



THE PRESIDENCY
FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA



————— **2021** —————

ANNUAL REPORT
AUDITED FINANCIAL STATEMENTS



VISION, MISSION AND VALUES



OUR VISION

A transparent and accountable government financial management framework for Nigeria.



OUR MISSION

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



OUR VALUES

- Integrity
 - Truth
 - Justice
 - Prudence
-

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LIST OF ACRONYMS

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

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

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HIS EXCELLENCY
MUHAMMADU BUHARI, GCFR
PRESIDENT, COMMANDER IN CHIEF OF THE ARMED FORCES
FEDERAL REPUBLIC OF NIGERIA



HIS EXCELLENCY
PROF. YEMI OSINBAJO, SAN, GCON
VICE PRESIDENT
FEDERAL REPUBLIC OF NIGERIA



HIS EXCELLENCY
SEN. AHMAD LAWAN, PhD, CON
PRESIDENT OF THE SENATE OF THE
FEDERAL REPUBLIC OF NIGERIA



HON. FEMI GBAJABIAMILA
HONOURABLE SPEAKER, HOUSE OF REPRESENTATIVES OF THE
FEDERAL REPUBLIC OF NIGERIA



ZAINAB SHAMSUNA AHMED

HON. MINISTER OF FINANCE, BUDGET AND NATIONAL PLANNING
FEDERAL REPUBLIC OF NIGERIA



VICTOR C. MURUAKO Esq.
CHAIRMAN, FISCAL RESPONSIBILITY COMMISSION

MANAGEMENT TEAM



CHIEF VICTOR C. MURUAKO Esq. KSJI
Chairman, Fiscal Responsibility Commission



ALH. MUHAMMED A. ZAILANI
Director, Human Resources & Administration



MR. ALEX B. ELIKWU
Director, Policy & Standards

MANAGEMENT TEAM



CHARLES C. ABANA, Esq.
Head, Legal, Investigation & Enforcement



MR. BEDE O. ANYANWU
Head, Strategic Communications



ALH. BELLO GULMARE
Head, Monitoring & Evaluation



ALH. IBRAHIM BELLO
Head, Planning, Research & Statistics

MANAGEMENT TEAM



ALH. SULE UNEKWU-OJO MUSA
Head, Finance & Accounts



HASHIM T. AHMED
Ag. Head, Internal Audit

CHAIRMAN'S
STATEMENT





CHAIRMAN'S STATEMENT



The year 2021 had the distinction of directly succeeding 2020 - the year in which the entire world restricted local movement and shut down economic activities as containment measures for the ravages of COVID 19 pandemic. Thankfully, by the last quarter of 2020, major restrictions had been relaxed and economic activities had begun to pick up across different countries.

Hence, Nigeria's revenue and expenditure planning for 2021 were based on expectations of continued recovery of the global economy from the effects of the lockdown. Accordingly, the 2021–2023 Medium Term Expenditure Framework (MTEF) projected improvement in oil GDP growth by nearly 8%, Y-on-Y.

This, coupled with stable production, would translate to a growth in non-oil GDP of 2.43%, leading to improvement of the annual real GDP growth to 3%.

Flowing from the expectation of improved GDP growth, it was further projected in Nigeria's 2021 national budget that aggregate Federal Government revenue would increase by 14.6% over the figure in the 2020 revised Budget. Aggregate FGN expenditure over the same period was also planned to increase by 17.1%. This resulted in a planned budget deficit of N5.16 trillion, representing 3.62% of GDP. But for provisions in an earlier-enacted Finance Act 2020 that amended Section 12 of the FRA, the size of the budget deficit (which exceeded the erstwhile ceiling of 3% of GDP) would have been in contravention of the FRA, 2007.

In monitoring the Federal Government's adherence to rules and procedures for fiscal governance, we note that the 2021 budget was presented by the President of the Federal Republic of Nigeria to the National Assembly early in the 4th quarter and was assented to just before year end, thus meeting the intendment of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) for a January to December fiscal year.

The fundamentals of the 2021 budget reflected highlights of MTEF 2021–2023. Curiously, however, the expected aggregate revenue in the budget was 11.47% higher than the expectations for 2021 in the MTEF 2021-2023. A corollary of this was that the planned budget deficit in the 2021 national budget turned out to be 9.04% higher than the figure planned in the MTEF 2021–2023. Similarly, planned borrowing in the 2021 budget exceeded that in the MTEF for 2021 by 9.47%. Considering that the two documents were prepared by the same Ministry and finalized in the same quarter of the year, the discrepancy calls for more attention on the part of

officials that prepare, scrutinize and approve budget documents.

With regards to monitoring budget execution, the Commission received no information regarding the possible preparation of both an Annual Cash Plan and a Disbursement Schedule as required by Section 25 of FRA, 2007. The Commission is of the view that executing the Appropriation Act without a Cash Plan and a Disbursement Schedule in the manner prescribed by FRA, 2007 risks subjecting important aspects of budget execution to suboptimal decisions of officials.

Also, the Commission was not availed the 2021 full year Budget Implementation Report from the Budget Office of the Federation as at the time of preparing this report. Hence, it relied on the half-year, 2021 Budget Implementation Report for its analyses. Given the seasonality of some major fiscal operations, the use of half year data may provide an incomplete picture, leading to results that may not be very useful for purposes of understanding developing issues and guiding decision-making.

The 2021 half year expenditure and revenue performance was assessed using the Public Expenditure and Financial Accountability (PEFA) Framework, as well as the Fiscal Transparency Code (FTC). The assessment found gaps and insufficient explanations in the budget documents (MTEF, Appropriations Act and BIR). It covered budget reliability, transparency in fiscal financing, consistency with previous estimates, as well as predictability and control in budget execution.

Before assessing the 2021 half year Budget Implementation Report along with other budget documents, the Commission carried out some verification of a sample of the data. The capital project verification exercise also availed the Commission an opportunity to fulfill Section 3 of the FRA, 2007 by monitoring how the MTEF 2021–2023 (and the 2021 annual budget derived from it) feed into the promotion of the economic objectives contained in Section 16 of the Constitution of the Federal Republic of Nigeria (as amended).

An analysis of public debt and sustainability in 2021 indicated a need for caution regarding rising public debt. The debt situation of subnational entities was also analyzed and in line with Section 3 of FRA, 2007 the Commission sought to establish a nexus between debt financing of projects and the promotion of the economic objectives contained in Section 16 of the 1999 Constitution of the Federal Republic of Nigeria. The exercise also served to validate the data and information on sub-national debts as provided by relevant agencies of government. The exercise was also in furtherance of the provisions of the FRA, 2007, especially Sections 41, 44 and 45.

As was the case in earlier years, the Commission monitored implementation of Part IV of the Fiscal Responsibility Act, 2007 (relating to Budgetary Planning of Corporations and other related agencies), which requires all agencies and GOEs in the Schedule of the FRA, 2007 to, among other things, remit due operating surplus to the Treasury Single Account (TSA). A total of N313.34 billion was remitted in 2021 by the Scheduled Corporations. Further remittances of

Internally Generated Revenue (IGR) were made by other agencies at the behest of the Fiscal Responsibility Commission, acting in consonance with the National Assembly Committees on Finance.

In the year, the Commission gave special attention to sensitizing the youth population and elicit their interest in Public Finance Management. Members of the National Youth Service Corps (NYSC) were specifically targeted with sensitization programmes in the course of their orientation programmes. In addition, the Commission undertook measures to improve the understanding and teaching of responsible public finance management in Higher Education Institutions by initiating collaborations with the National Universities Commission (NUC), National Board for Technical Education (NBTE) and National Commission for Colleges of Education (NCCE).

The Commission equally continued to highlight and encourage citizens' action and involvement in demanding transparency and accountability in PFM, as underscored by Section 51 of the FRA, 2007 which bestows 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.

No new investigation was embarked on per se, especially as regards the non-remittance of Operating Surplus by MDAs, save that the Commission participated in investigative hearings by the National Assembly following which several billions of hitherto unremitted Internally Generated Revenue (IGR) and Operating Surpluses were remitted. It further entered into strategic relationships with the EFCC and ICPC towards strengthening enforcement potentials around the FRA.

Following concerted efforts by the Commission to amend and strengthen the Fiscal Responsibility Act, 2007 at the National Assembly, the Amendment Bill reached second reading in the Senate and Public Hearing was conducted. It is the Commission's hope that with the support of other relevant stakeholders, the much-desired amendment will soon become a reality.

Sub-national governments continued to be encouraged and supported to embrace and improve the regime of fiscal responsibility. In addition to leveraging on opportunities provided by several invitations by Civil Society Organizations during the year to encourage effective Fiscal Responsibility Legislations at the sub-national levels, the Commission held capacity building programmes for some sub-national fiscal responsibility agencies.

In the area of challenges, the Commission's desire for improved funding remains unmet. It is also the same for its desire to recruit capable staff that would meet its increased and specialized workload. The work environment remains a challenge as office space, furniture, technology, vehicles and related work tools continue to be in short supply.

The year 2021 was most remarkable to the Fiscal Responsibility Commission as it got a substantial Chairman after years of being without one. For this, it is in order to thank the

President of the Federal Republic of Nigeria, President Muhammadu Buhari (GCFR) for appointing me to the position. We also owe tons of gratitude and acknowledgement to others, too many to mention.

In reviewing activities and producing a report of this nature, one's indebtedness to many contributors and benefactors become glaring. First, we acknowledge the National Assembly, particularly the Committees on Finance in the Senate and the House of Representatives led by Distinguished Senator Solomon Adeola and Honourable James Faleke respectively. The year would certainly not have been as bright for the Commission without their keen oversight and support.

Similar gratitude goes to the Secretary to the Government of the Federation, Boss Mustapha. We further acknowledge the contributions of the Ministry of Finance, Budget and National Planning particularly the Honourable Minister, Dr. Mrs. Zainab Shamsuna Ahmed, for her support to the Commission. The Budget Office of the Federation as well as the Office of Accountant General of the Federation provided the bulk of the data and information analyzed and utilized by the Commission in the course of the discharge of its duties. There are many others to whom we are indebted and we acknowledge them all in our hearts.

This Report is prepared and published in line with the stipulations of the Fiscal Responsibility Act 2007. In putting it together, we did our best to reflect the position of the Fiscal Responsibility Commission as an independent, impartial entity with mandates to monitor and enforce provisions of the Fiscal Responsibility Act. In addition to reporting on activities of the Commission and providing unbiased interpretation of data and information, we tried to highlight implications and, where possible, present options for operators of the nation's Public Finance Management system.

We have reported in good faith, and trust that the content will be helpful for purposes of guidance, clarity and further research.

Yours in Fiscal Responsibility,



Chief Victor Chinemerem Muruako, Esq.
Chairman

INTRODUCTION

1. The key objective of this Report is to fulfill the provision of Section 10 FRA, 2007, which requires the Commission to submit its yearly activities to the National Assembly. It is organized to show the efforts of the Commission towards actualizing its core mandate in 2021.
2. Chapter 1 gives an overview of the mandate of the Fiscal Responsibility Commission.
3. Chapter 2 reports on the monitoring of the budgetary process, as well as the implementation and execution of the 2021 half year Budget; revenue performance and expenditure analysis.
4. Chapter 3 dwells on debt, indebtedness and borrowing. It examines the level of compliance with Sections 41-47 FRA, 2007 by the Federal government, the States and the FCT.
5. Chapter 4 reviews the compliance with Sections 21-24 FRA, 2007 by Schedule Corporations through a detailed table showing Operating Surplus remittances to the Consolidated Revenue Fund from 2007 to 2021.
6. Chapter 5 discusses enforcing fiscal responsibility as well as the adoption of rule-based fiscal responsibility practices at the sub-national governments' level.
7. Chapter 6 deals with issues of transparency and accountability.
8. Chapter 7 deals with communication, research and the dissemination of Standards.
9. Chapter 8 reports on institutional strengthening and capacity building while challenges and prospects are discussed in Chapter 9.

The annexure shows the Audited Financial Statements of the Commission as at 31st December, 2021.

CHAPTER

ONE

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 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 Commission thus:

- (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 the promotion of the objectives of this Act.*
- (2) The Commission shall be independent in the performance of its functions.

According to the breakdown of the economic objectives contained in Section 16 of the Constitution of the Federal Republic of Nigeria the Commission is expected to promote the following:

- (i) Harness the resources of the nation and promote national prosperity and an efficient, dynamic and self-reliant economy;

- (ii) 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) 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) Promote a planned and balanced economic development; and
- (v) Ensure that the material resources of the nation are harnessed and distributed as best as possible to serve the common good.

