations made by the Zonal Inspection Teams in respect of each project are contained in a separate **Physical Verification Report of Selected FGN Capital Projects**; a summary of which are provided below.

## **GENERAL OBSERVATIONS AND FINDINGS**

- a. The major problem observed on this exercise is paucity of funds; budgetary allocations are not consistent and non-existent in some cases for several years thereby leading to abandonment of project sites by Contractors.
- b. Delay in execution of projects has caused government additional sums of money and extended project duration.
- c. Conflicting information are received between MDAs and their Federal controllers or Site Engineers.
- d. Failures are already observed on some recently completed roads. Environmental challenges such as erosion are commonly observed.
- e. Project take-offs are often delayed due to changes in scope and re-alignment



- that affected the original design, the Contract sum and the completion date.
- f. Quite a number of contractors were not paid for certified works.
  - g. Constituency projects are often abandoned when the initiators are no longer in office.
  - h. Some of the Contractors lack the skill and competence to handle some of the projects.
  - I. Proper feasibility studies were not carried out on some dam and irrigation projects to ensure that rivers to be dammed are perennial. Some can best be described as a rain fed agricultural farmland projects.
  - j. Insecurity that pervades the North East has greatly affected the projects situated therein.
  - k. Some Dam/Irrigation/Water supply projects were not properly procured. In some cases, there are dams under construction without accompanying irrigation and/or water supply projects. In some other case, there is an irrigation project fully completed without a dam. Executing projects in this manner result in wastages and no value for money. Some of the facilities already procured and not put to use are exposed to pilfering.
  - l. Some borehole projects have been completed and fully paid for but not in good working condition thereby no value for money.
  - m. MDAs supervision of projects appear to be poor and inconsistent. This has significantly affected the pace and quality of projects execution.

## **GENERAL RECOMMENDATIONS**

- a. All old constituency projects should be completed before new ones are initiated. The manner in which constituency projects are incorporated in the budget and executed needs to be streamlined. There should be proper planning, monitoring and evaluation to avoid shoddy poor project execution.

- b. There should be proper planning, design and surveys before road projects are awarded. Road projects should commence as soon as possible after design in order to avoid unnecessary reviews that give room for variations and delays in completion.
- c. Maintenance of roads should be done as soon as failure is observed to stem dilapidation and extra costs of reconstruction.
- d. Competency of contractors should be ensured before projects are awarded.
- e. Weigh bridges should be introduced on highways for heavy duty vehicles and revenue derived be used for maintenance.
- f. Contract budgeting and award should be consistent with MTEF and annual budget. This is to avoid inconsistency in budgetary provisions for projects that lead to abandoned projects littering the country.
- g. Irrigation, water supply, power and tourism phases of projects should not be awarded and executed before the actual Dam projects are completed.
- h. Handover of completed projects should be properly handled to ensure that the beneficiary communities and agencies take full responsibility for the project.
- I. A few manageable number of projects should be embarked upon by MDAs at any point to avoid project abandonment.
- j. MDAs should not hesitate to review or terminate any contract which execution is delayed as a result non-performance by the Contractor.
- k. Government should always carry out proper needs assessment to evaluate have the socio-economic benefits accruable to the citizens before embarking on any project.







CHAPTER

3

DEBT, INDEBTEDNESS  
AND BORROWING



## CHAPTER THREE

## DEBT, INDEBTEDNESS AND BORROWING

Prior to the enactment of FRA in 2007, the country's debt management system was characterised by borrowing without due process, continued borrowing on non-concessionary terms and the use of loan proceeds for purposes other than those for which they were obtained. These negative activities resulted in unsustainable National debt servicing.

Consequently, the FRA was enacted on 30th July, 2007 to, among other aims; bring about discipline and sanity in the management of public debt and borrowing. It is worthy of note that debt, being in the exclusive list, is administered and managed by the Federal Government for all the tiers of government. This makes absolute sense because debt, whether federal or at the sub-national level, directly impacts on the economy and Nigeria has one economy. That also explains why debt is the only item in the FRA, 2007 that covers the Federal, States and Local governments.

Debt, Indebtedness and borrowing are covered by Sections 41-47 of FRA, 2007. Specifically, Sections 41-43 deal with Debt and Indebtedness while guidelines and rules for borrowing are contained in Sections 44-47 of the Act.

### 3.1 RULES AND CONDITIONS FOR DEBT, INDEBTEDNESS AND BORROWING

The following is the summary of the basic rules and conditions for public debt and borrowings as contained in Sections 41-47 of the FRA, 2007:

The FRA provides that the President, with the approval of the National Assembly, shall set limits on the consolidated debts of the Federal, State and Local Governments. Any Government that violates the limits so set shall be denied further borrowing and grants until the excess is reduced. Conditions for

borrowing are specified by the FRA. These include legislative approval of the loans and their purposes, cost-benefits analysis and the loans should be used for only the purposes for which they are meant.

The Central Bank of Nigeria (CBN) is prohibited from lending to Governments while the commercial banks are not to lend to any Government that has exceeded the limit of its approved consolidated debt until such excess has been addressed.

Government fiscal deficit (which represents the amount to be borrowed annually to augment the budget) shall not exceed 3% of the GDP.

The Fiscal Responsibility Commission (FRC) is to verify that all tiers of Government comply with the approved limits of consolidated debts and the conditions for obtaining loans. Verification shall be done and published quarterly by Fiscal Responsibility Commission (FRC).

The Debt Management Office (DMO) shall maintain comprehensive, reliable and current electronic database of internal and external public debts and guarantee public access to the information.

Government can borrow for only capital expenditure and human development on concessional terms with low interest rate and reasonably long amortization period subject to approval of the legislature.

The level of public debt as a proportion of national income must be kept at a sustainable level as prescribed by the National Assembly from time to time, on the advice of the Minister of Finance.

Within 90 days from the commencement of the FRA, 2007 (i.e. 30 July 2007), the president shall, with advice from the Minister of Finance and subject to the approval of the National Assembly, set overall limits for the consolidated debt of Federal, States and Local governments and the limits shall be consistent with the rules set in the FRA, 2007.

Any Government in the Federation or its Agency that is desirous of borrowing shall specify the purpose for which the borrowing is intended and present a cost-benefit analysis, detailing the economic and social benefits of the intended borrowing.



Each borrowing shall be accompanied by the existence of prior authorization in the Appropriation or other Act or Law for the purpose for which the borrowing is applied.

### **3.2 LIMITS ON CONSOLIDATED DEBT OF THE FEDERAL, STATE AND LOCAL GOVERNMENTS**

Section 42(1) of the FRA, 2007 specifically provides that “the President shall, within 90 days from the commencement of the Act and with advice from the Minister of Finance subject to approval of National Assembly, set overall limits for the amounts of consolidated debt of the three tiers of government.

Since the enactment of the FRA, 2007, overall limits for the amounts of consolidated debt of Federal, States and Local Governments have not been set by the president as prescribed by the aforementioned section of the Act. The Commission has repeatedly communicated to the Minister of Finance on the need to set the limits but up to the time of this report, the limits are yet to be determined. This poses a challenge to the Commission in the areas of monitoring, enforcing and implementing the relevant provisions of the FRA, 2007 on public debt, indebtedness and borrowing.

Specifically, Section 42(4) of FRA, 2007 mandates FRC to publish, on a quarterly basis, a list of the Governments of the Federation that have exceeded the limits of their consolidated debt, indicating the amount by which the limit was exceeded. However, this all-important function cannot be effectively carried out as the limits of the consolidated debts are yet to be set.

In the absence of debt limits and comprehensive, reliable electronic database on the domestic and external public debts as provided in the FRA 2007, the Commission resorted to the use of DMO's debt sustainability analysis and reports from Central Bank of Nigeria and the Securities and Exchange Commission to carry out analysis of public debt and borrowings in Nigeria.

### **PERFORMANCE ASSESSMENT**

In order to appraise the management of the nation's debt on the basis of the above-stated rules and conditions, it is necessary to analyse public debt and borrowing in Nigeria covering the period 2012 to 2016.



### 3.3 DEBT SUSTAINABILITY

As stated earlier, Section 41(1)(b) of FRA, 2007 provides that the Government shall ensure that the level of public debt as a proportion of national income is held at a sustainable level as prescribed by the National Assembly from time to time on the advice of the Minister of Finance.

Though no official pronouncement has been made by the National Assembly on the proportion of public debt to national income that is assumed to be sustainable, a benchmark of 56%, being the threshold for countries like Nigeria is used to assess the sustainability or otherwise of public debt.

### 3.4 TOTAL PUBLIC DEBT STOCK

Nigeria's total public debt outstanding as at end of December, 2016 was US\$57,362.74 million or ₦17,495,636.09 million as against US\$65,428.53 million or ₦12,603,705.28 million as at end of December, 2015. This represents an increase of ₦4,891,930.81 million or 38.81%. Out of the total public debt stock at the end of 2016, the total external debt stock (Federal and States) amounted to ₦3,478,915.40 million (US\$11,406.28 million) and it was 19.88% of the total public debt; while the total domestic debt stock of the country (Federal Government and states) amounted to ₦14,016,721.72 and it was 80.12%.

The share of the Federal Government's domestic debt out of total debt stock as at end of December, 2016 was ₦11,058,204.30 million or 63.21% of the total public debt of the country in 2016. The 36 states and FCT had a combined domestic debt stock of ₦2,958,517.43 million, accounting for 16.91% of the total debt of the country as at the end of 2016.

It is a well-known fact that external creditors, especially the official creditors (Bilateral and Multilateral) charge concessional low interest rate of less than 3% with long term amortisation period. As such, the government is expected to always borrow more from these sources than domestic sources. It is, therefore, surprising to note that domestic debt accounted for 80.12% of the total debt while external debt stock was a mere 19.88% of the total debt stock of the country. Accordingly, it can be inferred that the initial borrowing pattern that led to this proportion of external loan to domestic loan stock did not follow one of the rules in Section 41(1)(a) of FRA, 2007 which provides that loans should be at concessional interest rate.



Analysis of the debt stock at 31st December 2016 is given in Tables 3.1 – 3.5:

**Table 3.1: External Debt Stock of FG and States**

	2012	2013	2014	2015	2016
US\$ Million	6,527.07	8,821.90	9,711.45	10,718.43	11,406.28
NGN Million	1,016,721.69	1,373,569.83	1,631,523.60	2,111,530.71	3,478,914.36
% of Total	11.17%	13.68%	14.34%	16.38%	19.88%
% of Real GDP	2.50%	1.73%	1.81%	2.13%	3.26%

Source: DMO

**Table 3.2: FGN Domestic Debts Stock**

	2012	2013	2014	2015	2016
NGN Million	6,537,536.05	7,118,978.86	7,904,025.47	8,836,995.86	11,058,204.30
% of Total	71.79%	70.88%	69.47%	68.56%	63.21%
% share of GDP	16.10%	8.97%	8.79%	8.93%	10.36%

Source: DMO

**Table 3.3: States Domestic Debt Stock**

	2012	2013	2014	2015	2016
NGN Million	1,551,650.13	1,551,650.13	1,707,571.14	1,655,178.71	2,958,517.43
% share of GDP	17.04%	15.45%	16.19%	15.06%	16.91%
% share of GDP	3.82%	1.95%	2.05%	1.96%	2.65%

Source: DMO

**Table 3.4: Nigeria Total Public Debt Stock**

	2012	2013	2014	2015	2016
US\$ Million	58,457.39	64,509.95	67,726.28	65,428.53	57,362.74
NGN Million	9,105,907.87	10,044,198.82	11,243,120.22	12,603,705.28	17,495,636.09
% share of GDP	22.43%	12.65%	12.65%	13.02%	16.27%

Source: DMO



**Table 3.5: Summary of Consolidated Debt of FG and States**

DEBT STOCK	2012	2013	2014	2015	2016
	₦ million	₦ million	₦ million	₦ million	₦ million
External Debt: FGN & States	1,016,722	1,373,570	1,631,524	2,111,531	3,478,915
Domestic Debt: FGN	6,537,536	7,118,979	7,904,025	8,836,996	11,058,204
Domestic Debt: States	1,551,650	1,551,650	1,707,571	1,655,179	2,958,517
Total Public Debt	9,105,908	10,044,199	11,243,120	12,603,705	17,495,636

Source: DMO

**Note:** Exchange rate for conversion of external debt is M305 to 1US\$

Table 4 shows that the ratio of the country's Total Public Debt-to-GDP was 16.27% in 2016, as against 13.02% in 2015. Though the ratio of 2016 was higher than that of 2015, it was still comfortably within the threshold of 56% for countries like Nigeria and the global standard of 40%.

### 3.5 FGN TOTAL PUBLIC DEBT SERVICE

The FGN's total debt service was US\$4,381.82 million as at end of December, 2016. When compared to US\$5,499.24 million of the corresponding period of 2015, it represents a decrease of US\$1,117.42 million or 20.32%. The external debt service in 2016 was US\$353.09 million and accounted for 8.06% of the total public debt service in 2016 while the domestic debt service for the same period was US\$4,028.73 million and represents 91.94% of the total public debt service in 2016. Comparative details of debt service for 2012 – 2016 is given in Table 3.6:

**Table 3.6: FGN Total Public Debt Service**

Year	External		Domestic		Total	
	₦ million	%	₦ million	%	₦ million	%
2012	293.00	5.96%	4,625.72	94.04%	<b>4,918.72</b>	<b>100%</b>
2013	297.32	5.39%	5,223.35	94.61%	<b>5,520.67</b>	<b>100%</b>
2014	346.72	6.30%	5,153.63	93.70%	<b>5,500.00</b>	<b>100%</b>
2015	331.06	6.02%	5,168.18	93.98%	<b>5,499.24</b>	<b>100%</b>
2016	353.09	8.06%	4,028.73	91.94%	<b>4,381.82</b>	<b>100%</b>

Source: DMO



### 3.6 EXTERNAL DEBT STOCK

The country's external debt stock was US\$11,406.27 million as at end of December, 2016, compared to US\$10,718.43 million as at end of December, 2015, representing a marginal increase of US\$687.84 million or 6.42 % as earlier shown in table 1.

A further analysis of the Nation's External Debt Stock as at 31st December, 2016 shows that the bulk of the stock was obtained from the official sources, namely Bilateral and Multilateral creditors. The Bilateral creditors accounted for US\$1,918.05 million or 16.82% of the total external debt stock while US\$7,988.22 million or 70.03% of the external debt balances were to multilateral creditors. The private source, specifically, Eurobonds made up US\$1,500 million or 13.15% of the total stock level.

Accordingly, as the bulk of the external debt was originally taken from the official sources (Bilateral and Multilateral) which charge concessional interest rate of less than 3%, it can be concluded that the process of contracting the external loans largely complied with Section 41 (1) (a) of FRA, 2007 which specifies a low interest rate as a criterion for obtaining foreign loans.

Analysis of the various sources of external debt is provided in Tables 3.7 and 3.8

**Table 3.7: External Debt Official Sources**

Year	Bilateral		Multilateral		Total	
	N million	%	N million	%	N million	%
2012	703.03	10.77%	5,267.42	80.70%	5,970.45	91.47%
2013	1,025.70	11.63%	6,275.20	71.13%	7,300.90	82.76%
2014	1,412.07	14.54%	6,799.36	70.01%	8,211.43	84.55%
2015	1,658.00	15.47%	7,560.43	70.54%	9,218.43	86.01%
2016	1,918.05	16.82%	7,988.22	70.03%	9,906.27	86.85%

Source: DMO



**Table 3.8: External Debt Private Sources**

Year	Eurobonds		Other Commercial		Total	
	N million	%	N million	%	N million	%
2013	1,500.00	17.00%	21.00	0.24%	1,521.00	17.24%
2014	1,500.00	15.45%	-	-	1,500.00	15.45%
2015	1,500.00	13.99%	-	-	1,500.00	13.99%
2016	1,500.00	13.15%	-	-	1,500.00	13.15%

Source: DMO

Section 43 of FRA, 2007 provides that servicing of external loans shall be the direct responsibility of the Government that incurred the debt. It also states that the cost of servicing Federal Government Guaranteed loans shall be deducted at source from the share of the debtor Government from the Federation Account.

A Summary of external debt service by sources is shown in Table 3.9:

**Table 3.9: Analysis of External Debt Service by Sources**

Item	2015		2016		Variance 2016 v 2015	
	US\$ M	% of Total	US\$ M	% of Total	US\$ M	%
<b>Official Creditors:</b>						
Bilateral Creditors	59.42	17.95%	63.38	17.95%	3.96	6.66%
Multilateral Creditors	138.65	41.88%	165.33	46.82%	26.68	19.24%
<b>Sub-Total</b>	<b>198.07</b>	<b>59.83%</b>	<b>228.71</b>	<b>64.77%</b>	<b>30.64</b>	<b>15.47%</b>
<b>Commercial Creditors:</b>						
Eurobonds	91.26	27.57%	91.26	25.85%	-	-
Other Commercial Creditors	41.73	12.60%	33.12	9.38%	-8.61	20.63%
<b>Sub-Total</b>	<b>132.99</b>	<b>40.17%</b>	<b>124.38</b>	<b>35.23%</b>	<b>-8.61</b>	<b>6.47%</b>
<b>Total</b>	<b>331.06</b>	<b>100%</b>	<b>353.09</b>	<b>100%</b>	<b>22.03</b>	<b>6.65%</b>

Source: DMO

From Table 9 above, the total external debt service amounted to US\$353.09 million as at end of December, 2016. Compared to US\$331.06 million as at end of December, 2015, it represents an increase of US\$22.03 million or 6.65%. An analysis by source shows that the official creditors enjoyed the largest share of the external debt service in 2016, accounting for US\$228.71 million or 64.77%.

Specifically, US\$63.38 million or 17.95% was paid to the bilateral creditors while US\$165.33 million or 46.82% of the total external debt service in 2016 was to



multilateral creditors. On the other hand, the Commercial creditors accounted for US\$124.38 million or 35.23% of the total external debt service in 2016.

A breakdown of the payment to this class of creditors in 2016 shows that the Eurobonds accounted for US\$91.26 million or 25.85%. US\$33.12 million or 9.38% was used to settle the 'Other Commercial creditors in 2016 and this represents 9.38% of the total external debt service payments to external creditors in the year under review.

It should be noted that the Official creditors (Bilateral and Commercial) normally charge concessional interest rate of less than 3% on loans while the Commercial creditors such as Eurobonds charge interest at commercial rates that are far above 3%.

### 3.7 FGN'S DOMESTIC DEBT STOCK

The outstanding Federal Government's domestic debt stock as at 31<sup>st</sup> December, 2016 was ₦11,058.22 billion. Compared to the balance as at the end of December, 2015 of ₦8,837.00 billion, it was an increase of ₦2,221.22 billion or 25.14%. Details of FGN Domestic Debts is shown in Table 3.10.

**Table 3.10: FGN Domestic Debt by Instruments**

Instrument	2015		2016	
	₦-Billion	% of Total	₦-Billion	% of Total
FGN Bonds	5,808.14	65.73%	7,564.94	68.41%
Nigerian Treasury Bills	2,772.87	31.38%	3,277.29	29.64%
Treasury Bonds + Accrued Principal	255.97	2.90%	215.99	1.95%
<b>Total</b>	<b>8,837.00</b>	<b>100%</b>	<b>11,058.22</b>	<b>100%</b>

Source: DMO/FRC

From Table 3.10 above, it could be seen that as at end of December, 2016, the FGN bonds had the largest share of the FGN Domestic debt stock, accounting for ₦7,564.94 billion or 68.41%, followed by Nigerian Treasury Bills (NTB) with ₦3,277.29 billion or 29.64%, while the Treasury Bonds (including the accrued principal) accounted for only ₦215.99 billion or 1.95% of the total FGN Domestic Debt stock as at the end of December, 2016.

### 3.8 FGN DOMESTIC DEBT SERVICE

FGN's domestic debt service as at end of December, 2016 amounted to ₦1,228.76 billion as shown in Table 11 below:

**Table 3.11: FGN Domestic Debt Service by Instrument**

Instrument	2015		2016	
	₦ Billion	% of Total	₦ Billion	% of Total
FGN Bonds	635.43	62.41%	839.18	68.29%
Nigerian Treasury Bills	324.06	31.83%	335.58	27.31%
Treasury Bonds (Principal + Interest)	58.64	5.76%	53.99	4.40%
<b>Total</b>	<b>1,018.13</b>	<b>100%</b>	<b>1,228.76</b>	<b>100%</b>

Source: DMO

Compared to ₦1,018.13 billion at the end of 2015, it represents an increase of ₦210.63 billion or 20.69%. According to the DMO, the increase was attributed to the increase in domestic debt stock as well as the higher interest rates, which led to the rise in the cost of borrowing in the domestic debt market.

A further analysis of the domestic debt service in 2016 by instrument type shows that the service of FGN bonds accounted for ₦839.18 billion or 68.29% of the total domestic debt service payment, while payments in respect of the Nigerian Treasury Bills (NTBs) and Treasury Bonds (principal plus interest) were ₦335.58 billion and ₦53.99 billion or 27.31% and 4.40% respectively

### 3.9 SIZE AND COMPOSITION OF DOMESTIC BOND MARKET

According to the report from DMO, the face value of outstanding FGN Bonds as at end of December, 2016 was ₦7,139.82 billion, translating to ₦62.42 billion or 9.58% above ₦6,515.62 billion recorded at the end of 2015.

State Government Bonds amounted to ₦324.20 billion as at end of December, 2016, down from the balance of ₦457.38 billion as at end of December, 2015. This represents a decline of ₦133.18 billion or 29.12%.

According to the DMO report, the stock of Corporate Bonds as at end of December, 2016 was ₦127.31 billion. When compared to the amount of ₦226.15 billion as at end of 2015, it was a decline of ₦98.84 billion or 43.71%. Size and configuration of the bond market is shown in Table 3.12.





**Table 3.12: Size and Configuration of Domestic Bond Market**

Issuer	2015		2016	
	₦ Billion	% of Total	₦ Billion	% of Total
Federal Government	5,808.14	89.14%	6,663.36	93.33%
State Governments	457.38	7.02%	324.2	4.54%
Corporate Bonds	226.15	3.47%	127.31	1.78%
Supra-Nationals	24.95	0.38%	24.95	0.35%
<b>Total</b>	<b>6,515.62</b>	<b>100%</b>	<b>7,139.82</b>	<b>100%</b>

Source: DMO

The outstanding Supra-Nationals Bonds stood at N24.95 billion in 2016, same amount as at end of 2015.

Table 12 above shows that the size of the Federal Government's domestic Bond as at end of 2016 was ₦6,663.36 billion as against the amount of ₦5,808.14 billion as at the end of 2015, translating to an increase of ₦855.22 billion or 14.72%. The Federal Government's Domestic Bond stock of ₦6, 663.36 billion represents 93.33% of the total Domestic Bond stock of the country as at 31st December, 2016.

The 36 State Governments and the FCT had a combined total domestic Bond stock of ₦324.20 billion as at end of December, 2016 and this represents 4.54% of the total Domestic Bond stock as at end of 2016. It was a decrease of ₦133.18 billion or 29.12% over the stock of ₦457.38 billion for 2015.

On the other hand, the Domestic Bond Stock of the Supra- Nationals for 2016 was the same as that of 2015. This indicates that the Supra-Nationals did not access the Domestic Bond market in 2016.

### **3.10 DEBT SUSTAINABILITY OF STATE GOVERNMENTS**

State Governments do not have separate Gross Domestic Product (GDP). Consequently, it is not practicable to determine the Debt Sustainability of sub-national Governments on the basis of the proportion of Debt-to-GDP.

In order to carry out a proper analysis of the sustainability of the 36 States' indebtedness and that of FCT, there is need to relate their respective debt stocks to both the gross and net revenue allocations for year 2016.

Section 42 (1) of the FRA, 2007 provides that the President shall, within 90 days



from the commencement of the Act, with advice from the Minister of Finance subject to approval of National Assembly, set overall limits for the amounts of consolidated debt of the Federal, States and Local Government pursuant to the provisions of items 7 and 50 of part 1 of the second Schedule to the Constitution.

As the overall limits for the amounts of consolidated debt have not been set, it becomes difficult for the Commission to assess, analyses and bring to the fore a list of the Governments in the Federation that have exceeded the limits of consolidated debt required by FRA 2007. Accordingly, an assessment of consolidated debt of FG and States in relation to Gross/Net revenue during the year, 2016 was adopted as detailed in Table 3.13.

**Table 3.13: Consolidated Debt of FG and States in relation to Gross/Net Revenue**

S/N	State and FG	External Debt		Domestic Debt	Total Public Debt	Gross Revenue exl. IGR	NetRevenue exl. IGR	Total Debt / Gross Revenue	Total Debt / Net Revenue
		US\$	N'000	N'000	N'000	N'000	N'000	%	%
1	Abia	41,290,439	12,593,584	53,525,312	66,118,896	34,326,583	30,720,791	192.62%	215.23%
2	Adamawa	83,731,531	25,538,117	62,157,535	87,695,652	33,476,544	29,759,494	261.96%	294.68%
3	Akwa Ibom **	50,555,649	15,419,473	155,431,514	170,850,987	116,643,319	104,436,114	146.47%	163.59%
4	Anambra	62,883,387	19,179,433	3,993,892	23,173,326	34,352,134	32,693,219	67.46%	70.88%
5	Bauchi	97,174,751	29,638,299	69,988,357	99,626,656	39,731,353	32,421,929	250.75%	307.28%
6	Bayelsa	39,252,788	11,972,100	140,177,084	152,149,184	87,733,912	58,063,179	173.42%	262.04%
7	Benue	34,683,474	10,578,460	63,526,706	74,105,166	37,595,022	29,708,285	197.11%	249.44%
8	Borno	22,068,385	6,730,857	30,929,430	37,660,288	40,457,355	36,926,919	93.09%	101.99%
9	Cross River	114,995,639	35,073,670	128,142,093	163,215,763	33,549,588	17,351,610	486.49%	940.64%
10	Delta	42,318,066	12,907,010	241,231,439	254,138,449	97,884,181	71,950,219	259.63%	353.21%
11	Ebonyi	46,383,284	14,146,902	28,057,145	42,204,046	30,094,432	28,443,485	140.24%	148.38%
12	Edo	183,641,999	56,010,810	45,091,949	101,102,759	37,334,416	25,456,923	270.80%	397.15%
13	Ekiti	56,877,231	17,347,555	85,049,678	102,397,234	30,175,514	18,777,970	339.34%	545.31%
14	Enugu	73,588,934	22,444,625	48,417,542	70,862,167	34,151,977	30,957,623	207.49%	228.90%
15	Gombe	37,841,651	11,541,704	48,312,227	59,853,931	31,414,923	22,434,460	190.53%	266.79%
16	Imo	60,217,191	18,366,243	93,267,765	111,634,008	38,123,465	30,200,007	292.82%	369.65%
17	Jigawa *	32,415,951	9,886,865	19,005,549	28,892,414	37,539,077	36,216,720	76.97%	79.78%
18	Kaduna	222,882,926	67,979,293	63,276,472	131,255,765	44,155,449	39,910,111	297.26%	328.88%
19	Kano	58,247,339	17,765,438	93,715,181	111,480,620	55,022,478	50,563,439	202.61%	220.48%
20	Katsina *	68,060,335	20,758,402	21,449,608	42,208,010	41,623,450	38,388,239	101.40%	109.95%
21	Kebbi	46,101,478	14,060,951	20,650,990	34,711,941	34,946,110	31,691,741	99.33%	109.53%
22	Kogi	31,947,420	9,743,963	71,381,258	81,125,222	36,555,799	31,810,883	221.92%	255.02%
23	Kwara	48,975,899	14,937,649	38,136,724	53,074,373	30,083,631	25,809,810	176.42%	205.64%
24	Lagos	1,380,650,731	421,098,473	311,755,802	732,854,275	109,312,073	78,720,376	670.42%	930.96%