For the purpose of performing its functions under Section 2(1) of the Act, 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 the Act or violated any provisions of the Act, the Commission shall forward a report of its investigation to the Attorney-General of the Federation for prosecution.

For the purpose of exercising her investigative powers under FRA, 2007, the Commission is collaborating with other law enforcement agencies in the Federation to enforce the provisions of FRA 2007.



CHAPTER
TWO

2

MONITORING THE
BUDGETARY PROCESS



CHAPTER TWO

MONITORING THE BUDGETARY PROCESS

2.0 INTRODUCTION

Many countries around the world including Nigeria were faced with unprecedented challenges in 2021, as a continuation from 2020 due to the COVID-19 pandemic which left in its wake severe economic consequences for all countries around the world. The Fiscal Responsibility Commission however, continued in its critical mandate of monitoring and evaluation of the annual budget and related matters to ensure prudent management of the Nigeria's public resources and expenditure control.

Revenue Generation by Scheduled Corporations and other agencies as well as expenditure was monitored in compliance with provisions of FRA, 2007.

This chapter covers the following areas:

- Preparation and Approval of 2021 - 2023 Medium-Term Expenditure Framework (MTEF)/FSP
- Preparation and Approval of 2021 Annual Budget
- The 2021 Budget
- 2021 Budget Assumptions
- Budgetary Execution and Achievement of Targets
- Annual Cash Plan and Disbursement Schedule
- Budget Implementation Reports
- 2021 Half Year Budget Performance Highlights –Revenue
- Assessment of the 2021 Half-Year Revenue Performance using PEFA and FTC standards
- 2021 Half Year Budget Performance Highlights - Expenditure
- Assessment of the 2021 Half-Year Expenditure Performance using PEFA and FTC standards
- Physical Verification of Capital Projects.

2.1 PREPARATION AND APPROVAL OF THE MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF)/FSP

Sections 11 -14 of the Fiscal Responsibility Act, 2007 sets out the process for the preparation and approval of the Medium-Term Expenditure Framework.

The MTEF is a major feature of the annual budget preparation cycle which provides the basic structure for the estimates and assumptions that underline the annual budgets.

The 2021-2023 MTEF aimed at providing guidance to Ministries, Departments and Agencies (MDAs) of the Federal Government in the formulation of policies and selection of projects/programmes to ensure economic development as well as to give the direction of government priorities and programs in order to improve economic growth.

The FRA, 2007 came to institutionalize the concept of MTEF that builds the frameworks for multi - year budgeting and public financial management (PFM) that addresses the deficiency of annual budgeting. Therefore, in compliance with the provisions of the FRA 2007, the Federal Government of Nigeria (FGN) prepared the MTEF/FSP to encapsulate the MTEF policy thrust of revenue and expenditure estimates. The MTEF is designed to translate economic plans into public expenditure programs within a coherent multiyear macroeconomic and fiscal framework; as a transparent planning and budget formulation process that will ensure that limited resources are allocated to the highest priority areas in the preparation of the annual budget.

The MTEF is one of the most important reforms of the budgetary process of Government which sets out three-year spending plans of the Federal Government. It aims to ensure that budgets reflect Government's social and economic priorities and gives substance to Government's reconstruction and development commitments.

The FRA, 2007 in Section 14 mandates the Minister of Finance to present the Medium-Term Expenditure Framework to the Federal Executive Council (FEC) for consideration and endorsement before the end of the second quarter of each financial year. The endorsed MTEF is presented to the National Assembly for approval not later than four months to the end of the financial year.

The Minister is also mandated to consult with some MDAs such as the Central Bank Nigeria, National Planning Commission, etc., organized private sector and Civil Society Organizations and shall consider and reflect as may be appropriate, the inputs of these bodies in the MTEF. The scrutiny and approval of the National Assembly is also required as stipulated in Section 11(2) of the FRA, 2007.

The 2021-2023 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provided the economic framework for the 2021 Budget, along with fiscal policy objectives and spending priorities of the Government over the three-year period. Key parameters and assumptions underlying the fiscal policies, as well as the revenue and

expenditure profile for the 2021 Budget are set out therein.

The Federal Executive Council approved the 2021-2023 MTEF on 17th July, 2020. The approved MTEF was submitted to the National Assembly on 20th July, 2020. After a thorough debate and analysis, the National Assembly approved the MTEF on 17th December, 2020. The approved MTEF set the stage for the preparation of the 2021 National Budget.

2.1.1 Macroeconomic and Fiscal Forecasts in the 2021-2023 MTEF

The 2021-2023 MTEF contains detailed information and analysis of the global economic developments and their implications on the economy, macroeconomic performance of the Nigerian economy, review of the last two fiscal years, assumptions underlying oil and non-oil revenue projections for the period, medium-term macroeconomic parameters and targets for the period, medium-term macroeconomic, fiscal and monetary policy objectives and strategies, analysis and statement on consolidated debt and contingent liabilities, risks to the medium-term outlook, and tax expenditures policy statement. Table 2.1 below summarizes the macroeconomic/fiscal forecasts in the 2021-2023 MTEF.

Table 2.1: Summary of the Macroeconomic/Fiscal Forecasts in 2021-2023 MTEF

Description	2019 Actual	2020 Budget	2021 Projected	2022 Projected	2023 Projected
Oil Price Benchmark (USD/b.	67.2	28	40	40	40
Oil Production (mbpd)*	1.96	1.8	1.86	2.09	2.38
Exchange Rate (₦/\$)	305	360	360	360	360
Inflation (%)	11.98	14.15	11.95	10.94	11.02
Non-Oil GDP (₦'bn)	131,810.10	131,155.50	132,592.20	134,154.40	139,304.90
Oil GDP (₦'bn)	12,400.40	8,691.90	10,102.20	12,640.00	12,159.50
Nominal GDP (₦'bn)	144,210.50	139,517.50	142,192.10	146,072.80	150,497.70
GDP Growth Rate (%)	2.27	-4.2	3	4.68	3.86
Nominal consumption (₦'bn)	119,281.60	117,913.70	118,887.30	120,835.40	125,157.30

Source: Ministry of Finance, Budget & National planning; NNPC; BOF; NBS

*Base Production Including Condensate

The above assumptions according to the 2021 – 2023 MTEF/FSP, show that oil GDP growth has a strong correlation with real GDP growth in Nigeria. Consequently, changes in the underlying drivers of oil GDP will significantly affect real GDP performance. With oil price projected to remain low and volatile in 2020 and Nigeria's compliance with OPEC+ cuts by reducing base production to 1.42mbpd, 1.496mbpd and 1.579 mbpd for the corresponding periods, growth in oil GDP was expected to contract by 12.96% in 2020 year on year, causing an economy-wide drag resulting in slower growth in non-oil GDP by -3.6%, year on year. Based on this, real GDP was expected to decline by 4.20% in 2020.

It was projected that as the global economy recovered from the effects of lockdowns, improved oil prices, as well as stronger demand for oil in 2021 would result in oil GDP growth by nearly 8%. This was also to reflect base effect resulting from the preceding year's sharp drop in oil GDP in 2020. By 2022, it was forecast, stable production and prices would bring oil GDP to just about its pre-COVID-19 crisis.

The recovery in oil GDP would translate to a weak but positive growth in non-oil GDP in 2021. Year on year, non-oil sector growth was projected at 2.43% in 2021, 4.42% in 2022 and 3.82% in 2023. As a result, annual real GDP growth was forecast to recover in 2021 to 3.0% and to 4.68% by 2022, fully recovering to pre-crisis levels within the immediate post-crisis years, before stabilizing at 3.86% growth rate by 2023.

The nominal GDP was expected to increase from N139,517 billion in 2020 to N142,192.1 billion in 2021 and then up to N150,497.7 billion in 2023. Consumption expenditure was projected to stay flat at N117,913.7 billion in 2020 and N118,887.3 billion in 2021 and grow to N125,157.3 billion by 2023, reflecting a gradual steadiness in the growth recovery. However, inflation was expected to remain slightly above single digit over the medium-term.

2.1.2 Revenue Framework

Aggregate Revenue

The aggregate revenue available to fund the 2021 Budget was projected at N6.15 trillion (14.6% or N783.32 billion more than the 2020 revised Budget). Of this, N2.53 trillion or 41.1% was projected to come from oil related sources while the balance was to be earned from non-oil sources. The provision for Stamp Duty was projected at N500 billion, up from N200 billion, while Signature Bonus was down to N343.38 billion from the revised N350.52 billion in 2020. With the retained revenues of the Government-Owned Enterprises (GOEs), excluding the Nigerian National Petroleum Corporation (NNPC) and Central Bank of Nigeria (CBN), the aggregate FGN revenue was projected at N7.50 trillion.

Table 2.2 2021-2023 MTEF: Overview of the Revenue Framework

FISCAL ITEMS		2020 Revised Budget	2021 Proj.	2022 Proj.	2023 Proj.
Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)		1.80	1.86	2.09	2.38
Projected Budget Benchmark Price (US\$ per barrel)		28.00	40.00	40.00	40.00
Average Exchange Rate (₦/US\$)		360.0	360.00	360.0	360.0
AMOUNT AVAILABLE FOR FGN BUDGET (Excluding GOEs) (₦)		5,365,422,722,620	6,148,742,613,951	6,398,276,877,580	6,860,375,039,367
a	Share of Oil Revenue (₦)	1,013,766,299,265	1,984,063,577,379	2,262,798,515,678	2,585,876,975,106
b	Share of Dividend (NLNG) (₦)	80,377,200,000	198,086,400,000	164,484,000,000	169,516,800,000
c	Share of Minerals & Mining (₦)	1,895,673,251	2,650,393,903	2,915,433,293	3,206,976,622
d	Share of Non-Oil (₦)	1,624,934,376,103	1,488,924,372,031	1,780,323,104,557	1,838,332,105,977
	Share of CIT (₦)	821,667,401,957	681,718,292,330	862,157,372,903	889,952,966,408
	Share of VAT (₦)	284,114,080,739	238,426,227,556	253,965,331,189	263,069,642,739
	Share of Customs (₦)	450,697,323,386	508,269,596,837	595,509,820,064	614,454,330,394
	Share of Federation Acct Levies (₦)	68,455,570,020	60,510,255,308	68,670,580,411	70,855,146,437
e	Revenue from GOEs (₦)	990,113,888,722	2,173,860,133,098	2,377,065,648,677	2,471,678,354,010
f	GOEs Operating Surplus (80% of which is captured in Independent Revenue) (₦)	(520,531,126,098)	(825,023,025,138)	(902,637,079,581)	(979,770,761,775)
g	Independent Revenue (₦)	932,842,266,640	961,898,590,939	1,054,984,221,846	1,186,634,579,635
h	Transfer from Special Levies Accounts (₦)	300,000,000,000	300,000,000,000	300,000,000,000	300,000,000,000
i	Transfer from Special Accounts (₦)	345,000,000,000			
j	Signature Bonus/Renewal/Early Renewals (₦)	350,521,054,200	343,380,980,160	35,876,085,192	
k	Domestic Recoveries + Assets + Fines (₦)	237,012,653,161	32,675,085,307	26,933,139,822	33,587,664,833
l	Stamp Duty (₦)	200,000,000,000	500,000,000,000	500,000,000,000	500,000,000,000
m	Grants and Donor Funding (₦)	42,703,200,000	337,063,214,232	269,962,377,192	243,219,957,192
n	Transfer from Special Accounts for COVID-19 Intervention Across the Federation (₦)	186,370,000,000			
o	Grants and Donations for COVID-19 Crisis Intervention fund (₦)	50,000,000,000			
AMOUNT AVAILABLE FOR FGN BUDGET (Including GOEs) (₦)		5,835,005,485,245	7,497,579,721,911	7,872,705,446,676	8,352,282,631,601

Source: 2021 – 2023 MTEF/FSP

2.1.3 FGN Expenditure Framework

Aggregate Expenditure

The FGN's 2021 aggregate expenditure was estimated at N12.66 trillion (this includes GOEs' expenditures of N1.35 trillion and grants/donor funded projects/programmes amounting to N337.06 billion). This provision was higher than the corresponding 2020 FGN aggregate expenditure estimate of N10.81 trillion by 17.1% (or about N1.85 trillion). The sums of N13.27 trillion and N13.37 trillion were projected to be spent by the FGN in 2022 and 2023 respectively.

The 2021 expenditure estimate included statutory transfers of N481.41 billion; non-debt recurrent expenditure of N5.75 trillion (including N350 billion for recurrent component of the Special Intervention Programme).

Of the 2021 budgeted expenditure, debt service was estimated at N3.12 trillion, and provision for Sinking Fund to retire maturing bonds issued to local contractors/creditors was N220 billion. A total of N4.31 trillion (inclusive of N701.16 billion for GOEs) was provided for personnel and pension costs, an increase of N724.67 billion over 2020. Personnel costs have continued to rise yearly, in great part to unrestrained recruitment by several agencies of government, often-times without compliance with the due process. At 70% of projected revenues for 2021, this level of personnel cost is not sustainable.

In addition, N34.76 billion (representing 1% of the Consolidated Revenue fund) was earmarked for the Basic Health Care Provision Fund (BHCPF) as a Statutory transfer. A provision of N29.46 billion was also made for the North East Development Commission (NEDC) as a Statutory Transfer and N45.19 billion was set aside in the service-wide votes for GAVI/Routine Immunization.

Having made these provisions, the aggregate amount available for capital expenditures in the 2021 budget was N3.33 trillion, which represents 26.3% of total expenditure (short of the 30% target set by the current Federal Government), and was 24% higher than the 2020 provision of N2.69 trillion. The 2021 provision comprised of N1.48 trillion for MDAs, N234.20 billion Capital Supplementation, N245.08 billion capital component of Statutory Transfers, N20 billion capital component of the Special Intervention Programme, N335.59 billion capital budget of GOEs, N337.06 billion for donor/grant funded expenditures and N674.10 billion funded by project-tied loans.

It is noteworthy that the N1.48 trillion available for MDAs' capital is N135.0 billion (representing 10%) higher than the provision for MDAs in the revised 2020 Appropriation Act. The inadequate provision for development expenditure, and underperforming revenues, underscore the urgent need for new revenue sources, cost-saving measures and effective implementation of revenue growth initiatives.

Table 2.3 Overview of Expenditure Framework

FISCAL ITEMS		2020 Revised Budget	2021 Proj.	2022 Proj.	2023 Proj.
Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)		1.80	1.86	2.09	2.38
Projected Budget Benchmark Price (US\$ per barrel)		28.00	40.00	40.00	40.00
Average Exchange Rate (₦/US\$)		360.0	360.0	360.0	360.0
STATUTORY TRANSFER (₦)		428,032,186,792	481,410,141,366	514,365,958,830	536,438,479,811
DEBT SERVICE (₦)		2,678,810,000,000	3,124,360,000,000	3,496,510,000,000	3,496,510,000,000
SINKING FUND (₦)		272,900,000,000	220,000,000,000	286,670,000,000	286,670,000,000
RECUERRENT (NON-DEBT) (₦)		4,942,269,251,935	5,746,271,340,557	5,925,973,889,898	6,106,156,964,810
a	Personnel Costs (MDAs) (₦)	2,827,648,399,908	3,053,860,271,901	3,145,476,080,058	3,239,840,362,459
b	Personnel Costs (GOEs) (₦)	218,805,923,102	701,162,016,535	745,547,741,391	784,913,705,581
c	Overhead (MDAs) (₦)	243,178,783,662	302,426,076,635	302,426,076,635	302,426,076,635
d	Overhead (GOEs) (₦)	89,606,753,712	312,081,710,125	332,949,169,853	354,254,491,131
e	Pensions, Gratuities & Retirees Benefits (₦)	536,717,450,127	552,818,973,631	569,403,542,840	586,485,649,125
f	Other Services Wide Votes (including GAVI/Immunization) (₦)	397,334,060,757	408,922,291,731	415,171,279,123	423,230,679,878
g	Other Services Wide Votes (COVID-19 Crisis Intervention Funds) (₦)	213,977,880,667			
h	Presidential Amnesty Programme (₦)	65,000,000,000	65,000,000,000	65,000,000,000	65,000,000,000
SPECIAL INTERVENTIONS (Recurrent) (₦)		350,000,000,000	350,000,000,000	350,000,000,000	350,000,000,000
AGGREGATE CAPITAL EXPENDITURE (₦)		2,685,307,684,387	3,331,034,365,867	3,326,461,757,547	3,245,337,394,631
a	Capital Supplementation (₦)	261,354,210,000	234,196,000,000	234,196,000,000	235,196,000,000
b	Capital Expenditure in Statutory Transfers (₦)	196,770,251,042	245,086,045,507	276,615,866,196	297,734,939,667
c	Special Intervention Programme (Capital) (₦)	20,000,000,000	20,000,000,000	20,000,000,000	20,000,000,000
d	Amount Available for MDAs Capital Expenditure (Including N100bn reallocation of existing capital for COVID-19) (₦)	1,349,989,018,202	1,484,987,920,022	1,559,237,316,023	1,637,199,181,825
e	COVID-19 Crisis Intervention Fund-Incremental Capital (₦)	99,652,119,333			
f	COVID-19 Intervention Across the Federation (₦) =	186,370,000,000			
g	GOEs Capital Expenditure (₦)	141,170,085,810	335,593,381,300	395,931,657,853	352,734,395,522
h	Grants and Donor Funded Projects (₦)	42,703,200,000	337,063,214,232	269,962,377,192	243,219,957,192
i	Multi-lateral/Bi-lateral Project-tied Loans (₦)	387,298,800,000	674,107,804,805	570,518,540,282	459,252,920,426

Capital Expenditure (Exclusive of Transfer) (₦)	2,488,537,433,345	3,085,945,320,359	3,049,845,891,350	2,947,602,454,964
TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans) (₦)	9,973,667,309,448	10,635,064,889,518	11,228,418,630,701	11,422,216,386,925
TOTAL FGN BUDGET (Including GOEs & Project-tied Loans) (₦)	10,810,548,372,072	12,658,009,802,282	13,273,365,740,079	13,373,376,899,585

Source: 2021 – 2023 MTEF/FSP

2.1.4 Fiscal Deficit and Deficit Financing

Budget deficit was projected to be N5.16 trillion in 2021 up from N4.98 trillion in 2020. This represents 3.62% of estimated GDP, well above the threshold of 3% stipulated in the FRA, 2007. Unless we can find new revenue sources, given the limited scope for cost-cutting, it will not be feasible to keep budget deficits within the 3% target set in the Fiscal Responsibility Act 2007.

The deficit will be financed by new foreign and domestic borrowings of N4.28 trillion, N205.15 billion from Privatization Proceeds, and N674.11 billion drawdowns on existing project-tied loans.

The projected Debt Service/Revenue ratio at 47% (actual for 2019 was 58%) raises some concern about the sustainability of FGN debt. “However, it is more indicative that the country is faced with a serious revenue problem rather than a classic debt problem. Efforts must therefore be geared towards tackling the revenue problem so it does not degenerate to a real debt sustainability issue” (2021-2023 MTEF).

Table 2.4: Fiscal Deficit and Deficit Financing

FISCAL ITEMS	2020 Revised Budget	2021 Proj.	2022 Proj.	2023 Proj.
Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)	1.80	1.86	2.09	2.38
Projected Budget Benchmark Price (US\$ per barrel)	28.00	40.00	40.00	40.00
Average Exchange Rate (₦/US\$)	360.0	360.0	360.0	360.0
AMOUNT AVAILABLE FOR FGN BUDGET (Excluding GOEs) (₦)	5,365,422,722,620	6,148,742,613,951	6,398,276,877,580	6,860,375,039,367
AMOUNT AVAILABLE FOR FGN BUDGET (Including GOEs) (₦)	5,835,005,485,245	7,497,579,721,911	7,872,706,446,676	8,352,282,631,601
TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans) (₦)	9,973,667,309,448	10,635,064,889,518	11,228,418,630,701	11,422,216,386,925
TOTAL FGN BUDGET (Including GOEs & Project-tied Loans) (₦)	10,810,548,872,072	12,658,009,802,282	13,273,365,740,079	13,373,376,899,585
Fiscal Deficit (Excluding GOEs & Project-tied Loans) (₦)	(4,608,244,586,828)	(4,486,322,275,567)	(4,830,141,753,120)	(4,561,841,347,558)
Total Fiscal Deficit (Including GOEs & Project-tied Loans) (₦)	(4,975,543,386,828)	(5,160,430,080,372)	(5,400,660,293,402)	(5,021,094,267,984)

GDP (₦)	139,517,515,936,044	142,694,417,135,112	146,794,565,467,177	151,464,431,638,719
DEFICIT T/GDP (Excluding GOEs & Project-tied Loans)	(3.30%)	(3.14%)	(3.29%)	(3.01%)
DEFICIT T/GDP (Including GOEs & Project-tied Loans)	(3.57%)	(3.62%)	(3.68%)	(3.32%)
Capital Expenditure as % of Non-Debt Expenditure	34%	36%	35%	34%
Capital Expenditure as % of total FGN Expenditure	24%	26%	25%	24%
Capital Expenditure (Inclusive of Transfers, but exclusive of GOEs Capital & Project-tied Loans) as % of FGN Expenditure	22%	22%	21%	21%
Recurrent Expenditure as % of total FGN Exp. (Incl. GOEs + Project-tied Loans)	75%	74%	75%	76%
Debt Service to Revenue Ratio (Incl. GOEs + Project-tied Loans)	46%	42%	44%	42%
Deficit as % of FGN Revenue (Incl. GOEs + Project-tied Loans)	85%	69%	69%	60%
ADDITIONAL FINANCING				
a	Sales of Government Property			
b	Privatization Proceeds (₦)	126,041,863,844	205,153,707,813	83,562,450,000
c	Non-Oil Asset Sales			
d	Multi-lateral/Bi-lateral Project-tied Loans	387,298,800,000	674,107,804,805	570,518,540,282
e	Borrowings from Special Accounts	263,630,000,000		
f	New Borrowings	4,198,572,722,984	4,281,168,567,750	4,746,579,303,120
	<i>Domestic Borrowing</i>	2,213,892,722,982	2,140,584,283,877	2,373,289,661,560
	<i>Foreign Borrowing</i>	1,984,680,000,000	2,140,580,283,877	2,373,289,661,560

Source: 2021 – 2023 MTEF/FSP

2.1.5 Medium Term Objectives, Policies and Strategies

This Fiscal Strategy Paper highlights the macroeconomic objectives of the government over the period 2021-2023 and the policy measures to be implemented to achieve them. In the medium term, government aims at sustaining economic growth and facilitating economic recovery, supporting job creation, achieving macroeconomic stability and promoting poverty reduction and equity.

Macroeconomic Policy Objectives

Government's economic objectives include:

- i. Improving and sustaining economic growth and ensuring inclusiveness;
- ii. Supporting employment creation and reserving jobs; and
- iii. Ensuring macroeconomic stability.

To achieve these objectives, fiscal, monetary and trade policies will need to be aligned and implemented in a coordinated manner.

Fiscal Policy Objectives and Strategies

The thrust of Government's fiscal policy in the medium-term is to cushion the long-lasting impact of the COVID-19 pandemic on households and businesses and ensure fiscal and debt sustainability. This will be achieved through the following:

- i. Optimizing government revenue;
- ii. Creating fiscal space for infrastructural development;
- iii. Enhancing fiscal prudence and transparency; and,
- iv. Ensuring sustainable deficit and debt levels, including new fiscal rules.

Monetary Policy Objectives and Strategy

The direction of monetary policy by the Central Bank of Nigeria in the medium term (2021-2023) is outlined below. It is premised principally on key assumptions and underlying macroeconomic conditions as projected by the Bank in the period under consideration.

Monetary Policy Stance

The Central Bank of Nigeria (CBN) would continue to adopt the medium-term framework (MTF) in the conduct of monetary policy in the fiscal years 2021-2023. Accordingly, the monetary programme for the 2020-2022 fiscal years is adjusted to accommodate recent changes to fiscal operations in 2020 and projections of 2021 and 2022 fiscal years. This is to obtain the indicative monetary aggregate benchmarks consistent with the desired overall macroeconomic objectives of the Federal Government.