S/N	State and FGN	External Debt		Domestic Debt	Total Public Debt	Gross Revenue exl. IGR	Net Revenue exl. IGR	Total Debt / Gross Revenue	Total Debt / Net Revenue
		US\$	₦'000	₦'000	₦'000	₦'000	₦'000	%	%
25	Nassarawa	56,021,853	17,086,665	59,033,752	76,120,417	30,404,459	27,763,508	250.36%	274.17%
26	Niger	45,349,530	13,831,607	31,984,094	45,815,700	39,279,607	32,131,766	116.64%	142.59%
27	Ogun ***	103,416,369	31,541,992	75,921,433	107,463,426	32,617,504	20,073,992	329.47%	535.34%
28	Ondo	49,527,401	15,105,857	53,159,720	68,265,577	47,794,781	34,549,460	142.83%	197.59%
29	Osun	70,533,846	21,512,823	147,069,974	168,582,797	31,495,860	5,912,173	535.25%	2851.45%
30	Oyo	71,913,438	21,933,599	115,886,553	137,820,152	40,588,085	33,544,187	339.56%	410.86%
31	Plateau	29,139,067	8,887,416	110,340,669	119,228,085	34,860,962	20,698,393	342.01%	576.03%
32	Rivers **	48,256,594	14,718,261	142,424,091	157,142,353	103,977,840	81,865,687	151.13%	191.95%
35	Sokoto	39,785,680	12,134,632	22,450,255	34,584,887	36,544,328	34,304,185	94.64%	100.82%
34	Taraba	21,926,983	6,687,730	38,868,703	45,556,432	31,816,796	27,415,760	143.18%	166.17%
35	Yobe	28,536,279	8,703,565	13,581,298	22,284,863	32,654,575	31,194,187	68.24%	71.44%
36	Zamfara	33,614,368	10,252,382	58,321,024	68,573,407	33,465,350	22,947,708	204.91%	298.82%
37	FCT	32,810,349	10,007	152,805	162,812	1,641,783	1,305,815	9.92%	12.47%
38	<b>Sub-Total: State &amp; FCT</b>	<b>3,567,618,237</b>	<b>1,078,126,413</b>	<b>2,805,865,624</b>	<b>3,883,992,037</b>	<b>6,689,857,661</b>	<b>10,573,849,698</b>	<b>58.06%</b>	<b>36.73%</b>
59	FGN	7,838,658,360	2,390,790,800	11,058,204,297	<b>13,448,995,096</b>				
40	<b>Grand Total</b>	<b>11,406,276,597</b>	<b>3,468,917,213</b>	<b>13,864,069,921</b>	<b>17,332,987,133</b>				

Source: DMO/FRC

Exchange Rate 1US\$ = N305

FGN Debt sustainability is based on Debt/Equity Ratio

Note:

\* Available Data @ March 2016

\*\* Available Data @ June 2 16

\*\*\* Available Data @ December 2015

The analysis provided is to serve the required assessment to determine the debt status of the FG, States and FCT. From the Table, the Total Public Debt of the nation is matched with the Gross Domestic Product (GDP) while the debt stocks of the State Governments and FCT are matched against their respective Gross/Net total Revenue excluding (IGR) to identify which Governments were heavily borrowed and which ones still have loans space as at 31st December, 2016.

In the light of DMO's guidelines on Debt Management Framework, specifically, Sections 222-273 of the Investment and Securities Act (ISA), 2007, pertaining to Debt sustainability. According to the guideline, the debt to income ratio of States should not exceed 50 percent of the statutory revenue for the preceding 12 months.

Bearing this in mind, from Table 3.13, 30 States exceeded the threshold of 50% of their Gross/Net total revenue during the year 2016. However, out of the 30 States, 18 States exceeded the threshold of 50% by well above 200% of the total revenue, 12 States exceeded the threshold of 50% by well above 100% of the total



revenue and 6 States including FCT exceeded the threshold of 50% by less than 100% of the total revenue in the year under review. Table 3.14 shows details of States exceeding 50% threshold.

**Table 3.14: States owing more than 50% of Revenue Threshold**

S/N	States	Consolidated Debt/Gross Revenue %	Excess over 50%	Consolidated Debt/Net Revenue	Excess over 50%
1	Adamawa	261.96%	211.96%	294.68%	244.68%
2	Bauchi	250.75%	200.75%	307.28%	257.28%
3	Cross River	486.49%	436.49%	940.64%	890.64%
4	Delta	259.63%	209.63%	353.21%	303.21%
5	Edo	270.80%	220.80%	397.15%	347.15%
6	Ekiti	339.34%	289.34%	545.31%	495.31%
7	Enugu	207.49%	157.49%	228.90%	178.90%
8	Imo	292.82%	242.82%	369.65%	319.65%
9	Kaduna	297.26%	247.26%	328.88%	278.88%
10	Kano	202.61%	152.61%	220.48%	170.48%
11	Kogi	221.92%	171.92%	255.02%	205.02%
12	Lagos	670.42%	620.42%	930.96%	880.96%
13	Nasarawa	250.36%	200.36%	274.17%	227.17%
14	Ogun	329.47%	279.47%	535.34%	485.34%
15	Osun	535.25%	485.25%	285.14%	235.14%
16	Oyo	339.56%	289.56%	410.86%	360.86%
17	Plateau	342.01%	292.01%	576.03%	526.03%
18	Zamfara	204.91%	154.91%	298.82%	248.82%

The 18 States are in the table below but the 12 States that exceeded the threshold of 50% by well above 100% are as follows: Abia, Akwa-Ibom, Bayelsa, Benue, Ebonyi, Gombe, Katsina, Kwara, Niger, Ondo, Rivers and Taraba State. And the 6 States including FCT that exceeded the threshold of 50% by less than 100% of the total revenue are: Anambra, Borno, Jigawa, Kebbi, Sokoto, Yobe and FCT.

It should be noted that the fact of the fact that some States exceeded the threshold of 50 percent of their total revenue is not a conclusion that they over-borrowed as the debt limits of the Governments in the federation are yet to be set.

Furthermore, only total revenue is used for the forgoing analysis as comprehensive data on the states Internally Generated Revenue (IGR) was not available. In any case, the IGR on the average is not more than 8% of the state's





total revenue except, for Lagos State. In essence, the non-inclusion of IGR may not distort the result of the analysis. Therefore, there is need for each of these States to work towards bringing their respective consolidated debts within the 50 percent threshold of their total revenue in order to guarantee a general public debt sustainability in the country

### 3.11 INTERNATIONAL DONOR SUPPORT

Pursuant to section 2(1) (a) of FRA, 2007, the Commission by its mandate has a responsibility of appraising the implementation of donor supported projects across the country to ensure transparency, accountability and efficiency in the utilisation of donor resources by the MDAs.

To achieve the aforementioned, the Commission keeps working tirelessly with the stakeholders so as to have information on donor supported activities.

So far, only Federal Ministry of Finance and Federal Ministry of Health have furnished the Commission with the necessary information for 2016, while efforts are being made to get more reports from the other MDAs. The reports indicated that about 8 (Eight) donor agencies assisted four Ministries in 2016 as highlighted in Table 13.15.

**Table 3.15: Donor Support Activities in 2016**

S/N	Date	Donor	Beneficiary	Nature of support	Project	Amount		
						Foreign	N'000	
1	2016	ADB	FMD/DBN	Financial	Development Finance	\$130,000,000	32953700	
2	2016	ADB	Federal Ministry of Finance	Financial	Budget Support	\$1,000,000,000	253490000	
3	2016	ADB	Federal Ministry of Agriculture	Capacity Building	MIC-TAF Grant to Bank of Agriculture	UA850,000	75154.45	
4	2016	ADB	Federal Ministry of Agriculture	Technical Grant	MIC-TAF Grant for Strengthening FMARD	UA507,246	44840.5464	
5	2016	UNICEF	Federal Ministry of Health		Validation of new National Health Policy		8673.96	
6	2016	Norway	Federal Ministry of Health	ICT Equipment	Health-Related MDG	\$15,800,000	4005142	
7	2016	WHO	Federal Ministry of Health		National/Regional Advocacy for F/S?LGs		20000	
8	2016	UNFPA	Federal Ministry of Health		National Family Planning Comm. Plan (NFPCP) Fed. & States		3473.905	
9	2016	MNCH2	Federal Ministry of Health		National Family Planning Comm. Plan for 6 States		3255	
10	2016	HC3	Federal Ministry of Health		National Family Planning Comm. Plan for 3 States		1855.08	
11	2017	Japan	Federal Ministry of Health	Ambulances	Hospital Ambulances		815887.8096	
<b>Total</b>								<b>291,421,983</b>

**Sources** Federal Ministry of Finance and Federal Ministry of Health

Table 13.15 shows that African Development Bank and 7 other donor agencies assisted four Ministries with the sum of ₦291,421,982,751.00 within the year under review.

The table also indicates that the Federal ministry of Finance got the highest sum of ₦253,490,000,000.00 representing 86.98% of the total donation received for the year under review from the donor agencies.

The Federal Ministry of Defence also enjoyed the sum of ₦32,953,700,000.00 representing 11.31% followed by Federal Ministry of Health with ₦4,858,287,754.60 representing 1.67% while the least was the Federal Ministry of Agriculture which attracted the sum ₦119,994,996.40 representing 0.04%.

The Federal Ministry of Finance, Defence and Agriculture got a combined sum of ₦286,563,694,996.40 in 2016 from African Development Bank.







CHAPTER

4

**BUDGETARY PLANNING OF  
CORPORATIONS AND OTHER  
RELATED AGENCIES**



## CHAPTER FOUR

# BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

Part IV of the Fiscal Responsibility Act, 2007 poignantly titled BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES made deliberate accommodation for Government-Owned Enterprises (GOEs) in the planning and preparation of the national budget. The said Part IV which runs from Section 21 to Section 24 of the Act also articulated a framework for the treatment of the Operating Surpluses and Deficits of the Government-Owned Corporations listed in the Schedule to the Act.

### SCHEDULED CORPORATIONS

31 Government-Owned Corporations are listed in the schedule to the Fiscal Responsibility Act 2007, with provision wisely made for “any other corporation, agency or government-owned company that may be included by the Minister (of Finance) through a local notice.” In 2011 the Minister added 6 more corporations to the Schedule.

Of the originally listed 31 corporations, 7 have become privatized or dysfunctional in the intervening period, effectively leaving 24; the addition of 6 corporations to the schedule by the Minister brought the number of functional government-owned corporations under the cover of Section IV of the Fiscal Responsibility Act, 2007 to 30 as at the end of 2014.

The Honourable Minister of Finance further included 92 additional agencies by Finance Circular Ref: No. FMF/HMF/2016/1 dated 21<sup>st</sup> November, 2016. By this, there are now a total of 122 agencies classified as schedule corporations for the purpose of sections 21 -23 of FRA 2007 that come under the purview of the Commission.

With the large number of MDAs, it is the considered view of the FRC that more agencies should be included under the schedule to comply with the Fiscal Responsibility Act. Experience showed that, operations of the MDAs need close

monitoring to ensure proper accountability and transparency in public finance management. This will greatly enhance good governance and prudence. The current list of schedule corporations and remittances to the CRF is shown in Table 4.1.

### REMITTANCE OF OPERATING SURPLUS

Sections 22 and 23 of the FRA stipulate the manner in which a scheduled corporation should treat its Operating Surplus/deficit. In 2016, the Commission continued its monitoring of the remittance of the Operating Surplus of these scheduled corporations. As usual a corporation's annual report from which Operating Surplus/Deficit is determined is prepared in the year succeeding the one being reported on.

It is instructive that the sum received by the Federal Government as its share of Operating Surplus from these corporations has recorded year-on-year increases since 2007 - 2012. It is not in doubt that this improvement in returns to the Federal Government was engendered by the interventions of the Fiscal Responsibility Commission. However, the sum accruing to the CRF has been on a relative decline as a result of lackadaisical attitudes of agencies to compliance.

In order to secure greater compliance especially in the remittance of operating surplus, the Commission intensified efforts at implementing Operating Surplus Template for the calculation of operating surplus liabilities across schedule corporations.

It is hoped that full compliance with the TSA will greatly enhance operating surplus remittance as the treasury will have direct access to the funds available to every agencies. As opposed to chasing corporations for remittance to the CRF, the OAGF will be advised of what to recover from corporations once the appropriate liability has been ascertained and agreed.

Table 4.1 shows a combined current list of all schedule corporations and summary of Operating Surplus remitted to the Federal Government Consolidated Revenue Fund from 2007 - 2016. The Table reveals that a total of **N1.273 trillion** has so far been induced to the CRF by sheer efforts of the Commission despite dwindling budgetary allocations.