The 2021-2023 monetary policy thrust would be anchored on the need to augment the fiscal stimulus packages to restart and restore the economy following the effects of the COVID-19 pandemic. In ensuring the attainment of monetary and price stability for sustainable growth recovery and economic development, the 2021-2023 monetary programme was based on:

1. Money supply that would cushion the effect of the shocks from the pandemic on economic performance and growth;
2. Moderate levels of accretion to external reserves based on net FX inflows, reflecting reduced oil revenue but even less foreign exchange demand given low global economic activities;
3. Domestic credit expansion to support private sector growth, particularly, to the real and critical sectors of the economy;
4. Expansion in agricultural and manufacturing output growth through targeted interventions in the agriculture and Micro, Small and Medium Enterprises (MSMEs) sectors to improve employment generation and household income;
5. Improve stability of the foreign exchange market to enhance market confidence, moderate foreign capital outflow and encourage foreign capital inflow;

6. Improve terms of trade through increased non-oil export and decline in non-essential imports to improve the balance of payment position and accretion to external reserves;
7. Increased collaboration with fiscal authorities to provide monetary accommodation for the projected fiscal expansion necessary for economic recovery and growth in the immediate aftermath of COVID-19.

2.2 PREPARATION AND APPROVAL OF THE ANNUAL BUDGET

The Medium-Term Expenditure Framework according to Sections 18 and 19 of the FRA, 2007 shall be the foundation for the annual budget preparation and approval.

The Commission has examined the annual budget to ensure that it is in line with the MTEF, 2021-2023 as required by the FRA, 2007.

Table 2.5: Major Components of 2021 Budget in Comparison with 2020

S/No	ITEM	2020 Revised Budget	2021 Budget
1	Oil Price Benchmark	USD 28.0	USD 40.0
2	Oil Production	1.8mbpd	1.86mbpd
3	Foreign Exchange Rate	₦360.0 - 1 USD	₦379.0 - 1 USD
4	Gross Oil Revenue	₦3,033.36 billion	₦5,185.57 billion
5	Gross Non-Oil Revenue	₦5,146.0 billion	₦4,602.23 billion
6	Independent Revenue	₦932.84 billion	₦1,061.90 billion
7	FGN Aggregate Revenue (Excl. GOEs)	₦5,365.42 billion	₦6,637.58 billion
8	FGN Aggregate Expenditure (Excl. GOEs)	₦9,973.92 billion	₦11,529.51 billion
9	Fiscal Deficit (Excl. GOEs)	(₦4,608.24) billion	(₦4,891.93) billion

Source: BOF, 2021

Table 2.5 above shows, the major budget components for 2020 and 2021.

The presentation and assent to the 2021 budget continued in the pattern of the January – December budget year.

The President formally presented a budget of N13.59 trillion for the year 2021 (25.7% higher than 2020) to the joint session of the National Assembly on the 8th of October, 2020.

Table 2.6 below shows, the budget submission date and assent by the President from 2016 to 2022.

Table 2.6 Time of Submission and Approval of Budgets 2016-2022

Fiscal Year	Date Budget Presented to NASS	Date Budget Signed by the President	Time Between Budget Presentation and Presidential Assent
2016	22 nd December, 2015	6 th May, 2016	5 months
2017	14 th December 2016	12 th June, 2017	6 months
2018	7 th November, 2017	20 th June, 2018	7 months
2019	19 th December, 2018	27 th May, 2019	5 months
2020	8 th October, 2019	17 th Dec, 2019	2 months
2021	8 th October, 2020	21 st Dec, 2020	2 months
2022	7 th October, 2021	31 st Dec, 2021	2 months

Source: Compiled by FRC

2.2.1 THE 2021 BUDGET

The 2021 budget which was titled “Budget of Economic Recovery and Resilience” was presented on the 8th of October, 2020, and was signed into law on the 21st of December, 2020. Just like in the previous years, the 9th Assembly kept to the agreement of an “early submission, early passage” of the 2021 budget in order to maintain the January – December fiscal year.

The budget was designed to further deliver on the goals of the Economic Sustainability Plan (ESP), which provides a clear road map for Nigeria's post Corona virus economic recovery.

2.2.2 2021 BUDGET ASSUMPTIONS

The following are the assumptions for the 2021 Budget:

Oil Revenue

Benchmark oil price	US\$40
Oil production	1.86mbpd
Naira/US\$ Exchange rate	N379/\$

Non-oil Revenue

Company income tax	30%
VAT	7.5%

Custom duties based on nominal GDP, Companies' profitability ratio and an efficiency factor.

The government improved on cost saving measures to keep expenditure within control. The 50 percent cost-to-income ratio imposed on the GOEs in the Finance Act 2021 has contributed significantly to rationalizing wasteful expenditures by several GOEs and enhanced the level of operating surpluses to be transferred to the Consolidated Revenue Fund.

Based on the budget assumptions above, the summary highlight of the approved 2021 budget of N13,588.03 billion is presented below.

Table 2.7: Highlights of 2021 Budget and 2021-2023 MTEF

Item	2021 Budget		2021-2023 MTEF	
	Nbn	% to aggregate	Nbn	% to aggregate
Recurrent (Non-debt) Expenditure	5,641.97	41.52	5,746.27	45.40
Sinking Fund	200	1.47	220	1.74
Debt Servicing	3,124.38	22.99	3,124.38	24.68
Statutory Transfer	496.53	3.65	481.41	3.80
Capital Expenditure (Excl. of transfers)	4,125.15	30.36	3,085.95	24.38
Aggregate Expenditure (Excluding GOEs budget and Project tied loans)	11,592.51	85.31	10,635.06	84.02
Aggregate Expenditure (Including GOEs budget and Project tied loans)	13,588.03	100.00	12,658.01	100.00

2.3 BUDGETARY EXECUTION AND ACHIEVEMENT OF TARGETS

The implementation of the 2021 Budget was very challenging as the macroeconomic environment was adversely affected by the effects of the second wave of the Corona virus Disease (COVID-19) which started in late 2019 and whose realities are still with us.

However, Schedule Corporations and other agencies' conduct towards compliance with FRA, 2007 has considerably improved in the year under review.

There was significant improvement in monitoring the implementation of the budget and the achievement of targets as provided in Part V, Section 25 – 30 FRA, 2007 by the Commission which in previous years could not be expanded due to lack of adequate funding.

2.4 ANNUAL CASH PLAN AND DISBURSEMENT SCHEDULE

Effective budgetary process and implementation is maintained in the preparation of Annual Cash Plan, Disbursement Schedule and quarterly Budget Implementation Reports. The Annual Cash Plan enables the initial budget policy targets to be met and contributes to the smooth implementation of both fiscal and monetary policies.

As required by Section 25, FRA, 2007, it is expected to be prepared in advance by the Accountant-General of the Federation. The document should show projected monthly cash flows for the financial year which may be revised periodically to reflect actual cash flows.

Section 26 of the Act, also requires that a Disbursement Schedule be prepared by the Minister of Finance within 30 days of signing the Appropriation Act and must be derived from the Annual Cash Plan.

These sections highlight the need to ensure efficient and effective management of revenue and expenditure across government agencies towards the achievement of targets.

The Annual Cash Plan should be the basis for monthly projections and plans in the light of actual

revenues and expenditures. Operating the Appropriation Act without a Cash Plan and Disbursement Schedule in the manner prescribed by FRA 2007 has resulted in arbitrariness in budget implementation which further leads to underfunding of projects earmarked in the budget.

2.5 BUDGET IMPLEMENTATION REPORTS

The Fiscal Responsibility Act (FRA), 2007 in Sections 30 and 50 requires the Budget Office of the Federation (BOF) to prepare quarterly Budget Implementation Reports. The Reports are to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). They are also to be circulated widely to all stakeholders and the general public through electronic and other media.

However, as at the time of publishing this Annual Report being June, 2022, the Fiscal Responsibility Commission has neither received the 2021 full year Budget Implementation Report nor has it been seen on the website of the Budget Office of the Federation. Therefore, this report majorly covers the half year, 2021 Budget Implementation Report.

2.6 2021 HALF YEAR BUDGET PERFORMANCE HIGHLIGHTS: REVENUE

2.6.1 Comparison and Analysis of 2021-2023 MTEF and 2021 FGN Annual Budget Projections (Revenue)

The 2021-2023 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provided the economic framework for the 2021 Budget, along with fiscal policy objectives and spending priorities of the Government over the three-year period.

The 2021 Appropriation Act was designed to further deliver on the goals of the Economic Sustainability Plan (ESP), which provided clear road map for our post Covid-19 economic recovery.

Table 2. below highlights and compares the revenue components projected in the MTEF and Approved Budget for 2021 fiscal year.

Table 2.8 2021-2023 MTEF and FGN Annual Budget Projection (Revenue)

Revenue Detail	2021 Projections		MTEF Vs Budget	
	MTEF	Budget	Variance	
	Nbn	Nbn	Nbn	%
Share of Oil Revenue	1,984.06	2,011.02	(26.96)	(1.36)
Share of Dividend (NLNG)	198.09	208.54	(10.45)	(5.28)
Share of Minerals & Mining	2.65	2.65	-	-
Share of Non-Oil	1,488.92	1,488.92	-	-
Share of CIT	681.72	681.72	-	-
Share of VAT	238.43	238.43	-	-
Share of Customs	508.27	508.27	-	-
Share of Federation Acct Levies	60.51	60.51	-	-
Revenue from GOES	2,173.86			
GOEs Operating Surplus (80% of which is captured in Independent Revenue)	(825.02)			
Independent Revenue	961.90	1,061.90	(100.00)	(10.40)
Transfer from Special Levies Accounts	300.00	300.00	-	-
Transfer from Special Accounts				
Signature Bonus/Renewal/Early Renewals	343.38	677.02	(333.64)	(97.16)
Domestic Recoveries + Assets + Fines	32.68	32.68	-	-
Stamp Duty	500.00	500.00	-	-
Grants and Donor Funding	337.06	354.85	(17.79)	(5.28)
Transfer from Special Accounts for COVID-19 Intervention Across the Federation				
Grants and Donations for COVID-19 Crisis Intervention fund				
AMOUNT AVAILABLE FOR FGN BUDGET (Including GOEs)	7,497.58	6,637.58	860.00	11.47

Source: BOF and OAGF, 2021 in 2021 Second Quarter and half year BIR; 2021 – 2023 MTEF/FSP

i. Oil Revenue

Table 2.8 clearly compares the amount projected for the revenue components in the 2021 MTEF and Annual approved Budget. In the MTEF, the share of Oil Revenue was N1,984.06 billion while in the budget the sum of N2,011.02 billion was projected. This denotes a variance of N26.96 billion (1.36%) from the MTEF projection.

FGN's share of Dividend (NLG) showed that there was a variance of N10.45 billion (5.28%) from the amount of N198.09 billion projected in the MTEF against the projected amount of N208.54 billion in the budget. The sum of N2.65 billion was projected in the MTEF as well as in the budget as share of Minerals and Mining for the year 2021.

ii. Non- Oil Revenue

The Table reveals that the Non-Oil Revenue of N1,488.92 billion was projected both in the MTEF and the budget for the fiscal year 2021.

The amounts projected in the MTEF for all the revenue sub-heads under the Non-Oil Revenue head were the same in the projected budget for the fiscal year 2021, with the exception of revenue from GOEs, which was projected only in the MTEF.

iii. Independent Revenue

The Table further indicates that Independent Revenue of N1,061.90 billion was projected in the budget against the projected amount of N961.90 billion in the MTEF for the fiscal year, 2021. This represents an increase of ₦100.00 billion (10.40%).

The sum of N677.02 billion was projected in the budget against ₦343.38 in the MTEF for Signature Bonus, Renewals and Early Renewals revenue sub-heads. This shows an increase of N333.64 billion (97.16%).

Grants and Donor funding revenue sub-head was also increased by N17.79 billion (5.28%) as a result of deviation from the amount of ₦354.85 billion projected in the budget against N337.06 billion in the MTEF.

Under the Independent Revenue head, the following sub-heads: Transfer from Special Levies Accounts, Domestic Recoveries + Assets + Fines, and Stamp Duty, had the amounts projected in the budget as N300.00 billion, N32.68 billion and N500.00 billion respectively, which were the same with MTEF projections.

2.6.2 Comparison and Analysis of Fiscal Deficit and Deficit Financing Items in 2021-2023 MTEF and 2021 FGN Budget

I. Fiscal Deficit

Budget deficit of N5,160.43 billion was projected including GOEs and Project-tied loans and N4,486.32 billion was projected excluding GOEs and Project-tied loans in the 2021-2023 MTEF. However, in the Annual Budget of 2021, the sum of N4,891.93 billion was projected excluding GOEs and Project-tied loans. This denotes a variance of N405.61 billion (9.04%) excluding GOEs and Project-tied loans.

ii. Deficit Financing

New foreign and domestic borrowings, Privatization Proceeds and Multi-lateral/Bi-lateral project-tied loans were projected to finance the deficit in the fiscal year, 2021.

Table 2.9 below shows that the sum of N205.15 billion was projected both in the 2021-2023 MTEF and Budget of 2021 from Privatization proceeds. While in the case of Multi-lateral/Bi-lateral Project-tied Loans, the sum of N674.11 billion was projected in 2021-2023 MTEF only.

The same table also reveals that, the sum of N2,343.39 billion was projected in the 2021 budget for both the Foreign and Domestic Borrowings as against the sum of N2,140.58 billion projected in 2021-2023 MTEF. This indicates a variance of N202.81 billion (9.47%).

Table 2.9 Comparison and Analysis of Fiscal Deficit and Deficit Financing Items

FISCAL ITEMS		Projections		2021-2023 MTEF Vs 2021 Budget	
		2021-2023 MTEF (₦bn)	2021 BUDGET (₦bn)	(₦bn)	%
Fiscal Deficit					
	Fiscal Deficit (Excluding GOEs & Project-tied Loans)	4,486.32	4,891.93	-405.61	-9.04
	Total Fiscal Deficit (Including GOEs & Project-tied Loans)	5,160.43			
Deficit Financing items					
i	Privatization Proceeds	205.15	205.15	-	-
ii	Multi-lateral/Bi-lateral Project-tied Loans	674.11			
iii	<i>Domestic Borrowing</i>	2,140.58	2,343.39	-202.81	-9.47
iv	<i>Foreign Borrowing</i>	2,140.58	2,343.39	-202.81	-9.47

Source: 2021 – 2023 MTEF/FSP and 2021 half year BIR

2.7 Aggregate Revenue of the Federation

The 2021 Fiscal Framework projected a Gross Federally Collectable Revenue of N12,296.59 billion, comprising of N5,185.57 billion (42.17%) as Gross Oil Revenue and N7,111.02 billion (57.83%) as Gross Other Revenue. However, this Gross Other Revenue (non-oil revenue) had an element portion of cost of collection.

2.7.1 Oil Revenue Performance as at half-year, 2021

Table 2.10 below shows that the Gross Oil Revenue of N1,899.79 billion (actual revenue) was realized in the first half-year against N2,592.78 billion prorated budget projection for the same period. This denotes a short fall of N692.99 billion (26.73%) from all the revenue sub-heads with the exception of Royalties (Oil & Gas), which surpassed its half-year target projection of N842.86 billion by N136.09 billion (16.15%)

2.7.2 Non-Oil Revenue Performance as at half-year, 2021

The same Table 2.10 below reveals that, the Gross Non-Oil Revenue of N2,448.55 billion was achieved in the first half-year against N2,301.11 billion budgeted for the period. This represented an increase of N147.43 billion (6.41%) as at the second quarter. This increase was a result of the performance of all the Non-Oil Revenue sub-heads with the exception of Custom/Excise Duty and Special Levy which had shortfalls of N44.81 billion (7.91%) and N27.00 billion (40.05%) against the projected amounts of N566.26 billion and N67.41 billion respectively.

Going by the trend of these figures (performance) in the first half-year, the Gross Projected Revenue of N12,296.59 billion may not be achieved at the end of the fiscal year, 2021, especially the contribution of Oil Revenue.

Table 2.10 Performance of Gross Oil and Non-Oil Revenue as at June, 2021

REVENUE ITEMS	APPROVED BUDGET(ANNUAL) Nbn	APPROVED BUDGET (HALF YEAR) Nbn	ACTUAL BUDGET (HALF YEAR) Nbn	VARIANCE Nbn	% PERFORMANCE	% VARIANCE
					Half year budget/Annual	Half year budget/Annual
Oil revenue (Gross)	5185.56	2592.78	1899.78	692.90	73.27	26.72
Crude Oil & Gas Sales	630.05	315.02	113.51	(201.51)	36.03	(63.97)
Petroleum profit Tax& Gas taxes @30% CITA	2148.52	1074.26	741.56	(332.70)	69.03	(30.97)
Concessional Rentals	6.05	3.03	1.22	(1.80)	40.26	(59.41)
Royalties (Oil & Gas)	1685.72	842.86	978.95	136.09	116.15	16.15
Gas Flared Penalties	130.42	65.21	45.44	(19.77)	69.68	(30.32)
Incident Oil Revenue	499.74	249.87	0.05	(249.82)	0.02	(99.98)
Miscellaneous (Pipeline Fees)	57.56	28.78	12.39	(16.39)	43.05	(56.95)
Exchange Gain	27.5	13.75	6.66	(7.09)	48.44	(51.56)
Sub-Total	5185.56	2592.78	1899.78	(692.90)	73.27	(26.72)
Non-Oil Revenue (Gross)	4602.23	2301.1	2448.54	147.43	106.41	6.41
Value Added Tax (Vat)	1838.35	919.17	1008.64	89.47	109.73	9.73
Company Income Tax (CIT)	1496.53	748.26	878.04	129.78	117.34	17.34
Custom, Excise Duties	1132.52	566.26	521.45	(44.81)	92.09	(7.91)
Special Levies	134.83	67.41	40.41	(27.00)	59.95	(40.05)
Sub-Total	4602.23	2301.1	2448.54	147.43	106.41	6.41
Grand Total	9787.79	4893.88	4398.32	(545.56)	88.85	(11.15)

Source: OAGF and BOF, 2021 in 2021 Second Quarter and half year BIR

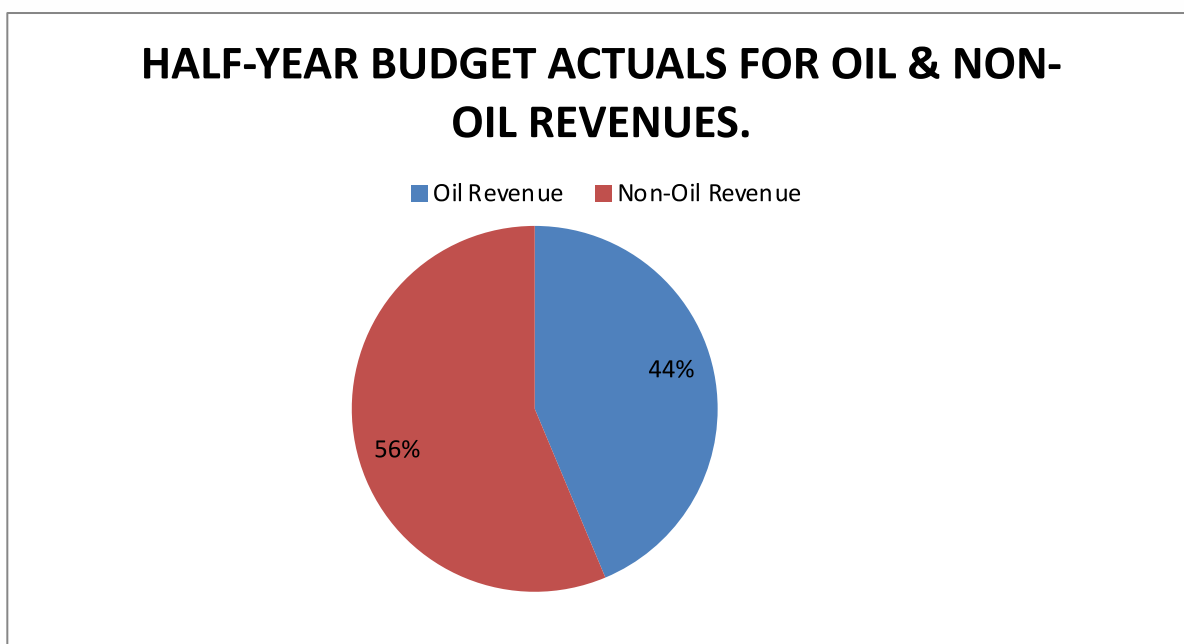


Fig. 1 Source: BIR 2021 Second Quarter and half year BIR

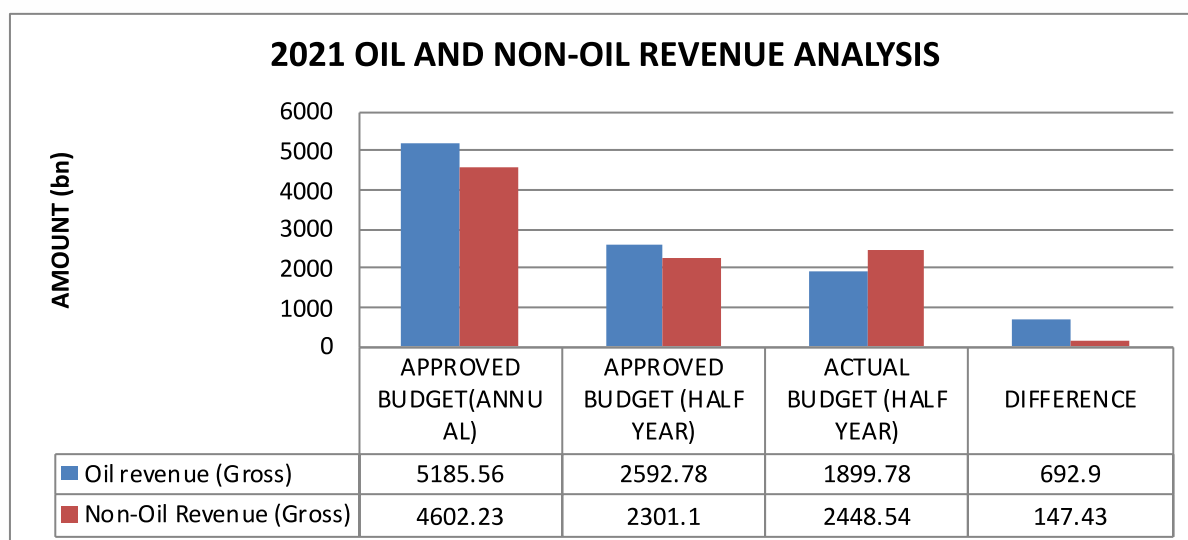


Fig.2 Source: BIR 2021 Second Quarter and half year BIR

2.8 FGN Budget Revenue Performance for 2021 First Half Year

Based on the 2021 Budget Framework, the sum of N6,637.58 billion was projected to fund the Federal Budget, indicating a quarterly share of N1,659.39 billion.

From Table 2.11 below, it is clearly seen that, the sum of N3,318.79 billion was projected to fund the Federal Budget at the second quarter of 2021, but a total of N2,311.36 billion was realized at the same period under review. This amount denotes a shortfall of N1,007.43 billion (30.36%).

2.8.1 FGN Performance Analysis of Revenue Categories for first Half – Year, 2021

i. Oil Revenue

A breakdown of the Oil Revenue indicates that, the sum of N538.31 billion was realized from the share of oil revenue as at the second quarter of 2021. This was lower than the estimated figure of N1,005.51 billion by N467.20 billion (46.46%).

FGN's share of Dividend (NLG) of N104.27 billion was projected for the first half – year while N78.20 billion was received. This denotes a shortfall of N26.07 billion (25.00%) within the period.

The sum of N1.67 billion was received as share of minerals and mining for the first half-year against the projection of N1.33 billion, indicating an increase of N0.34 billion (25.56%).

ii. Non- Oil Revenue

Table 2.11 further reveals that, the Non-Oil Revenue of N778.18 billion was achieved in the first half-year against N744.46 billion budgeted for the period. This represented an increase of N33.72 billion (4.53%) as at the second quarter. This increase was as a result of the performance of all the Non-Oil Revenue sub-heads with the exception of Custom/Excise Duty and Special Levy which had shortfalls of N20.11 billion and N12.12 billion as against the projected amounts of N254.13 billion and N30.26 billion respectively. This further translates to 7.91% and 40.05% respectively.

iii. Independent Revenue

Table 2.11 indicates that, the Independent Revenue of N558.13 billion was realized in the first half-year of 2021, against N530.95 billion projected for the period. This represented an increase of N27.18 billion (5.12%) as at the second quarter.

The Transfers from Special Levies Accounts for the first half-year was projected at N150.00 billion. At the end of the period, the sum of N111.60 billion was received. This represents a shortfall of N38.40 billion (25.60%).