**Table 4.1: List of Schedule Corporations and Operating Surplus Remittance to FGN Consolidated Revenue Fund**

S/N	AGENCIES	2007 - 2010		2011		2012		2013		2014		2015		2016		TOTAL	
		N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
1	Nigerian National Petroleum Corporation	-	-	4,443,452	6,948,591	9,134,070	15,398,878	-	-	-	-	-	-	33,676,710	-	79,935,855	
2	Nigerian Deposit Insurance Corporation	10,334,155	-	-	10,505,000	-	1,090,000	-	-	-	-	-	-	15,922,399	-	27,517,399	
3	Bureau of Public Enterprises	-	-	4,352	3,524	-	-	-	-	-	-	221	-	-	-	34,797	
4	National Agency for Science and Eng. Infrastructure	26,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Nigerian Social Insurance Trust Fund	-	-	3,079,247	-	100,000	200,000	400,000	-	-	-	-	-	-	-	-	
6	Corporate Affairs Commission	5,422,567	-	51,141	63,429	60,000	160,743	50,000	-	-	-	-	-	100,000	-	553,946	
7	Nigeria Airspace Management Agency	68,633	-	22,000	146,523	20,000	-	23,088	-	-	-	-	-	19,314,816	-	19,682,286	
8	Nigeria Shippers Council	155,859	-	-	6,441,384	13,833,432	18,034,637	2,096,223	-	-	-	-	-	11,975,000	-	52,981,895	
9	National Maritime Administration and Safety Agency	601,220	-	-	19,067	17,354	1,460	-	-	-	-	-	-	225,469	-	335,187	
10	Raw Material Research and Development Council	71,837	-	-	80,000	160,000	9,130,000	-	-	-	-	-	-	2,000,000	-	11,880,872	
11	Nigerian Civil Aviation Authority	510,872	-	11,598	2,599	968,534	618,760	455,676	-	-	-	-	-	2,818,989	-	4,876,156	
12	National Sugar Development Council	-	-	44,000	244,199	-	30,000	-	-	-	-	-	-	17,774	-	502,965	
13	Nigerian Postal Service	166,993	-	-	17,833,186	14,878,148	36,968,280	26,588,770	-	-	-	-	-	19,314,816	-	115,583,200	
14	Nigerian Ports Authority	-	-	-	-	-	3,877,138	1,446,158	-	-	-	-	-	1,565,736	-	6,889,032	
15	Federal Airport Authority of Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,929,651	
16	Securities And Exchange Commission	1,929,651	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
17	Nigerian Telecommunication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18	National Automotive Council	77,838	-	52,014	-	161,290	247,485	307,000	-	-	-	-	-	204,144	-	1,049,771	
19	Nigerian Tourism Development Corporation	-	-	254	-	-	-	-	-	-	-	-	-	-	-	254	
20	Nigeria Communication Commission	1,600,000	-	4,000,000	8,646,760	9,289,237	5,800,000	30,369,744	-	-	-	-	-	51,517,136	-	111,222,877	
21	National Agency for Food & Drug Admin and Control	262,606	-	60,000	253,612	408,283	522,373	270,296	-	-	-	-	-	304,927	-	2,082,097	
22	Nigerian Customs Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
23	Federal Inland Revenue Service	22,800,818	-	1,265,813	-	169,186	-	-	-	-	-	-	-	-	-	24,235,817	
24	Central Bank of Nigeria	103,201,064	-	-	80,309,000	100,000,000	150,000,000	260,000,000	-	-	-	-	-	86,891,383	-	780,401,447	
25	Nigerian Immigration Service	4,714,201	-	649,607	56,441	2,666,479	-	-	-	-	-	-	-	-	-	8,086,728	
26	Nigerian Broadcasting Commission	-	-	40,000	-	-	-	-	-	-	-	-	-	-	-	40,000	
27	Nigeria Env. Standards & Regulation Enforcmt. Agency	-	-	-	-	-	-	49,579	-	-	-	-	-	-	-	49,579	
28	Nigerian Electricity Regulatory Commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
29	National Oil Spill Detection and Response Agency	-	-	163	16,313	-	-	-	-	-	-	-	-	-	-	16,476	
30	National Business and Technical Examination Board	-	-	-	-	14,938	-	-	-	-	-	-	-	-	-	14,938	
31	Abuja Securities and Commodity Exchange Commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
32	Administrative Staff College of Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
33	Advertising PR actors Council of Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
34	Anambra/Imo River Basin Development Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
35	Bank of Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
36	Bank of Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
37	Benin/Owena River Basin Development Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
38	Cement Technology Institute Of Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
39	Centre For Black African Arts and Civilization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	





**Table 4.1: List of Schedule Corporations and Operating Surplus Remittance to FGN Consolidated Revenue Fund**

S/N	AGENCIES	2007 - 2010		2011		2012		2013		2014		2015		2016		TOTAL	
		N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
40	Centre for Management Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Chad Basin National Park	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Chad River Basin Development Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	Citizens and Leadership Training Centre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
44	Consumer Protection Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
45	Council for the Regulation of Freight Forwarding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
46	Cross River National Park	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	Cross River Basin Development Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	Department of Petroleum Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	Energy Commission of Nigeria	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	Federal Housing Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	Federal Radio Corporation of Nigeria	-	-	-	7,000	-	-	58,631	-	22,967	-	-	-	-	101,151	-	189,749
52	Federal Road Safety Commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	Gashaka Gumti National Park	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
54	Gurara Water Management Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Hadejia-Jamaare River Basin Development Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	Hydrology and Hydrogeology Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	Industrial Training Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	988,000	-	988,000
58	Infrastructural Concessionary & Regulatory Commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	Integrated Water Resources Development Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	Investment And Securities Tribunal	-	-	-	-	-	4,419	-	14,107	1,002	-	-	260	-	63,913	-	83,702
61	Joint Admission and Matriculation Board	-	-	11,523	-	-	-	25,303	-	13,926	-	-	-	-	-	-	50,753
62	Kainij National Park	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
63	Kamuku National Park	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
64	Lagos International Trade-Fair Complex Mgt. Board	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
65	Lower Benue River Basin Development Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	Lower Niger River Basin Development Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	National Agricultural Research Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
68	National Bio-Safety Management Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69	National Commission for Museums And Monuments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70	National Council of Arts and Culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71	National Examinations Council	-	-	-	-	-	3,600	6,000	-	478	-	500	-	-	-	-	10,578
72	National Film and Video Censors Board	-	-	-	-	-	31,835	4,282	-	6,000	-	6,000	-	-	-	-	48,117
73	National Food Reserve Agency	-	-	-	-	-	-	-	-	-	-	6,830	-	-	23,074	-	29,904
74	National Information Technology Devt. Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75	National Inland Waterways Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000	-	1,500,000
76	National Institute for Policy and Strategic Studies	-	-	18,000	-	-	-	-	-	-	-	-	-	-	925,740	-	943,740
77	National Institute of Hospitality & Tourism Devt. Studies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
78	National Insurance Commission	-	-	-	-	-	665,735	495,000	-	-	-	511,097	-	-	250,000	-	1,921,832





**Table 4.1: List of Schedule Corporations and Operating Surplus Remittance to FGN Consolidated Revenue Fund**

S/N	AGENCIES	2007 - 2010	2011	2012	2013	2014	2015	2016	TOTAL
		N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
79	National Lottery Regulatory Commission	-	-	-	12,255	5,000	50,708	-	67,962
80	National Lottery Trust Fund	-	-	-	-	-	-	-	-
81	National Quarantine Services	-	-	-	-	-	-	-	-
82	National Security and Civil Defence Corps	-	-	-	-	-	-	-	-
83	National Seeds Council	-	-	-	-	-	-	-	-
84	National Space Research and Development Agency	-	-	-	-	-	-	-	-
85	National Sports Commission	-	-	-	-	-	-	-	-
86	National Steel Development Fund	-	-	-	-	-	-	-	-
87	National Steel Raw Materials Development Agency	-	-	-	-	-	-	-	-
88	National Theatre, Iganmu Lagos	-	-	-	-	-	-	-	-
89	National Water Resources Institute	-	-	-	-	-	-	-	-
90	News Agency of Nigeria	-	-	81,754	97,733	49,916	45,856	3,619	278,878
91	Nigerian Atomic Energy Commission	-	-	-	-	-	-	-	-
92	Nigeria Communication Satellite	-	-	-	-	-	-	-	-
93	Nigeria Content Development and Monitoring Board	-	-	-	-	-	-	-	-
94	Nigeria Integrated Water Resources Mgt. Commission	-	-	-	-	-	-	-	-
95	Nigerian Agriculture Insurance Corporation	-	-	33,324	16,700	16,624	-	-	66,647
96	Nigerian Building and Roads Research Institute	-	-	-	-	-	-	-	-
97	Nigerian Copyright Commission	-	25,323	-	-	1,997,682	-	-	2,023,005
98	Nigerian Export Processing Zones Authority	-	-	-	-	83,345	75,041	56,945	215,331
99	Nigerian Export Promotion Council	-	-	-	-	-	9,289	1,108,342	1,117,631
100	Nigerian Film Corporation	-	-	-	-	-	500	663	1,163
101	Nigerian Geological Survey Agency	-	-	-	-	-	-	-	-
102	Nigerian Institute of Transport Technology	-	-	-	-	-	-	-	-
103	Nigerian Investment Promotion Council	-	-	-	-	-	-	1,000,000	1,000,000
104	Nigerian Maritime Academy of Nigeria	-	-	-	-	-	-	-	-
105	Nigerian Nuclear Regulatory Authority	-	-	-	134,362	-	154,215	29,630	318,207
106	Nigerian Press Council	-	-	-	-	-	-	-	-
107	Nigerian Railway Corporation	-	-	-	-	-	-	-	-
108	Nigerian Television Authority	-	-	70,000	67,000	30,000	25,726	751	193,476
109	Ogun/Osun River Basin Development Authority	-	-	-	-	-	-	-	-
110	Oil and Gas Free Zone Authority	-	-	-	-	197,840	61,871	46,822	306,533
111	Okumu National Park	-	-	-	-	-	-	-	-
112	Old Oyo National Park	-	-	-	-	-	-	-	-
113	Petroleum Product Pricing Regulatory Agency	-	-	1,376	8,539	47,837	549,898	645,343	1,252,994
114	Small and Medium Enterprise Devt. Agency of Nigeria	-	-	-	-	-	-	-	-
115	Sokoto Rima River Basin Development Authority	-	-	-	-	-	-	-	-
116	Standards Organisation of Nigeria	-	72,606	-	115,668	7,813	4,608	-	200,694



**Table 4.1: List of Schedule Corporations and Operating Surplus Remittance to FGN Consolidated Revenue Fund**

S/N	AGENCIES	2007 - 2010	2011	2012	2013	2014	2015	2016	TOTAL
		N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
117	Tafawa Balewa Square Management Board	-	-	-	-	-	-	-	-
118	Tertiary Education Trust Fund	-	-	-	575,000	425,151	1,641	1,000,000	2,001,792
119	Upper Benue River Basin Development Authority	-	-	-	-	-	-	-	-
120	Upper Niger River Basin Development Authority	-	-	-	-	-	-	-	-
121	Voice of Nigeria	-	-	-	-	-	-	-	-
122	Nigeria Drug Law Enforcement Agency	-	-	-	-	-	-	20,000	20,000
	<b>TOTALS</b>	<b>151,945,014</b>	<b>13,851,092</b>	<b>132,468,670</b>	<b>153,511,531</b>	<b>244,985,334</b>	<b>323,560,795</b>	<b>253,613,291</b>	<b>1,273,935,727</b>







CHAPTER

5

IMPLEMENTING FISCAL  
RESPONSIBILITY IN  
THE STATES



## CHAPTER FIVE

## IMPLEMENTING FISCAL RESPONSIBILITY IN THE STATES

It is noteworthy that Sec. 54 of the Fiscal Responsibility Act, 2007 provides that the Federal Government may provide such technical and financial assistance to as many States and Local Governments that show willingness to adopt similar Fiscal Responsibility Legislation along the same lines as the Act. The technical assistance is principally provided by the Commission. However, it is pertinent to state that much as the Act applies in its entirety to the Federal Government and its Agencies, in the areas of Public Debt, Indebtedness, Borrowings, Banking, Currency, Savings and Assets Management, the Act covers the three tiers of government as those matters mainly fall within the Exclusive Legislative List in the 1999 Constitution (as amended).

A recap of certain Sections intended to persuade the States and Local Governments to adopt principles contained in the FRA, 2007 are:

- **Section 17:** States and Local Governments that so desire shall be assisted by the Federal Government to manage their fiscal affairs within the Medium-Term Expenditure Framework.
- **Section 20:** In preparing their annual budget, States and Local Governments may adopt Part II (Annual Budget) with such modification as may be necessary.
- **Section 31:** In implementing their annual budget, States and Local Governments may adopt the provisions of Part IV (Budgetary Planning of Corporations and other Related Agencies) with such modifications as may be necessary and appropriate.
- **Section 40:** In incurring public expenditures, States and local Governments may adopt the provisions on Public Expenditure with modification as may be appropriate.

In 2016, the Commission received a request from the Taraba State Fiscal Responsibility Commission to make some suggested input to plans to amend the Taraba State Fiscal Responsibility Law, 2011. The Commission happily obliged through its Legal Unit and the gratifying result is a much improved and effective Legislation which was duly passed by the Taraba State House of Assembly and assented to by the State Governor, H.E Darius Ishaku on 9th August, 2016. The Commission's readiness to provide requisite technical assistance to any requesting State or Local Govt. is unquestionable.

The Commission has continued take advantage of every available opportunity, in-spite of dwindling and insufficient funding, to rigorously deliver and extend its advocacy on the critical importance of States and Local Governments being full partakers of the regime of fiscal responsibility in order to deepen the principles of prudence, transparency and accountability at States and Local Governments levels which jointly account for approximately 52% of federally distributable revenue by way of statutory allocations, through the enactment of effective Fiscal Responsibility Legislations that would regulate the management of their revenues and expenditure.