The Signature Bonus, Renewals and Early Renewals Revenue categories for the first half – year were projected at N338.51 billion, while only N245.27 billion was achieved during the period. This indicates a shortfall of N93.24 billion (27.54%).

There were no records of contributions from Domestic Recoveries, Stamp Duty and Grants & Donor Funding, towards financing the budget in the half year Budget Implementation Report for 2021.

Table 2.11 FGN Revenue Performance for 2021 Half Year

REVENUE CATEGORY	2021 (HALF YEAR)		ACTUAL V BUDGET	
	BUDGET	ACTUAL	Variance	
	Nbn	Nbn	Nbn	%
FGN Share of Oil Revenue	1,005.51	538.31	(467.20)	(46.46)
FGN Share of Dividend (LNG)	104.27	78.20	(26.07)	(25.00)
FGN Share of Minerals and Mining	1.33	1.67	0.34	25.56
FGN Share of Non Oil Revenue	744.46	778.18	33.72	4.53
Company Income Tax (CIT)	340.86	397.02	56.16	16.48
Value Added Tax (VAT)	119.21	129.00	9.79	8.21
Custom Duties	254.13	234.02	(20.11)	(7.91)
Share of Special Levies	30.26	18.14	(12.12)	(40.05)
Independent Revenue	530.95	558.13	27.18	5.12
Transfers from Special Levies	150.00	111.60	(38.40)	(25.60)
Signature, Bonus, Renewals, Early Renewals	338.51	245.27	(93.24)	(27.54)
Domestic Recoveries, Assets, Fines	16.34	-	(16.34)	(100.00)
Stamp Duties	250.00	-	(250.00)	(100.00)
Grants and Donor Funding	177.43	-	(177.43)	(100.00)
Total Revenue Available for FGN Budget Excluding GOEs)	3,318.79	2,311.36	(1,007.43)	(30.36)

Source: BOF and OAGF, 2021 in 2021 Second Quarter and half year BIR

2.8.2 Fiscal Balance for the year 2021

The 2021 Budget deficit (Inclusive of Government Owned Enterprises and Project-tied loans) was projected at N5.2 trillion. This represents 3.64% of the estimated GDP for the fiscal year.

Deficit Financing

This item was projected to be achieved mainly from new borrowing, Proceeds of Privatization and draw downs on Multilateral and Bilateral loans to be the sources of financing the deficit for the fiscal year, 2021.

Budget Deficit Projections and Performance of the Financing Items:

Table 2.12 below shows that, the Fiscal Deficit in the approved 2021 Budget was ₦4,891.93 billion excluding GOEs and project-tied loans, which was to be financed as follows;

- i. Privatization proceeds ₦205.15 billion (4%)
- ii. Foreign Borrowing ₦2,343.19 billion (48%)
- iii. Domestic Borrowing ₦2,343.19 billion (48%)

Table 2.12: Budget Deficit and Financing Items

ITEMS	2021 APPROVED BUDGET			ACTUAL			VARIANCE	
	Annual ₦bn	Quarterly ₦bn	Half Year ₦bn	First Quarter ₦bn	Second Quarter ₦bn	Half Year ₦bn	Half Year Actual Vs Half Year Budget ₦bn/ %	
Fiscal Deficit (Excluding GOEs Budget & Project-tied Loans)	(4,891.93)	(1,222.98)	(2,445.96)	(1,791.78)	(1,692.63)	(3,484.41)	(1,038.45)	42.46
FINANCING ITEMS								
Privatization Proceeds	205.15	51.29	102.58	-	-	-	(102.58)	(100.00)
Foreign Borrowing	2,343.39	585.85	1,171.69	-	-	-	(1,171.69)	(100.00)
Domestic Borrowing	2,343.39	585.85	1,171.69	550.00	700.00	1,250.00	78.31	6.68
Sub-Total	4,891.93	1,222.98	2,445.97	550.00	700.00	1,250.00	(1,195.97)	(48.90)
Net Deficit/Surplus (Excluding GOEs & Project-tied Loans)	-	-	-	(1,241.78)	(992.63)	(2,234.41)	(2,234.41)	

Source: OAGF and BOF, 2021 in 2021 Second Quarter and half year BIR

In the 2021 Fiscal Framework, the estimated fiscal deficit amounted to ₦1,222.98 billion quarterly (exclusive of Multi-lateral/Bi-lateral Project-tied Loans of ₦177.42 billion). The deficit was expected to be financed on pro-rata basis as follows:

- i. Privatization proceeds 51.29 billion
- ii. Foreign Borrowing 585.85 billion
- iii. Domestic Borrowing ₦ 85.85 billion

The estimated figures allocated to the financing sources show that, 4%, 48% and 48% is from privatization proceeds, foreign borrowing and domestic borrowing respectively as shown on fig. 3 below.

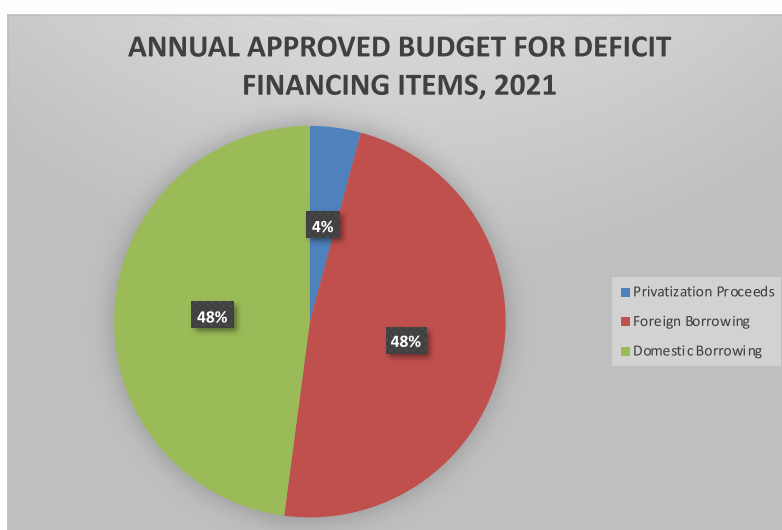


Fig. 3 Source: BIR 2021 Second Quarter and half year

The total deficit in the first half of the year amounted to ₦3,484.41 billion which was 71% of the aggregate estimated deficit for 2021. The Table 2.12 above shows that only domestic borrowing was used to finance the budget deficit for the first half-year amounting to ₦1,250.0 billion as against ₦1,171.69 billion projected. This exceeded the projected amount by ₦78.31 billion which is equivalent to 6.68%.

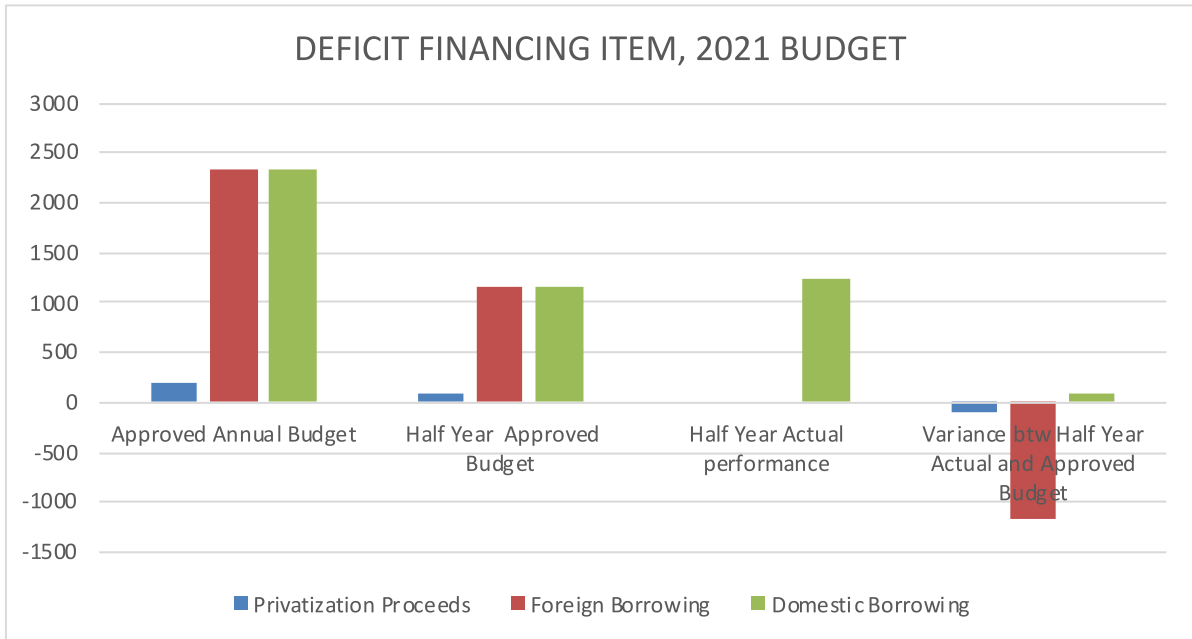


Fig.4 Source: BIR 2021 Second Quarter and half year

2.9 ASSESSMENT OF THE 2021 HALF YEAR REVENUE PERFORMANCE USING PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) FRAMEWORK AS WELL AS FISCAL TRANSPARENCY CODE (FTC)

i. Budget Reliability

Reliability of the Budget can be determined from the fiscal space (affordability) and the budget performance within the period.

The 2021 half-year budget projections and performance for oil and non-oil revenue as highlighted in Table 2.10 above clearly shows that there was revenue outturn (i.e. the change in revenue between the original approved budget and end-of-year outturn - PEFA) in the first half-year.

For instance, the Gross Oil Revenue of N1,899.79 billion (actual) was realized in the first half-year against N2,592.78 billion prorated budget projection for the same period. This denotes a short fall of N692.99 billion (26.73%). On the other hand, Gross Non-Oil Revenue of N2,448.55 billion was achieved in the first half-year against N2,301.11

billion budgeted for the period. This revealed an increase of N147.43 billion (6.41%).

Similarly, table 2.10 above further shows that, the actual half-year deficit financing from domestic borrowing only was ₦1,250.0 billion against the estimated sum of ₦1,171.69 billion which exceeded the projected amount by ₦78.31 billion which is equivalent to 6.68%.

The trend of the actual Gross Revenue and the Deficit financing on quarterly basis already showed deviations from the quarterly estimated figures. Therefore, the reliability of the budgeted amount and achievement of the set targets at the end of the fiscal year are not assured.

Following the principles of FTC on MTBF, *budget documentation includes outturns and projections of revenues, expenditures and financing over the medium-term on the same basis as the annual budget.*

In view of the trend, actual figures of the Aggregate Revenue, the unutilized financing items and projects and programs left for the remaining last half year indicate that the target for the deficit financing may not be achieved; invariably, the MTBF may not likely be the same with the annual budget projections at the end of the fiscal year, 2021.

ii. Transparency in fiscal financing

Transparency in fiscal financing involves comprehensive budget, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation must be accessible to users.

In the case of 2021 budget deficit and budget deficit financing items, there was no comprehensive information in the approved budget on when and what to privatize within the fiscal year to fund the deficit. The 2021 half-year budget implementation reports were published late and the third quarter report has not been published and made accessible to stakeholders on the website of the Budget Office as at the time of writing this report being June 30th, 2022.

FTC requirement of Medium-Term Budget Framework (MTBF)

“Budget documentation includes the outturns of the two preceding years and the medium-term projection of revenues, expenditures and financing by economic and by Ministry or program”.

The first half-year Budget Implementation Report on the Aggregate Revenue and the deficit financing, excludes GOEs and the project-tied loans. The GOEs and the project-tied loans should be part of the actual performance since they were included in the estimated Aggregate Revenue and deficit figures in the MTEF.

iii. Management of Assets and Liabilities

The Budget deficit financing is a way of adding Assets and Liabilities to the Government. Therefore, managing the entire process is important in order to safeguard the assets and minimize the exposures.

A look at the first half-year 2021 of Budget Implementation Report clearly shows that, the mid-year deficit financing from domestic borrowing was exceeded by N78.31 billion against the projected amount of N1,171.69 billion. This increased the level of exposure by 6.68% at the end of the second quarter.

Consistency with previous estimates: PEFA benchmarks

By PEFA standard, the budget documents provide an explanation of all changes to expenditure estimate. The BIR for the first half-year shows that there was a change in deficit financing for domestic borrowing from N1,171.69 billion projected to N1,250.00 billion actual, but no explanation was given for the variance in the report.

iv. Policy-based fiscal strategy and budgeting

The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans and adequate macroeconomic and fiscal projections.