The regular hosting of top officials of States' FRCs by the Commission provide a veritable avenue for sharing technical knowledge and exchanging operational experiences in a whole range of fiscal activities that impact on the achievement of the Commission's mandate. Yobe State FRC came calling during the year under review. At such study visits/tours, extensive interactions are held on wide-ranging issues with the various Directorates in the Commission on day-to-day operations, strategies and other important matters geared towards bringing about a general improvement in the Commissions' deliverables.

Moreover, during the year, the Commission, in collaboration with the University of Abuja (UNI-ABUJA) organized a two-day National Stakeholders' Consultative Forum with the theme *"Building a Strategic Framework for the Reduction of the Cost of Governance at all tiers Government in Nigeria"* at the NAF Conference Centre & Suites Kado, Abuja in October, to which officials from the Presidency, States & LGs, the MDAs, Development Agencies and the Academia from across the country were invited to brainstorm on the most cost effective way of conducting Government business. The primary focus of the Forum was, amongst others, to develop and build appropriate legislative, legal



and policy framework for public sector financial management reforms, and to strengthen the Fiscal Responsibility Act, 2007 for maximum impact in Nigeria. At the end of the seven intensive sessions held during the Forum, a Communiqué was issued pointing the way forward on some salient issues impacting on the costs of Governance at the Local, State and Federal Government levels. A copy of the Communiqué is attached as “Appendix A”.

Some of the key factors identified as contributing to the high cost of Governance in Nigeria at the Forum include the following:

- Frivolous/Unnecessary duplication of expenditure in an over bloated public service/political appointees which has made Recurrent expenditure to consistently be astronomically higher than the Capital expenditure in the Budget.
- Wasteful and luxurious items in government spending, making the Country's cost of contracting the highest in the world.
- High inflation; endemic corruption/ misuse of public funds.
- Non-compliance with existing regulatory and legal framework in the procurement process as well as a lack of central data/information on procurement.
- Uncoordinated fiscal planning policies as well as a lack of synergy between monetary and fiscal policy.
- Fiscal indiscipline; Delayed/ Abandonment of Projects.
- Over dependence on revenue from sale of crude.

As a duly acknowledged and credible preventive anti-corruption Agency, the Commission has continued to participate in and make well-received presentations in a number of National Workshops, Seminars and Conferences on Corruption prevention and Good Governance organized by various local and international organizations including the World Bank, the US Embassy, the Economic and Financial Crimes Commission (EFCC), as well as other government Agencies. Also, as a member of the Inter-Agency Task Team (IATT

of Anti-Corruption Agencies) under the Technical Unit on Governance and Anti-Corruption Reforms (TUGAR), the Commission has continued to play its part in all the programmes and events organized by TUGAR, particularly the annual United Nations International Anti-Corruption Day which is commemorated on the 9th of December of every year.

Recognizing the critical importance of a robust fiscal framework as an indispensable tool for deepening fiscal prudence and transparency in public expenditure, especially against the background of the increasing inability of most States in the Federation to meet their basic obligation of paying the monthly salaries of their workers, with many States in arrears of upwards of six months of unpaid salaries, pensions and other obligations, the Federal Ministry of Finance, with the support of the Commission, approved and issued the Fiscal Sustainability Plan (FSP) aimed at addressing issues of fiscal responsibility and financial prudence, especially at State level, as part of the Federal Government's on-going fiscal responsibility reform.

The FSP highlights five (5) key strategic objectives which are: To improve Accountability & Transparency; To Increase Public Revenue; To Rationalize Public Expenditure; To Improve Public Financial Management; Sustainable Debt Management. Also, the five strategic objectives were broken down into 22 recommended action points in order to achieve both short-term and long-term fiscal sustainability objectives of especially the State Governments who are desiring to access bail-out funds from the Federal Govt. State Governments which sign-up to the Plan are expected from 2016 onwards to abide by the 22 points articulated in the FSP, which include a requirement to domesticate the Fiscal Responsibility Act in the States that are yet to enact their own law.







## CHAPTER

# 6

## TRANSPARENCY AND ACCOUNTABILITY



## CHAPTER SIX

## TRANSPARENCY AND ACCOUNTABILITY

Sections 48-50 of the Fiscal Responsibility Commission, 2007 provide for transparency and accountability in fiscal transactions.

These sections provide, among other things, that the:

- i. Federal Government shall ensure that its fiscal and financial affairs are conducted in a transparent manner, and accordingly, to ensure full and timely disclosure and wide publication of all its transactions and decisions involving public revenues and expenditures as well as their implications for its finances;
- ii. NASS should ensure transparency during the preparation and discussion of the MTEF, Annual Budget and Appropriation Bill;
- iii. Federal Government shall publish their audited accounts not later than six months following the end of the financial year and in the mass media not later than seven months following the end of the financial year;
- iv. Publication of General Standards for the consolidation of public accounts shall be the responsibility of the OAGF;
- v. Federal Government, through the BOF, shall within 30 days after the end of each quarter publish a summarized report on budget execution in such form as may be prescribed by the FRC;
- vi. Minister of Finance shall publish, not later than six months after the end of the financial year, a consolidated budget execution report



showing implementation against physical and financial targets. The consolidated report shall be submitted to NASS and disseminated to the public.

The Federal Government attempted to be more transparent in its Fiscal transactions in 2016.

- i. The procedures for the preparation of MTEF and Annual Budget were stepped up with increased consultations with the States and the public as required by the FRA 2007. It is however suggested that consultations should be held prior to submission of the draft MTEF to the Federal Executive Council in order that government is better advised about the desirability of the developmental needs of the states.
- ii. There has still not been a clear policy on the continued maintenance of the ECA in view of the SWF.
- iii. The publication of the FG accounts is still in arrears and there was no evidence of publications in the mass media and the website of the Federal Ministry of Finance.



Ag. Chairmen of FRC and EFCC at 2016 World Anti-Corruption day in Abuja



Despite promptings from the Fiscal Responsibility Commission, the Federal Government audited financial statements are not published in the mass media as and when due in line with the requirements of FRA 2007.

With regard to the production of quarterly budget implementation reports and consolidated budget execution reports, the Federal Government, through the BOF and Minister of Budget and National Planning, has reasonably ensured compliance. However, most of the reports were late and not officially submitted to the Commission but downloaded from the BOF website. This did not give the Commission the opportunity to effectively comment on the reports for guidance and remedial actions that may be required in subsequent quarters implementation reports.

In the circumstances, it is observed that the issues of transparency and accountability have to be taken more seriously to ensure integrity in government activities across all MDAs.



CHAPTER

7

COMMUNICATION, RESEARCH  
AND DISSEMINATION OF  
STANDARDS



## CHAPTER SEVEN

# COMMUNICATION, RESEARCH AND DISSEMINATION OF STANDARDS

The Fiscal Responsibility Commission based on its mandate continued to gather and analyse data from annual budgets and financial reports of FCT and the 36 States of the Federation.

The goal of this exercise stems from the broad mandate of the Commission which specifically is to “Provide for prudent and transparent fiscal management of the Nation's resources”. The fiscal stability of the National Economy is dependent on the sound fiscal state of the federating units that spend over 48% of total revenues shared monthly from the federation account in the Country. Therefore, an analysis of the consolidated expenditure and revenue profile of federating units is important for resultant macroeconomic indices required for fiscal and monetary policies and decision making for the stabilization of the economy.

The Commission since 2010 has been collating data covering many years; complete information for the more recent years is still not available. So far, the most complete set of data are for 2010 fiscal, and 2013 statistics from budgets and financial reports for 24 States of the Federation.

The analysis undertaken is therefore comparative analysis of recurrent and capital expenditure of 24 States for 2010 and 2013. The objective is to compare performance in the two years and also ascertain if the states have met the UNDP 70:30 - Capital and Recurrent ratio recommendation for budgets in economies such as Nigeria.

### 7.1 COMPARATIVE ANALYSIS OF STATES CAPITAL AND RECURRENT EXPENDITURE

The rising public expenditures have become a major source of policy concern in Nigeria in recent times. Specifically, one of the policy thrust of every



administration in the recent past is to seek ways to reduce the cost of governance through cut in government recurrent expenditure such as the cost of running public administration, salaries and wages, overheads. The current public sector fiscal problems appear to have placed a severe stress on public funding of capital projects especially basic infrastructure. As a matter of fact, there is a general consensus that no country can attain meaningful development by jerking up its recurrent expenditure to the detriment of capital expenditure.

The UNDP advocates for 70:30 ratio of capital to recurrent expenditure in budgeting for developing countries, in order to achieve growth through the provision of capital goods. The tables below compare the levels of expenditure on capital and recurrent items from 24 States of the Federation.

**Table 7.1: 2010 Capital and Recurrent Expenditure of States**

State	Expenditure				
	Capital		Recurrent		Cap. : Recurr.
	Nbn	%	Nbn	%	Ratio
Akwa Ibom	211.56	83.95	40.45	16.05	84 : 16
Abia	13.25	33.95	48.98	66.05	34 : 66
Bauchi	46.38	46.82	52.68	53.18	47 : 53
Bayelsa	41.88	20.76	159.85	79.24	21 : 79
Benue	14.94	28.44	37.59	71.56	28 : 72
Delta	106.72	47.02	120.24	52.98	47 : 53
Ebonyi	17.17	33.95	33.4	66.05	34 : 66
Edo	29.32	42.72	39.32	57.28	43 : 57
Ekiti	10.77	25.49	31.48	74.51	25:75
Enugu	27.85	41.85	38.7	58.15	25 : 75
Gombe	23.96	42.38	32.57	57.62	42 : 58
Imo	23.97	33.9	46.73	66.1	34 : 66
Jigawa	33.1	50.96	31.85	49.04	51 : 49
Kebbi	38.12	67.41	18.43	32.59	67 : 33
Kogi	24.73	52.07	22.76	47.93	52 : 48
Lagos	245.17	63.04	143.72	36.96	63 : 37





State	Expenditure				
	Capital		Recurrent		Cap. : Recurr.
	Nbn	%	Nbn	%	Ratio
Nassarawa	9.07	21.63	32.87	78.37	22 : 78
Niger	18.39	34.26	35.29	65.74	34 : 66
Ondo	57.31	61.65	35.64	38.35	62 : 38
Osun	50.58	62.07	30.91	37.93	62 : 38
Oyo	30.12	43.33	39.39	56.67	43 : 57
Plateau	18.04	35.76	32.41	64.24	36 : 64
Sokoto	39.62	64.2	22.09	35.8	64 : 36
Yobe	20.45	47.57	22.5	52.43	48 : 52

*Source: 2010 Annual Financial Statements of States*

The table 7.1 shows Akwa-Ibom as the only State of the Federation in 2010 that met the UNDP 70:30 recommendations on Budget allocation. While Kebbi (67:33), Sokoto (64:36), Lagos (63:37), Osun (62:38) and Ondo (62:38) States were close to achieving the 70:30 UNDP recommendation ratio. This is a serious challenge as the country is in dire need of capital expenditure to boost infrastructural development, industrialization and thus economic growth.

Most of the States expended more funds for recurrent expenditure primarily on personnel and administrative costs. This implies that States do not spend substantial amounts on capital goods that will translate to economic growth.

From table 7.7 eleven States have almost equal capital and recurrent expenditure ratios. Sokoto, Osun, Kano, Yobe, Plateau and Imo States spent over 50% on capital expenditure while, Gombe, Ebonyi, Benue, Delta and Jigawa States spent slightly below 50% on capital goods.

**Table 7.2: 2010 States with relatively High Recurrent Expenditures**

State	Expenditure				
	Capital		Recurrent		Cap. : Recurr.
	Nbn	%	Nbn	%	Ratio
Bayelsa	41.88	20.76	###	79.24	21 : 79
Nassarawa	9.07	21.63	32.87	78.37	22 : 78
Ekiti	10.77	25.49	31.48	74.51	25 : 75
Benue	14.94	28.44	37.59	71.56	28 : 72
Ebonyi	17.17	33.95	33.40	66.05	34 : 66
Imo	23.97	33.9	46.73	66.1	34 : 66
Niger	18.39	34.26	35.29	65.74	34 : 66
Abia	13.25	33.95	48.98	66.05	34 : 66
Plateau	18.04	35.76	32.41	64.24	36 : 64

*Source: 2010 Annual Financial Statements States*

Table 7.2 aptly shows that Bayelsa (21:79), Nasarawa (22:78), Ekiti (25:75), Benue (28:72), Ebonyi (34:66), Imo (34:66), Niger (34:66), Abia (34:66) and Plateau (34:66) States spent over sixty per cent (60%) on recurrent expenditure. This makes a mockery of the Capital expenditure and provides reason for the harvest of abandoned projects and poor maintenance of the existing ones.

**Table 7.3: 2010 States that are close to Achieving the 70:30 UNDP Ratio**

State	Expenditure		
	Capital	Recurrent	Cap. : Recurr.
	Nbn	Nbn	Ratio
Kebbi	38.12	18.43	67 : 33
Sokoto	39.62	22.09	64 : 36
Lagos	245.17	143.72	63 : 37
Osun	50.58	30.91	62 : 38
Ondo	57.31	35.64	51 : 38

*Source: 2010 Annual Financial Statements of States*





Table 7.3 indicates that, Kebbi, Sokoto, Lagos and Ondo States have an average ratio of 67.36 which is close to meeting UNDP 70:30 recommendation on Budget allocation for capital and recurrent expenditure. It is therefore, imperative that concerted efforts be made by these States to achieve the UNDP recommendation. This is premised on the fact that, the capital expenditure is not enough to push their economies in the direction of sustainable economic growth.

**Table 7.4: 2013 Capital and Recurrent Expenditures of States**

State	Expenditure				
	Capital		Recurrent		Cap. : Recurr.
	Nbn	%	Nbn	%	Ratio
Akwa Ibom	264.63	66.42	133.8	33.58	66 : 34
Abia	14.54	15.46	79.48	84.54	15 : 85
Bauchi	12.46	16.33	63.83	83.67	16 : 84
Bayelsa	101.61	37.07	172.52	62.93	37 : 63
Benue	39.1	46.9	44.26	53.1	47 : 53
Cross River	68.97	62.29	41.76	37.71	62 : 38
Delta	153.83	46.73	175.33	53.27	47 : 53
Ebonyi	29.44	44.5	36.71	55.5	45 : 55
Edo	40.62	71.21	36.32	63.68	36 : 64
Ekiti	20.05	25.9	57.35	74.1	26 : 74
Enugu	31.65	32.51	65.7	67.49	33 : 67
Gombe	34.21	41.57	48.09	58.43	42 : 58
Imo	49.25	50.27	48.73	49.73	50 : 50
Jigawa	49.6	48.09	53.54	51.91	48 : 52
Kaduna	27.47	17.46	129.85	82.54	17 : 83
Kano	67.96	52.86	60.6	47.14	53 : 47
Kebbi	50.01	66.96	25	33.04	67 : 33
Kogi	16.26	25.96	46.37	74.04	26 : 74
Lagos	339.74	63.22	197.65	36.78	63 : 37
Nasarawa	14.49	24.05	45.75	75.95	24 : 76
Niger	18.83	28.13	48	71.87	28 : 72
Ondo	27.54	29.76	65	70.24	30 : 70
Osun	81.99	58.14	59	41.86	58 : 42
Oyo	31.28	30.84	70.14	69.16	31 : 69
Plateau	53.3	55.27	43.14	44.73	53 : 45
Sokoto	43.4	57.61	31.93	42.39	58 : 42
Yobe	34.22	51.08	32.77	48.92	51 : 49

Source: 2013 Annual Financial Statements of States



Table 7.4, clearly shows that, no single State met the UNDP 70:30 recommendation on Budget allocation of capital and recurrent expenditure in 2013. However, only Lagos (63:37), Kebbi (67:33), Akwa-Ibom (66:34) and Cross River (62:38) states were close to the UNDP recommendation.

**Table 7.5: 2013 States with relatively high Recurrent Expenditures**

State	Expenditure					
	Capital		Recurrent		Total	
	Nbn	%	Nbn	%	Nbn	%
Ekiti	20.05	25.90	57.35	74.10	77.40	100.00
Ondo	27.54	29.76	65.00	70.24	92.54	100.00
Oyo	31.28	30.84	70.14	69.16	101.42	100.00
Abia	14.54	15.46	79.48	84.54	94.02	100.00
Enugu	31.65	32.51	65.70	67.49	97.35	100.00
Bayelsa	101.61	37.07	172.52	62.93	274.13	100.00
Edo	40.62	36.32	71.21	63.68	111.83	100.00
Kaduna	27.47	17.46	129.85	82.54	157.32	100.00
Bauchi	12.46	16.33	63.83	83.67	76.29	100.00
Kogi	16.26	25.96	46.37	74.04	62.63	100.00
Nasarawa	14.49	24.05	45.75	75.95	60.24	100.00
Niger	18.83	28.18	48.00	71.82	66.83	100.00
Gombe	34.21	41.57	48.09	58.43	82.30	100.00
Benue	39.10	46.90	44.26	53.10	83.36	100.00
Ebonyi	29.44	44.50	36.71	55.50	66.15	100.00
Delta	153.83	46.73	175.33	53.27	329.16	100.00
Jigawa	49.60	48.09	53.54	51.91	103.14	100.00

*Source: 2013 Annual Financial Statements of States*

From Table 7.5, Abia (85%), Bauchi (84%), Kaduna (83%), Niger (72%), Ondo (70%), Nasarawa (76%) and Ekiti (74%) States expended higher on recurrent items than the rest of the states. These rising recurrent expenditures has become a major source of concern in Nigeria in recent times as measures are being employed by States to reduce the recurrent bill through the use of ICT to detect ghost workers, double earnings by public servants and all manners of corruption to plug leakages. There is near collapse of many sectors such as health, education





and other growth promoting sectors in most States. This calls for a restructuring of the public sector for more efficiency and free up resources for capital development.

**Table 7.6: 2013, States close to Achieving the 70:30 UNDP Ratio**

State	Expenditure		
	Capital	Recurrent	Cap. : Recurr.
	Nbn	Nbn	Ratio
Lagos	339.74	197.65	63 : 37
Akwa Ibom	264.63	133.8	66 : 34
Cross River	68.97	41.76	62 : 38
Kebbi	50.01	25.00	67 : 33

*Source: 2013 Annual Financial Statements of States*

Table 7.6 shows that Lagos, Akwa-Ibom, Cross-River and Kebbi States are close to meeting the UNDP recommendation in 2013. Lagos spent 63% on capital expenditure and 37% on recurrent while Akwa Ibom spent 66% on capital expenditure and 34% on recurrent expenditure, Cross River spent 63% on capital expenditure and 38% on recurrent expenditure and Kebbi State spent 67% and 33% on capital and recurrent expenditure respectively.

**Table 7.7: 2013 States with Almost Equal Capital and Recurrent Ratios**

State	Expenditure		
	Capital	Recurrent	Cap. : Recurr.
	Nbn	Nbn	Ratio
Gombe	34.21	48.09	42 : 58
Yobe	34.22	32.77	51 : 49
Benue	39.1	44.26	47 : 53
Plateau	53.3	43.14	55 : 45
Osun	81.99	59	58 : 42
Ebonyi	29.44	36.71	45 : 55
Imo	49.25	48.73	50 : 50
Delta	153.83	175.33	47 : 53
Jigawa	49.6	53.54	48 : 52
Kano	67.96	60.6	53 : 47
Sokoto	43.4	31.93	58 : 42

*Source: 2013 Annual Financial Statements of States*



From table 7.7 eleven States have almost equal capital and recurrent expenditure ratios. Sokoto, Osun, Kano, Yobe, Plateau and Imo States spent over 50% on capital expenditure while, Gombe, Ebonyi, Benue, Delta and Jigawa States spent slightly below 50% on capital goods.

Table 7.8 shows the Capital/Recurrent ratios for the 24 states in 2010 and 2013.

**Table 7.8: 2010 and 2013 Capital and Recurrent Expenditures Ratios**

State	Capital : Recurrent Ratio	
	2010	2013
	Ratio	Ratio
Akwa Ibom	84 : 16	66 : 34
Abia	34 : 66	15 : 85
Bauchi	47 : 53	16 : 84
Bayelsa	21 : 79	37:63
Benue	28 : 72	47:53
Delta	47 : 53	47 : 53
Ebonyi	34 : 66	45 : 55
Edo	43 : 57	36 : 64
Ekiti	25:75	26 : 74
Enugu	25 : 75	33 : 67
Gombe	42 : 58	42 : 58
Imo	34 : 66	50 : 50
Jigawa	51 : 49	48 : 52
Kebbi	67 : 33	67 : 33
Kogi	52 : 48	26 : 74
Lagos	63 : 37	63 : 37
Nassarawa	22 : 78	24 : 76
Niger	34 : 66	28 : 72
Ondo	62 : 38	30 : 70
Osun	62 : 38	58 : 42
Oyo	43 : 57	31 : 69
Plateau	36 : 64	55 : 45
Sokoto	64 : 36	58 : 42
Yobe	48 : 52	51 : 49

*Source: 2010 and 2013 Annual Financial Statements of States*



From table 7.8 Akwa-Ibom (84:16) met the UNDP target in 2010 but the ratio was dropped to 66:34 in 2013. Lagos and Kebbi States maintained same ratios in 2010 and 2013. While, Osun and Sokoto States that were close to achieving the recommendation in 2010 reduced capital expenditure by 4 per cent and 6 per cent respectively. Nasarawa, Niger, Ekiti, Abia and Bayelsa maintained high recurrent expenditure in 2010 and 2013.

For an economy that is richly endowed with human and natural resources with over 50 per cent of her population in abject poverty (Ojowu, 2007), one would expect that the share of capital expenditure will outweigh recurrent expenditure considering the strategic role capital goods and services play in economic growth and human development, but this is not the case in the States considered.

The analysis revealed that in 2010 and 2013, expenditure of State governments continued to increase, with the structure now skewed in favour of recurrent expenditure. It can be argued that, since the return to democracy in 1999 there has been significant increase in government recurrent expenditure. The cost of administration in this clime, has also stirred up debate in the country on the operation and implementation of the presidential system of Government. Wage bill increase is observed as one of the key components that has led to high recurrent expenditure and also the continued demand for wage increase by various labour unions.

## 7.2 FINDINGS

- i. Most States expended more funds on recurrent expenditure primarily on personnel and administrative costs. This implies that States spend less on capital goods and services that will translate to economic growth and development.
- ii. Akwa-Ibom is the only State of the Federation in 2010 that met the UNDP 70:30 recommendation on Budget allocation. The capital and recurrent expenditure of all the twenty four States considered only one state met the recommendation, while no single state met the recommendation in 2013. This is a serious challenge for the national economy, as the country and all its federating units are in dire need of capital goods and services to boost infrastructural development, industrialization and thus economic growth.
- iii. Only four States were close to meeting the UNDP recommendation in 2013.

Lagos spent 63% on capital expenditure and 37% on recurrent while Akwa-Ibom spent 66% on capital expenditure and 34% on recurrent expenditure, Cross River spent 63% on capital expenditure 38% on recurrent expenditure while Kebbi State expended 67% and 33% on capital and recurrent expenditure respectively.

- iv. Eleven States in 2013, had almost equal expenditure ratio of Capital to recurrent expenditure. While Sokoto, Osun, Kano, Yobe, Plateau and Imo States spent over 50% on capital expenditure. The other States spent less than 50% on capital goods and services.

### 7.3 RECOMMENDATIONS

- States must make deliberate effort to budget 70:30 for capital and recurrent expenditure respectively as this will improve infrastructural development and enhance economic growth,
- States should apply information technology software to sanitize the payroll in order to plug leakages and have the real statistics of workers' wages, allowances and pension bills,
- States can take advantage of section 17 and 40 of FRA 2007 in the management of their fiscal affairs within the medium-term expenditure framework and,
- An effective MTEF by States will improve project financing and completion and also improve the benefits of government projects to the citizens.







CHAPTER

8

ENFORCING FISCAL  
RESPONSIBILITY



## CHAPTER EIGHT

## ENFORCING FISCAL RESPONSIBILITY

Bearing in mind that the provisions of FRA, 2007 substantially apply to the Federal Government and its Agencies except in the areas of Debts, Indebtedness and Borrowings in which the Act applies to all the tiers of government, the Commission's enforcement efforts at present, had been mainly persuasive in nature especially in the absence of appropriate sanctions/punishment for violations in the current Act.

However, as a way of actualizing the provision of Section 2(1) of the Act, in its enforcement regime, the Commission has initiated a collaboration with the Economic and Financial Crimes Commission (EFCC) which will, among others, require the EFCC to render necessary assistance to the FRC when called upon to do so in the area of conducting certain investigation or enforcement operation in which the expertise, capacity and facilities of the EFCC will be most needful in order to ensure effective success. A Memorandum of Understanding in that regard has been drawn-up and awaiting execution.

### 8.1 ENGAGEMENT WITH SCHEDULED CORPORATIONS/AGENCIES

In addition to the Commission's regular and periodic engagement with Chief Executive Officers/Accounting Officers and top level management officials of particular Agencies/Corporations in scheduled meetings, usually covered by the Press, at its headquarters, with the aim of addressing specific issues of non-compliance with certain provisions of the Act, the Commission has also adopted the strategy of collaborating with both the Ministry of Finance and the Office of the Accountant-General of the Federation in ensuring that defaulting Agency are made to remit into the CRF the accurate amount due and payable from the Agencies/Corporations as Operating Surplus as well as verifying the status of any amounts previously paid or claimed to have been paid.

This strategy, leveraging on the Treasury Single Account policy of the Federal Government, has the potential of dramatically increasing the level of compliance by the Corporations of their obligation to pay operating surpluses.

Also, the Commission has articulated and developed a Standard Template for calculating Operating Surplus with inputs from major stakeholders like the Central Bank of Nigeria (CBN), Office of the Accountant-General of the Federation OAGF), Office of the Auditor-General of the Federation OAGF), the Civil Society, ICAN, ANAN, Budget Office of the Federation, External Auditors, Experts and Financial Consultants. The Honorable Minister of Finance through the Office of the Accountant-General of the Federation has duly issued a Treasury Circular Ref: No. TRY AI0 and BI0/2016 (OAGF/CAD/026/V.111/101) of November 22, 2016 to give effect to the use of the template for calculating Operating Surplus.

As a way of boosting the Independence Revenue generation capacity of the Federal Government as well as bringing more Agencies and FG owned Corporations into the Schedule to the FRA, 2007, the Hon. Minister of Finance, after due consultation with the Commission, in exercise of her powers under Act, and vide the Finance Circular Ref. No: FMF/HMF/2016/1 dated 21st November, 2016, added a total of 92 new Agencies and Corporations into the list of contained in the Schedule to the Act. The Commission has begun reaching out to the newly added Agencies and informing them of their obligations under the FRA, 2007.

## **8.2 CITIZENS PARTICIPATION IN MONITORING & ENFORCING THE ACT**

The Commission has continued to enlighten the public at every opportunity on the importance of taking advantage of Section 51 of the FRA, 2007 which confers on every citizen (including Civil Society Groups/Organizations the legal capacity to seek prerogative orders of the Federal High Court in the enforcement of the provisions of the Act.

Sensitizing and partnering with community based civil organizations and other citizen-agents for the purpose of monitoring certain Federal Govt. on-going projects contained in the capital budget is very much on course. The goal is to get responsible residents of the host communities to be actively involved in



periodically monitoring and reporting on the progress or otherwise of the projects to the Commission for appropriate action.