By the provision of Section 19 of the FRA, 2007, the estimates of revenue and expenditure (Annual budget) shall be accompanied by the following documents;

- a. *A copy of the underlying revenue and expenditure profile for the next two financial years;*
- b. *A report setting out actual and budgeted revenue and expenditure and detailed analysis of the performance of the budget for the 18 months up to June of the preceding financial year;*
- c. *A revenue framework broken down into monthly collection targets prepared on the basis of the predetermined Reference Commodity price as contained in Medium-Term Expenditure Framework;*
- d. *Measures on cost, cost control and evaluation of result of programmes financed with budgetary resources;*
- e. *A fiscal target appendix derived from the underlying Medium-Term Expenditure Framework setting out the following targets for that fiscal year:*
 - i. *Target inflation rate,*

- ii. *Target fiscal account balances,*
 - iii. *Any other development target deemed appropriate; and*
- f. *A fiscal Risk Appendix evaluating the fiscal and other related risks to the annual budget and specifying measures to be taken to offset the occurrence of such risks.*

The 2021 budget documentation was not accompanied by all the documents as required by the provision of Section 19 of the FRA, 2007 particularly,

- i. *A revenue framework broken down into monthly collection targets prepared on the basis of the predetermined Reference Commodity price as contained in Medium-Term Expenditure Framework;*
- ii. *A fiscal Risk Appendix evaluating the fiscal and other related risks to the annual budget and specifying measures to be taken to offset the occurrence of such risks.*

Fiscal Strategy Adoption: PEFA benchmark

It is required that the Government should adopt, submit to the legislature and publish a current fiscal strategy that includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years.

FTC: Macroeconomic risks

Budget documentation includes sensitivity analysis, alternative scenarios and probabilistic forecast of fiscal outcomes.

The budget document only includes the fiscal forecasts to major macroeconomic assumptions but no alternative scenarios and probabilistic forecasts of fiscal outcomes were included.

The analysis of the potential fiscal risks for oil and non-oil revenues and possible measures to control or mitigate them were not included in the 2021 budget.

The budget deficit for the fiscal year 2021 was N5.21trillion. This represents 3.64% of the estimated GDP for the year. This contravened the provisions of Section 12(1) of FRA, 2007. *“Aggregate expenditure and the aggregate amount appropriated by the National Assembly for each financial year shall not be more than the estimated aggregate revenue plus deficit, not exceeding three percent of the estimated GDP or any sustainable percentage as may be determined by the National Assembly for each financial year”.*

In as much as the Finance Act of 2020 provided scenarios which this deficit may exceed three percent of the estimated GDP, the Budget Document was not specific on

the scenarios that led to the increase in the deficit.

v. Predictability and control in budget execution

Good forecasting of macroeconomic variables and control in budget execution is very important; it helps in achieving a reasonable percentage of budget execution performance within the fiscal year.

FTC: Macroeconomic Forecast

The budget documentation includes forecasts and explanation of key macroeconomic variables and their components as well as their underlying assumptions.

The 2021 half-year BIR contained Revenue Outturns on the Revenue sub-heads and deficit financing for the first half-year as highlighted in Table 2.10 and Table 2.12 above. For instance, the Gross Oil Revenue of N1,899.79 billion (actual) was realized in the first half-year as against N2,592.78 billion prorated budget projection for the same period. This denotes a short fall of N692.99 billion which translates to 26.73%. Similarly on the Domestic borrowing, the sum of N1,250.00 billion was borrowed as against the approved estimated amount of N1,171.69 billion. This indicated a variance of N78.31 billion (6.68%) at the mid-year end.

There was no explanation on the reasons for the revenue outturns within the period.

2.10 2021 HALF YEAR BUDGET PERFORMANCE HIGHLIGHTS –EXPENDITURE

Table 2.13 Comparison of 2021 MTEF and Budget Expenditure Projection (Annual)

Expenditure Details	2021 PROJECTIONS		MTEF vs Budget	
	MTEF	BUDGET	Variance	
	₦bn	₦bn	₦bn	%
Recurrent Expenditure				
Personnel Cost (MDAs)	3,053.86	3,046.47	7.39	0.24
CRF Pensions	536.72	504.19	23.53	6.06
Overhead Cost (MDAs)	302.43	325.88	-23.45	-7.79
Government Owned Enterprises (Personnel & Overhead)	1013.24	1013.24	0	0
Other Service Wide Votes (+ Gavi/Immunization)	408.92	337.19	71.73	17.54

Other Service Wide Votes (+ COVID 19 Crisis Intervention Fund)	0	0	0	
Presidential Amnesty Programme	65	65	0	0
Basic Health Care Fund (1% of CRF)	0	0	0	
Special Intervention (Recurrent)	350	350	0	0
Payment for Special Accounts	0	0	0	
Sub-Total (Non-Debt Expenditure)	5,730.17	5,641.97	1,101.44	19.22
Debt Service	3,124.38	3,324.38	-200	-6.4
Statutory Transfers	481.41	469.53	-15.12	-3.14
Capital Expenditure	3,331.03	3,079.87	251.16	7.54
Aggregate Expenditure (Including GOEs)	12,666.99	12,542.75	124.24	0.98

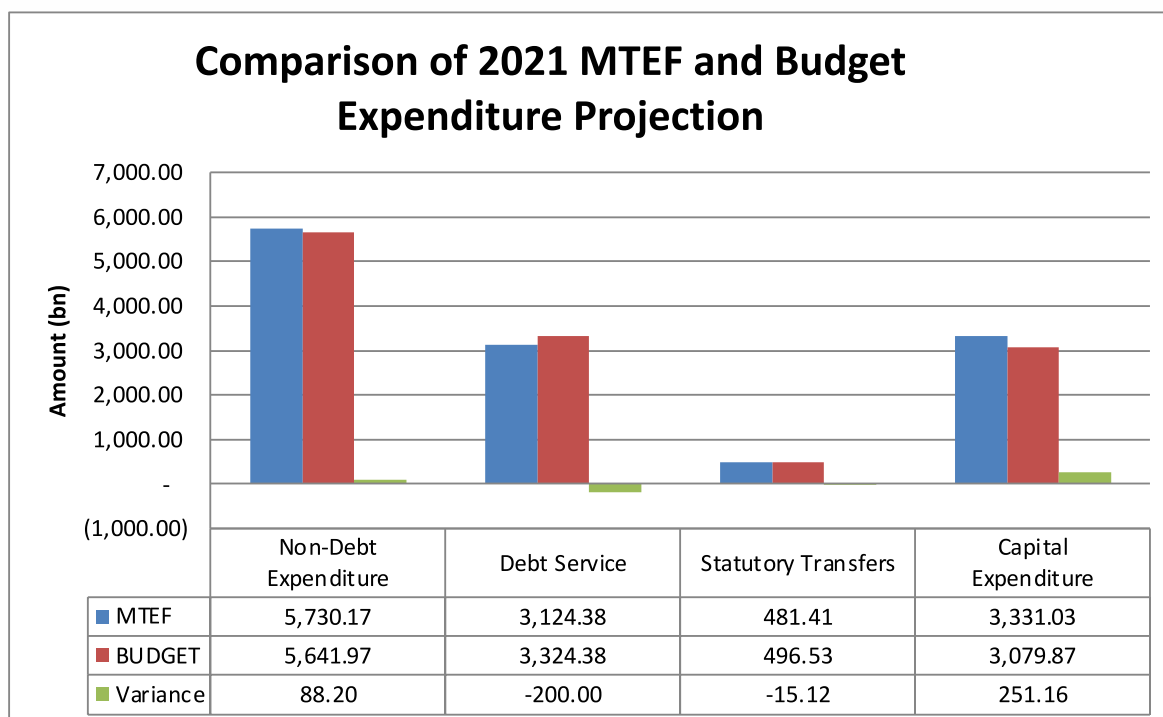


Fig 5: Source: Budget Office of the Federation / FMFBNP 2021 – 2023 MTEF/FSP

2.10.1 Comparison and Analysis of 2021-2023 MTEF and 2021 FGN

Annual Budget Projections (Expenditure)

Table 2.13 and Figure 5 above show the comparisons between the 2021-2023 MTEF and 2021 budget estimates (expenditure projections). The projected aggregate expenditure in the 2021-2023 MTEF was put at N12,666.99 billion while N12,542.75 billion was projected at the corresponding 2021 budget. This shows a variance of N124.24 billion (0.98%).

Among the heads of expenditure as presented in the Table above, Other Service Wide Votes (+Gavi/Immunization) shows highest deviation between the 2021-2023 MTEF expenditure projection and 2021 budget expenditure projections. MTEF projection for the Other Service Wide Votes was put at N408.92 billion, while the corresponding 2021 budget projection was put at N337.19 billion. This indicates a variance of N71.73 billion (17.53%).

Total capital expenditure projection was N3,331.03 billion at the level of MTEF, while the corresponding capital expenditure projection in the 2021 budget was N3,079.87 billion, representing a variance of N251.16 billion (7.54%).

Personnel cost had a projection of N3,053.86 billion in the 2021-2023 MTEF, while the corresponding 2021 budget projection was put at N3,046.47 billion; that is, a difference of N7.39 billion (0.24%).

The MTEF expenditure projection on the Overhead Cost (MDAs) was N302.43 billion, while the budget projection for the same was N325.88 billion. This shows a N23.45 billion (7.76%) budget deviation from the MTEF projection.

The MTEF expenditure estimate for CRF pensions was N536.72 billion, while the corresponding 2021 budget projection was N504.19 billion; that is, a difference of N32.53 billion (6.06%).

Debt service projection in the MTEF was N3,124.38 billion, while in the corresponding 2021 budget it was N3,324.38 billion which shows a difference of N200 billion (6.40%).

Special Intervention, Presidential Amnesty Programme, Personnel Cost (GOEs) and Overhead Cost (GOEs) had expenditure projections of N350 billion, N65 billion, N701.16 billion, and N312.08 billion respectively in the MTEF, while the correspondent 2021 budget has no information according to the first half year budget performance report as shown in Table 2.14 below.

Table 2.14 Comparison of 2021 Half Year Budget and Actual FGN Expenditure

Expenditure Detail	2021 Approved Budget		2021 Half Year Actual	Budget vs Actual (Half Year)	
	Budget	Half Year	Actual	Variance	
	₦bn	₦bn	₦bn	₦bn	%
Recurrent Expenditure					
Personnel Cost (MDAs)	3,046.47	1,523.24	1,616.94	-93.71	-6.15
Personnel Cost (GOEs)	0	0	0	0	
CRF Pensions	504.19	252.1	178.66	73.44	29.13
Overhead Cost (MDAs)	325.88	162.94	176.76	-13.82	-8.48
Overhead Cost (GOEs)	0	0	0	0	
Other Service Wide Votes (+ Gavi/Immunization)	337.19	168.6	234.61	-66.02	-39.16
Other Service Wide Votes (+ Covid-19 Crisis Intervention Fund)	0	0	0	0	
Presidential Amnesty Programme	65	32.5	27.08	5.42	16.68
Basic Health Care Fund (1% of CRF)	0	0	0	0	
Special Intervention (Recurrent)	350	175	0	175	100
Payments from Special Accounts	0	0	0	0	
Sub-Total (Non-Debt)	4,628.73	2,314.37	2,234.05	80.31	3.47
Debt Service	3,324.38	1,662.19	2,020.17	-357.98	-21.54
Statutory Transfers	496.53	248.27	248.26	0	0
Capital Expenditure	3,079.87	1,539.94	1,304.51	235.43	15.29
Aggregate Expenditure (Excluding GOEs)	11,529.51	5,764.76	5,806.99	-42.24	-0.73