Furthermore, in course of the Commission's scheduled physical inspection/verification visits to selected capital projects covered in the national budget, sometimes, deliberate efforts are made to engage with the local Residents of the area and get their perspective on both the relevance of the project to their livelihoods as well as their views on the positive impact or otherwise of the citing of the project in their locality.

### **8.3 PENDING LITIGATIONS & EFFORTS TOWARDS THE AMENDMENT OF FRA, 2007**

The Commission was not involved in any new litigation in 2016. However, Appeal No: CA/A/375/2012 – Charles Musa & Co vs. Fiscal Responsibility Commission which arose from a previous suit at the Federal High Court, Abuja against the Commission and in which the Plaintiff/Appellant lost, is still pending at the Supreme Court.

The present administration has demonstrated a commendable interest in supporting the clarion call for the strengthening of the FRA, 2007 through relevant amendment. Already, the Minister of finance with the support of the Minister of Budget & National Planning has sought for Presidential approval to direct the Federal Ministry of Justice to present, by way of an Executive Bill to the National Assembly, proposals to amend and strengthen the Fiscal Responsibility Act, 2007.

It is the Commission's hope that with the support of the Government and its ongoing engagement with the Leadership of the National Assembly, the much desired amendment would soon be a reality.

### **8.4 INVESTIGATION OF INFRACTIONS TO THE FRA, 2007**

The process of restructuring Commission's Investigation Unit is at an advanced stage. A critical aspect of the Commission's soon-to-be-finalized and activated M.O.U/collaboration with the EFCC is focused on leveraging on the experience, capacities and facilities of the EFCC, particularly in the area of forensic auditing



and investigation in order to reorganize, retool and improve the capacity of the Commission's investigation personnel for greater efficiency and effectiveness. The recent inclusion of 92 additional Agencies to the list of Corporations in the Schedule to the F.R.A, 2007 has also underscored the imperative of overhauling the Investigation Unit with the drafting of new personnel for improved performance.

In the past, the major focus of most investigation action involving some of the Scheduled Corporations/Agencies has essentially revolved around issues of non-compliance with the provisions of Part IV, especially Sections 21, 22 and 23 of the Fiscal Responsibility Act (FRA), 2007. This is understandable, bearing in mind the importance of generating independent revenue for the Government through enforcing the payment of Operating Surpluses into the CRF.

However, while the Commission will continue to look into the issues of non-compliance with the part IV of the Act, it would also beam its investigative light into other glaring violations of the Act.

In view of the inordinate delays brought about by several factors, including funding, logistics and other challenges which have characterized most of the lingering/stalled investigations launched by the Commission over three years ago, particularly those involving Agencies like **NIMASA, NCC, FAAN, BPE & NTDC** in which it has been difficult to fully resolve some of the issues regarding the remittance of their outstanding Operating Surpluses, the Commission has now re-strategized by collaborating with the Office of the Accountant-General of the Federation with the support of the Ministry of Finance to jointly engage directly with the leadership of the above named Agencies as well as many others having similar issues with a view to definitively determining the outstanding amounts due from them after deducting any previous interim payments to Government, and thereafter agreeing on an acceptable plan to pay in instalments.

The Treasury Single Account (TSA) policy of the Federal Govt. has become indispensable in facilitating the success of this on-going recovery strategy, which has bridged a hitherto delay-causing gap of the Commission having to always write the OAGF to confirm or refute alleged payment(s) claimed to have been made by the Agencies/Corporations and thereafter await a response before proceeding further.





Ag. Chairman with Rt. Hon Speaker, Yakubu Dogara and Chairman Senate Committee on Local and Foreign Debts Comrade Shehu Sani



CHAPTER  
**9**

INSTITUTIONAL  
STRENGTHENING &  
CAPACITY BUILDING



## CHAPTER NINE

# INSTITUTIONAL STRENGTHENING & CAPACITY BUILDING

The Commission continued with its efforts to proactively carry out its mandate through a number of measures to strengthen its capacity.

### 9.1 MAINTENANCE OF DATA BASE

The Commission's ICT unit maintained the user friendly data base created to warehouse financial data from States and MDAs.

The Commission launched its new website to ease dissemination of information, and sensitize the public on the mandate of the Commission.

### 9.2 COMPUTERIZATION PROJECT

The Commission's ICT Unit continued to manage the WLAN facility, implement hotspot and captive portal on the facility in addition to providing end-user support services.



The Management and Staff at a Capacity Building in Minna





The online real time linkage with relevant stakeholders is also being monitored by the ICT Unit.

### 9.3 TRAINING

In addition to handling general staff matters of the Commission, the Administration Department during the period under review undertook capacity building of Staff on the provisions of FRA 2007, Public Procurement Act, Financial Regulations, Public Service Rules and also issues on Project and Revenue Monitoring. The capacity building programs were tailored to improve staff skills on actualizing the mandate of the Commission.

### 9.4 PROMOTION

The Commission held its first promotion exercise since inception and a total of eighty-four (84) Staff were promoted in all cadres.



Representatives of stakeholders during the reduction of cost of governance workshop at NAF Suites and Conference Center Abuja







# CHAPTER **10**

## CHALLENGES AND PROSPECTS



## CHAPTER TEN

## CHALLENGES AND PROSPECTS

It cannot be therefore overemphasized that a Commission of this magnitude, Fiscal Responsibility Commission, needs adequate funding by the government. This is because, its functions require very intensive public enlightenment programmes entailing workshops, seminars, media campaigns, interactive sessions and projects monitoring etc. To be sure, these projects cannot be carried out with shoe-string budgets that the Commission is being given. For instance, project monitoring and evaluation, which is an important function of the Commission, could not be carried out in 2016 due to lack of funds.

Without mincing words, the Commission has not been given enough funds to effectively prosecute the afore-mentioned mandate. The enormous responsibility the Commission is saddled with requires robust financial resources for effective implementation. But the opposite has always been the case. Inadequate funding has hamstrung the Commission's ability to execute many of its lofty plans. Such plans include carrying out intensive media campaigns and workshops to sensitize the MDAs and the general public on the FRA, 2007 and the need to adhere to its provisions. As a consequence of this, the Commission has not been able to purchase adequate vehicles and equipment to discharge its function effectively.

Furthermore, non-compliance by the MDAs to the provisions of the Act stick out like a sore thumb, especially with regards to payment of Operating Surplus to the Consolidated Revenue Fund.

The Commission has continued to mount pressure on the MDAs to ensure prompt remittance to the treasury. This has become compelling in the face of dwindling revenue from oil.

We look forward to the proposed amendments to the FRA, 2007 being pursued by the National Assembly with great expectation. The proposed amendments, when

finalized, will prescribe punishment for various crimes under the Act. This will effectively complement our current method of 'naming and shaming' and reporting offending bodies to the Attorney General for prosecution.

The Commission continues to have issues with the government with regards to smooth flow of the Budget cycle (as witnessed again in the delayed appropriation of 2016 budget) high budget deficits which continue to threaten the objectives of the Act, non-computing of GDP for states and absence of complete and reliable data base on loans and debt at the Debt Management Office (DMO).

The MTEF, annual budgets, budget implementation reports, contracts awarded are yet to be published and conducted transparently according to the standards and deadline set by the Act. Besides, Nigerian citizens have not fully utilized the FRA, 2007 to seek for their rights. Under section 51, any citizen of Nigeria is empowered to seek the enforcement of the Act in any court of law without showing any special interest in doing so. This section, coupled with the Freedom of Information Act (FOI) provides a veritable platform for citizen's participation in governance.

Anti-graft agencies such as the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and other related offences Commission (ICPC), and the Code of Conduct Bureau (CCB) need to be strengthened to enable them fight financial crime and lend more credibility to the anti-corruption war of the Federal Government.

Though international price of crude oil is picking up, government should not relax in the efforts to diversify the economy towards increased Non-oil revenue and completely move away from over-dependence on Oil revenue for economic planning.

Indeed, independent revenue of the Federal Government still constitutes a paltry 10% or less of the budget and this constitutes a damper to compliance with revenue-based provisions of the Act. However, the steady growth in IGR in recent times gives a glimmer of hope that there is room for improvement.







# ANNEXURE

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER, 2016



**FISCAL RESPONSIBILITY COMMISSION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2016**

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**FISCAL RESPONSIBILITY COMMISSION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2016**

**CORPORATE INFORMATION**

**Acting Chairman**

Victor C. Muruako Esq.

**Management Team**

Acting Chairman:

Head, Monitoring & Evaluation:

Head, Planning, Research & Statistics:

Head, Administration

Head, Policy & Standards:

Head, Internal Audit:

Head, Finance & Accounts:

Deputy Director, Press:

Assistant Director, Internal Audit:

Ag Head, Legal, Investigation and Enforcement:

Ag Head, Strategic Communications:

Victor C. Muruako Esq.

Alh. Mashood Ola Tijani

Hajia Maryam Ilyasu Mohammed

Alh Zailani Muhammed

Mr. Alex Elikwu

Alh. Ibrahim Baba Dauda

Sir. Sampson I. Eletuo

Alh. Abdulganiyu Aminu

Alh. Usman Musa

Barr. Charles Chukwuemeka Abana

Mr. Bede O. Anyanwu

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FCT, Abuja.

**Annex Office:**

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Asokoro District,  
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**Bankers**

Central Bank of Nigeria

Stanbic IBTC Bank Plc

Zenith Bank Plc

First City Monument Bank Plc

**Auditors**

Messrs Ugochuchwu Ukah & Company  
(Chartered accountants)

Suite B3, Abuja Shopping Mall,

Beside Federal Road Safety Headquarters,

Wuse Zone 3,

Abuja.

Tel: 0803-786-5959



**FISCAL RESPONSIBILITY COMMISSION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2016**

**THE COMMISSION**

The Commission was established by Fiscal Responsibility Act No. 31 of 2007 as a corporate body with perpetual succession. The Commission's headquarters is located in Abuja. A chairman with executive powers heads the Commission.

**Principal Activities and Operational Review**

The primary activities of Fiscal Responsibility Commission (FRC) as provided for by the Act are amongst others to:

- a. Monitor and enforce the provisions of this Act and by so doing, promote the economic objectives contained in section 16 of the Constitution;
- b. Disseminate such standard practices including international good practice that will result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in fiscal matters;
- c. Undertake fiscal and financial studies, analyse, diagnose and disseminate the result to the general public;
- d. Make rules for carrying out its functions under the Act; and
- e. Perform any other function consistent with the promotion of the objectives of this Act.

In carrying out the above functions, the Commission is empowered by the Act to:

- a. Formulate and provide general policy guidelines for the discharge of the functions of the Commission;
- b. Superintend the implementation of the policies of the Commission;
- c. Appoint for the Commission such numbers of employees as may in the opinion of the Commission be expedient and necessary for the proper and efficient performance of the functions of the Commission;
- d. Determine the terms and conditions of service in the Commission, including disciplinary measures for the employees of the Commission;
- e. Fix the remuneration, allowances and benefits of the employees of the Commission as approved by Salaries and Wages Commission;
- f. Do other things which in its opinion are necessary to ensure the efficient performance of the functions of the Commission; and
- g. Regulate its proceedings and make standing orders with respect to the holding of its meetings, notices to be given, the keeping of minutes of its proceedings and such other matters as the Commission may, from time to time, determine.



**FISCAL RESPONSIBILITY COMMISSION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2016**

**REPORT OF THE MANAGEMENT**

The management has the pleasure in presenting the report of the financial operation of the Commission for the year ended 31 December, 2016 as follows:

<b>1. Summary of Income and Expenditure</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>₦</b>	<b>₦</b>
Recurrent subventions received during the year	284,222,180	348,347,106
Unspent balance remitted to Federal Sub-Treasury	<u>(90,187)</u>	<u>(1,446,480)</u>
	278,322,187	346,900,626
Personnel costs	128,303,014	159,598,358
Administrative costs	189,100,788	223,865,050
Depreciation	<u>4,849,301</u>	<u>11,323,182</u>
	<u>(322,253,095)</u>	<u>(394,786,590)</u>
Surplus/ (Deficit) for the year	<u>(43,930,909)</u>	<u>(47,885,963)</u>
<b>2. Capital Grants</b>		
Unutilised balance as at 1 January,	- - - - -	- - - - -
Amount received during the year	<u>60,961,594</u>	<u>-</u>
		-
Amount expended during the year	<u>(18,650,945)</u>	<u>-</u>
	35,562,665	-
	-	-
Amount returned to Federal Sub-Treasury – CRF	<u>(35,562,665)</u>	<u>-</u>
Un-utilised balance as at 31 December,	<u>- - - - -</u>	<u>- - - - -</u>

**3. Employment of Disabled Persons**

It is the Commission's policy that there should be no discrimination in considering applications for employment including those from disabled persons. All employees, whether disabled or not, are given equal opportunities.

**4. Health, Safety and Welfare**

Health and safety regulations are in force within the Commission's premises and employees are aware of existing regulations. Staff welfare received adequate attention during the year under review.





**FISCAL RESPONSIBILITY COMMISSION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2016**

**REPORT OF THE MANAGEMENT (CONTINUES)**

**5. Employees Involvement and Training**

The Commission is committed to keeping employees fully informed as much as possible regarding the Commission's performances and progress, and seeking their views whenever practicable on matters which particularly affect them as employees.

- 6.** The Auditors, Messrs Ugochukwu Ukah & Co (Chartered Accountants), have indicated willingness to continue in office.

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**Victor C. Muruako Esq.**  
**ACTING CHAIRMAN**



# UGOCHUKWU UKAH & CO.

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09836379-0001

**REPORT OF THE INDEPENDENT AUDITORS  
TO MEMBERS OF FISCAL RESPONSIBILITY COMMISSION**

We have audited the accompanying financial statements of Fiscal Responsibility Commission for the year ended December 31, 2016 set out on pages 9 to 11 which have been prepared under the historical cost convention and on the basis of the significant accounting policies set out on pages 7 to 8 and other explanatory notes set out on pages 12 to 14.

**Commission's Responsibility for the Financial Statements**

The Commission is responsible for the preparation and fair presentation of these financial statements. This responsibility includes designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Commission's Financial as at December 31, 2016 in accordance with the Statements of Accounting Standards Issued by the Financial Reporting Council of Nigeria and requirements of Fiscal Responsibility Act No. 31 of 2007.

We confirm that:

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary and sufficient for the purpose of our audit.

In our opinion, proper books of account have been kept by the Commission, and the Commission's Statement of Financial Position and Statement of Financial Performance are in agreement with the books of account.

Abuja Nigeria  
30<sup>th</sup> November, 2017

*Godwin U. Ukah* 8702  
Godwin U. Ukah  
FRC/2013/ICAN/0000004755  
For: Ugochukwu Ukah & Co.  
(Chartered Accountants)





**FISCAL RESPONSIBILITY COMMISSION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2016**

**STATEMENT OF ACCOUNTING POLICIES**

The followings were the summary of the significant accounting policies adopted by the Commission in the preparation of the financial statements for the year ended 31 December, 2016:

**Basis of Accounting:**

The accompanying financial statements have been prepared on the historical cost convention in conformity with generally accepted accounting principles.

**Fixed Assets:**

Fixed assets are stated at their historical cost or valuation less accumulated depreciation.

**Research Studies, Capacity Building and Monitoring of Capital Projects:**

Research studies, capacity building and monitoring of capital projects funded from capital grants are capitalised and fully amortized in the period they are incurred.

**Depreciation:**

Depreciation on fixed assets is calculated and provided for on straight line basis to write off the cost/valuation of the assets acquired over their estimated useful lives at the following annual rates:

<b>Items of Fixed Assets</b>	<b>Depreciation Rate (%)</b>
Office Furniture & Equipment	20
Motor Vehicles	25
ICT Facilities and Equipment	331/3
Plant and Equipment	25
Library Books	331/3
Other Capital Items	---

**Stocks (Inventory):**

Stocks are stated at the lower of cost and net realizable value.

**Debtors:**

Debtors are stated at their book value.

**Prepayments:**

All prepayments such as rent are charged to the accounts for the period they cover.

**FISCAL RESPONSIBILITY COMMISSION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2016**

**STATEMENT OF ACCOUNTING POLICIES (CONTINUES)**

**Government Grants / Subventions:**

Capital and recurrent grants / subventions are recognised only when they are received. Capital grants are credited to Capital Fund Account of the Commission, whereas recurrent subventions are credited to income and expenditure account net of amounts returned to Federal Sub-Treasury to meet the operating costs of the Commission.

**Internally Generated revenue:**

Internally generated revenue is recorded when received, or when its realisation in cash is reasonably ascertained. Amounts realised and received are remitted at intervals to the Federal Sub-treasury.

**Foreign Currencies:**

Assets and liabilities in foreign currencies are translated into Naira at the rate of exchange ruling at the date of the Balance Sheet. Transactions in foreign currencies are translated at the appropriate exchange rate ruling at the time they arose.



**FISCAL RESPONSIBILITY COMMISSION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER, 2016**

	Note	2016 N	2015 N
<b>Property, Plant &amp; Equipment</b>	1	2,670,115	7,070,416
Research Studies, Capacity Building & Capital Monitoring	2	-	-
		<u>2,670,115</u>	<u>7,070,416</u>
<b>Current Assets</b>			
Stock	3	17,983,364	8,053,380
Debtors and Prepayments	4	30,739,934	37,896,203
Cash and Bank Balances	5	39,602,737	4,539,839
		<u>88,326,035</u>	<u>50,489,422</u>
<b>Current Liabilities</b>			
Creditors and Accruals	6	88,696,153	53,639,580
		<u>88,696,153</u>	<u>53,639,580</u>
<b>Net Current Assets/(Liabilities)</b>		<u>- 370,118</u>	<u>- 3,150,158</u>
Total Assets Less Current Liabilities		<u><b>2,299,998</b></u>	<u><b>3,920,258</b></u>
<b>Financed By:</b>			
Capital Fund	7	377,005,738	334,695,089
Income and Expenditure Account	8	(374,705,740)	(330,774,831)
		<u><b>2,299,998</b></u>	<u><b>3,920,258</b></u>

The financial statements were approved by the Commission on \_\_\_\_\_ and  
signed on its behalf by:



\_\_\_\_\_  
Acting Chairman

\_\_\_\_\_  
Head, Finance & Accounts

The accounting policies on pages 7 and 8 and the notes on pages 12 to 14 form integral part of these financial statements.



**FISCAL RESPONSIBILITY COMMISSION**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER, 2016**

	Note	2016 N	2015 N
<b>Income</b>			
Recurrent Subvention	9	278,322,187	346,900,626
		-	-
		<u>278,322,187</u>	<u>346,900,626</u>
<b>Expenditure:</b>			
Administrative Expenses:			
Personnel Cost	10	128,303,014	159,598,358
Maintenance Cost	11	22,725,232	29,503,070
Local Travels and Transport		24,244,729	31,394,300
Staff Incentives		-	9,602,118
Stationery, Printing & Consumables		10,649,266	20,552,218
Postages, Fax and Telephone		2,060,000	5,460,582
Office Expenses		21,676,842	27,132,530
Donations and Subscriptions		1,958,141	1,536,500
Advert and Publicity		1,770,000	7,204,000
Rent - Office Building		50,000,000	51,000,000
Staff Training and Development - Local		12,677,030	8,924,500
Honorarium and Sitting Allowance		8,426,908	7,534,447
Bank Charges		-	2,275
Financial, Legal and Other Prof. Consultancy Fees		1,974,800	680,000
Staff Welfare and Recreation		20,946,032	9,949,710
Security Services		7,632,000	11,629,000
Depreciation		4,849,301	11,323,182
Audit Fee & Other Audit Expenses		2,359,800	1,759,800
Total Administrative Expenses		<u>322,253,095</u>	<u>394,786,590</u>
<b>Surplus(Deficit) for the year</b>		<u><u>(43,930,909)</u></u>	<u><u>(47,885,963)</u></u>



**FISCAL RESPONSIBILITY COMMISSION**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR 31 DECEMBER, 2016**

	2016 N	2015 N
<b>Cash Flows Generated From Operations</b>		
Deficit of Income over Expenditure	(43,930,909)	(47,885,963)
Adjustments For Non-Cash Items:		
Depreciation	4,849,301	11,323,182
Cash flows from Operating Activities Before Changes in Working Capital	(39,081,608)	(36,562,781)
<b>Changes In Working Capital</b>		
Decrease/(Increase) in Stocks	(9,929,984)	(896,968)
Decrease/(Increase) in Debtors and Prepayments	7,156,269	14,019,125
Increase/(Decrease) in Creditors and Accruals	35,056,573	25,609,919
<b>Net Cash Flows From Operating Activities</b>	<b>(6,798,750)</b>	<b>2,169,294</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of Fixed Assets	(449,000)	-
Net Cash flows From Investing Activities	(449,000)	-
<b>Cash Flows From Financing Activities</b>		
Capital Grant Received	60,961,594	-
Cost of Research and Studies and Capital Project monitoring	(18,650,945)	-
Net Cash Flows From Financing Activities	<b>42,310,649</b>	-
Net Movement In Cash & Cash Equivalents	35,062,898	2,169,294
Cash and Cash Equivalents at 1 January	4,539,839	2,370,545
Cash and Cash Equivalents at 31 December	<b>39,602,737</b>	<b>4,539,839</b>
<b>Represented By:</b>		
Cash and Bank Balances at 31 December	<b>39,602,737</b>	<b>4,539,839</b>



**FISCAL RESPONSIBILITY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2016**

	Office Furniture 20%	Motor Vehicles 25%	ICT Facilities & Equipment 33.33%	Plant & Equipment 25%	Library Books 33.33%	Total
<b>1 FIXED ASSETS</b>						
Cost	₦	₦	₦	₦	₦	₦
At 1 January, 2016	107,561,824	126,788,750	95,899,520	13,112,750	4,334,794	347,697,638
Additions	449,000	-	-	-	-	449,000
Balance at 31 December, 2016	108,010,824	126,788,750	95,899,520	13,112,750	4,334,794	348,146,638
Accumulated Depreciation						
At 1 January, 2016	107,561,814	123,323,740	93,450,884	11,956,000	4,334,784	340,627,222
Depreciation for the year	89,800	1,732,500	2,448,626	578,375	-	4,849,301
Balance at 31 December, 2016	107,651,614	125,056,240	95,899,510	12,534,375	4,334,784	345,476,523
Carrying Amount						
At 31 December, 2016	359,210	1,732,510	10	578,375	10	2,670,115
At 31 December, 2015	10	3,465,010	2,448,636	1,156,750	10	7,070,416

	2016 ₦	2015 ₦
<b>2 RESEARCH STUDIES, CAPACITY BUILDING AND CAPITAL MONITORING</b>		
Amount received during the year	18,650,945	-
Amount amortized in the year	(18,650,945)	-
	-	-
<b>3 STOCK</b>		
Stationery items	17,983,364	7,386,880
Office Equipment	-	25,500
Stock of Furniture	-	622,000
Stock of Motor Accessories	-	19,000
	<b>17,983,364</b>	<b>8,053,380</b>
<b>4 DEBTORS AND PREPAYMENTS</b>		
Advance for petty cash expenses	4,110,000	1,760,000
Salary Advance	4,000,422	2,507,461
Motor Vehicle Loan - for the Commissioners Staff Car Revolving Loan (Zenith Bank)	22,629,512	33,628,742
	<b>30,739,934</b>	<b>37,896,203</b>





**FISCAL RESPONSIBILITY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2016**

	2016	2015
	₦	₦
<b>5 CASH AND BANK BALANCES</b>		
Unutilized Capital Grant- CBN	35,562,665	-
Zenith Bank Plc	2,038,709	2,038,709
TSA Balance (Zennith Bank)	2,001,363	2,001,363
TSA Balance (Stanbic IBTC and FCMB Bank Balances)	-	499,766
	<b>39,602,737</b>	<b>4,539,839</b>
<b>6 CREDITORS AND ACCRUALS</b>		
Value Added Tax (VAT)	3,849,911	4,102,911
With-Holding Tax (WHT)	10,395,674	10,648,674
Creditors - CRF (Note 12)	-	1,593,522
Accruals (Audit fee,Rent & Other Accruals) See Note 13	74,450,567	37,090,963
Deferred interest income on loan	-	4,306,421
	<b>88,696,153</b>	<b>53,639,580</b>
<b>7 CAPITAL FUND</b>		
As at 1 January	334,695,089	334,695,089
Received during the year	60,961,594	-
	395,656,683	334,695,089
Amortised Cost of research and Studies (Note 2)	(18,650,945)	-
As at 31 December	<b>377,005,738</b>	<b>334,695,089</b>
<b>8 INCOME AND EXPENDITURE</b>		
As at 1 January	(330,774,831)	(282,888,867)
	(330,774,831)	(282,888,867)
Surplus/(Deficit) for the year	(43,930,909)	(47,885,963)
As at 31 December	<b>(374,705,740)</b>	<b>(330,774,831)</b>
<b>9 RECURRENT SUBVENTION</b>		
Overhead Cost	131,355,018	177,867,750
Personnel Cost	100,420,236	148,054,280
Service-wide Vote (AIE)	31,546,533	-
Severance Subvention	-	5,872,740
NHIS Deductions	1,046,488	1,150,721
Pension Contribution - FGN	7,022,049	7,700,808
Pension contribution - Employee	7,022,049	7,700,808
	278,412,374	348,347,106
Returned to Federal Sub-Treasury - CRF	(90,187)	(1,446,480)
	<b>278,322,187</b>	<b>346,900,626</b>



**FISCAL RESPONSIBILITY COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2016**

	<b>2016</b>	<b>2015</b>
	<b>N</b>	<b>N</b>
<b>10 PERSONNEL COSTS</b>		
Salaries and Allowances	113,212,427	129,442,989
Deductions (Pension and NHIS)	15,090,587	16,552,337
Severance Allowance	-	7,164,651
Other Allowances	-	6,438,382
	<b><u>128,303,014</u></b>	<b><u>159,598,358</u></b>
<b>11 MAINTENANCE COSTS</b>		
Building	448,000	3,402,008
Plant and Equipment	1,095,000	8,114,500
Diesel, Fuel and Lubricant	8,248,150	3,609,465
Office & Residential Furniture	676,500	566,250
ICT Facilities	2,032,300	4,190,290
Motor Vehicle	10,225,282	9,620,557
	<b><u>22,725,232</u></b>	<b><u>29,503,070</u></b>
<b>12 INTERNALLY GENERATED REVENUE</b>		
Balance at 1 January	-	1,593,522
Addition:		
Interest on Motor Vehicle Loans	-	-
	<u>-</u>	<u>1,593,522</u>
Remittance to Federal sub-Treasury	-	-
	<u>-</u>	<u>-</u>
Balance at 31 December	<b><u>-</u></b>	<b><u>1,593,522</u></b>
<b>13 ACCRUALS</b>		
2015 Rent Main & Annex Office	19,944,444	32,584,840
2016 Rent Main & Annex Office	50,000,000	-
2016 Audit Fee	1,759,800	1,759,800
Others	2,746,323	2,746,323
	<b><u>74,450,567</u></b>	<b><u>37,090,963</u></b>













**FISCAL RESPONSIBILITY COMMISSION  
FEDERAL REPUBLIC OF NIGERIA**

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