Source: OAGF and BOF, 2021 in 2021 Second Quarter and half year BIR

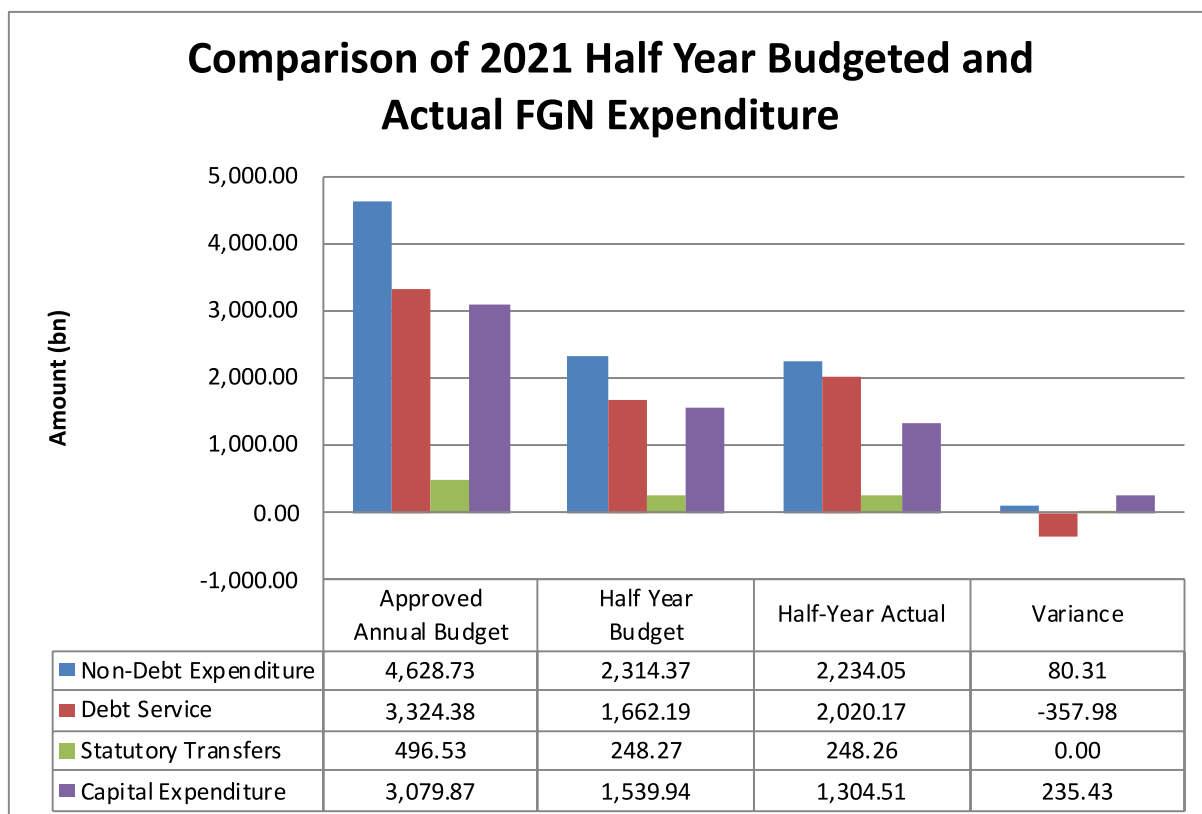


Fig.6 Source: BIR 2021 Second Quarter and half year BIR

Table 2.14 and figure 6 above show approved 2021 budget expenditure, half year expenditure projections, half year actual expenditure (expenditure outturns) and variance between the half year expenditure projections and half year actual expenditure (expenditure outturns).

The above Table and figure, indicate that the aggregate approved expenditure for the year was N11,529.51billion while the total first half year expenditure projection was N5,764.76billion and the actual total expenditure outturn for the half year was N5,806.99billion. This shows that the total actual expenditure incurred as at the half year was higher than the projected expenditure by N42.24 billion (0.73%).

The total non-debt recurrent expenditure projection for the half year was put at N2,314.37 billion, but the expenditure outturns for the period was N2,234.05 billion, meaning a variance of N80.31billion (3.47%).

The total capital expenditure projection for the period under review was N1,539.94 billion, but the expenditure outturn for the period was N1,304.51billion which indicates a variance of N235.43 billion (15.29%).

The Table shows that the half year projected expenditure for CRF Pensions was N252.10 billion, while the expenditure outturn for the period was N178.66 billion. This indicates a variance of N73.44 billion (29.13%) from the projection.

The half year projected expenditure for personnel cost was N1,523.24 billion, while the actual outturn for the period was N1,616.94 billion, showing an increase of N93.71 billion (6.15%) from the projection.

Overhead cost (MDAs) had an increase of N13.82 billion outturn from the projection, representing 8.48% increase as at the period.

Debt service expenditure outturn increased by N357.98 billion from the projected expenditure of N1,662.19 billion for the first half of the year, representing 21.54% increase.

The Other Service Wide Votes had higher expenditure outturn to the tune of N234.61 billion from the expected N168.60 billion expenditure for the first half of the year. This means a N66.01 billion increment (39.16%) from the expected expenditure for the period.

The table shows no data on Overhead and Personnel Cost (GOEs).

2.11 ASSESSMENT OF THE 2021 HALF YEAR EXPENDITURE PERFORMANCE USING PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) FRAMEWORK

i. Budget Reliability

One measure of the government's ability to deliver public services is reflected in the performance of aggregate outturn against budget. Reliability of the budget depends on the government's ability to realize its revenue and expenditure plans. There have been significant differences between both planned revenue and expenditure against outturns.

The half-year aggregate expenditure outturn reflected an increase by N42.24 billion of the original amount approved/budgeted for (excluding the GOEs). That is an increment in aggregate expenditure with a variance of 0.73%. Generally, it could be said to be realistic and have been implemented as intended.

However, the expenditure line items in Table 2.14 and figure 6 except Statutory Transfers; had significant percentages of variance. The Debt Service was above the budgeted figure which led to a variance of 21.54% that is N357.98 billion more and far from the strategic policy of reducing debt servicing. The Recurrent Expenditure (Non-Debt) also increased by N80.31 billion (3.47%), while the Capital Expenditure fell below the budgeted figure by N235.43 billion (15.29%). The impact of these variances resulted in a non-uniform distribution of budgetary resources across sectors and programmes.

ii. Transparency in Public Finances

One of the requirements of PEFA is that *“Information on Budget document is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government Revenue and Expenditure, including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation”*.

There is room for improvement on the comprehensiveness and accessibility of information on budget execution. As there is no budget execution coverage on Government Owned Enterprises (GOEs), so its half-year 2021 budget performance cannot be measured.

iii. Management of Assets and Liabilities

Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

The half-year 2021 BIR clearly showed that the mid-year deficit financing from domestic borrowing was exceeded by N78.31 billion as against projected amount of N1,171.69 billion. Debt Service increased by 21.54% for the corresponding period, while the Capital Expenditure fell below projection by 15.29%. This showed ineffective management of assets and liabilities which is not in line with the FRA 2007 Section 41 (1) (a) which states that “*Government at all tiers shall only borrow for capital expenditure and human development, provided that such borrowing shall be on concessional terms with low interest rate and with a reasonably long amortization period subject to the approval of the appropriate legislative body where necessary*”.

iv. Policy-Based Fiscal Strategy and Budgeting

In the medium term, government aimed at sustaining economic growth, facilitating economic recovery, supporting job creation, achieving macroeconomic stability and promoting poverty reduction and equity.

The 2021-2023 medium term expenditure projections, the aggregate amount available for Capital Expenditure in the 2021 budget was N3,331.03 billion, which represented 26.3% of total expenditure (short of the 30% target set by the current Federal Government – MTEF 2021-2023); while the sum of N3,079.87 billion was appropriated in the Appropriation Act 2021 for Capital Expenditure. That is, a decrease of N251.16 billion (7.54%) which is a further drift from the Federal Government target. The government would need more conscious investment on Capital Expenditure to achieve its economic goals.

Table 2.15 Capital Budget Utilization by MDAs (as at June, 2021)

S/N	MDA	Annual Appropriation (₦)	Total Amount Released (Actual)(₦)	Utilization(₦)	As % of Annual Capital Appropriation	Percentage of Releases
1	Federal Ministry of Works & Housing	399,694,565,222	106,185,005,668	64,820,813,830	16.22	61.05
2	Transport	209,736,113,910	51,743,584,088	29,714,064,583	14.17	57.43
3	Agriculture	102,493,492,597	69,932,987,464	31,858,840,526	31.08	45.56
4	Water Resources	159,745,000,315	31,894,794,262	6,969,321,180	4.36	21.85
5	Education	156,172,307,765	33,656,697,770	3,723,494,909	2.38	11.06
6	Aviation	134,591,025,027	37,845,955,847		0.97	3.95
7	Science & Technology	100,319,073,942	34,612,109,288	2,017,598,178	2.01	2.01
8	Niger Delta	22,024,592,197	5,222,257,333	2,514,654,244	11.4	48.15

8	Niger Delta	22,024,592,197	5,222,257,333	2,514,654,244	11.4	48.15
9	FCTA	37,330,762,421	8,881,904,171	8,881,904,171	0	0
10	Defense	127,850,984,984	57,652,628,074	53,572,774,865	41.9	92.92
11	ONSA	45,647,587,613	13,740,651,899	13,064,615,291	28.6	95.08
12	Interior	38,846,293,565	6,113,062,105	2,221,714,194	5.72	36.34
13	Trade & Investment	64,760,781,172	18,847,320,535	17,518,084,298	27.1	92.95
14	Power	206,745,895,389	69,104,486,561	56,997,127,575	27.6	82.48
15	Total Average Utilization (inclusive of Capital Supplementation)	2,725,017,594,547	781,560,320,057	426,274,709,215	15.6	54.54

Source: OAGF and BOF, 2021 in 2021 Second Quarter and half year BIR

Table 2.15 above shows capital budget utilization by 15 major MDAs, the total annual appropriation, total amount released the MDAs' utilization as a percentage of the annual appropriation and the percentage amount released for the MDAs as at 30th June 2021. The Office of the National Security Adviser (ONSA) had the highest release to the tune of 95.08% followed by Trade and Investment which had 92.95%. Defense had 92.92% release, Power 82.48% release, while Federal Ministry of Works and Housing had 61.05% release. Aviation had the least percentage release to the tune of 3.95% while Federal Capital Territory Administration (FCTA) recorded no utilization at all. The total average release for all MDAs as at 30th June 2021 was 54.54%.

Based on the performance assessment above, it was observed that:

In the area of expenditure composition outturns, there is no comprehensive information on the various MDAs under the assessment for possible detailed assessment. This is because details of most of the 44 selected MDAs were not captured as at June, 2021 in the budget performance report. Even though some of them have utilized over 80% of their released capital vote as at June, 2021; there are others who are said to have been undergoing procurement processes at the time of the report and the names of the MDAs are not stated. In this regard, there is a need for improvement in the area of budget documentation to enhance comprehensiveness and transparency as a requirement in PEFA's "*Transparency in Public Finances*".

After due consideration of the Capital Expenditure performance in the half year report, the government is on course but has to improve on budget reliability and transparency in public finances. This is to ensure that the country's budget system is in line with the PEFA standards of international good practices for the purpose of achieving the desired budget objectives of strategic resource allocation, fiscal discipline and efficient services delivery.

2.12 SUMMARY

Rule based fiscal management is a global panacea for rapid social-economic development. It is in recognition of this that the global community led by the World Bank and the International Monetary Fund (IMF) developed different strategies and frameworks to set globally applicable standards for effective fiscal management. These rules and strategies are reduced into local

legal frameworks with appropriate modifications to suit each country's peculiarities. Since such legislations are a ratification and an extension of the recommended international good practice, strict or substantial compliance with the rules set therein becomes unavoidably inevitable. The efficiency or otherwise of the public financial management of every economy can be measured against the backdrop of these standards.

As earlier stated at the outset of this exercise, the main legal framework besides the Constitution regulating budgeting and budget implementation in Nigeria is the Fiscal Responsibility Act, 2007. This Act copiously reflects the major principles contained in the PEFA/FTC Frameworks for transparent, prudent and efficient financial management system in Nigeria. The enactment of this Act reflects Nigeria's will to subscribe to workable international dynamic strategies for responding to the fast changing global economic order and the resultant challenges. Therefore, the need to comply with the provisions of the FRA, 2007 in the preparation and implementation of Budget cannot be overemphasized.

It suffices to note that the 2021-2023 Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) as well as the 2021 Budget preparation and implementation were not done in strict compliance with the procedural requirements in the FRA and in accordance with the PEFA/FTC. This is because there were gaps observed in the Budget formulation and implementation.

The most notable gap is “budget overlap”. The fiscal year for the recurrent component of the 2021 Budget ended on 31st December, 2021 while the capital component dragged on to 31st May, 2022. This was a relay extension from a similar extension of the same component in the 2020 Budget. This means that the recurrent component of the 2020 and 2021 Budgets had a cycle of January – December while the capital component had a cycle June – May respectively. The negative effects of this parallel budget implementation on the achievement of targets can better be imagined than quantified. Another major weakness in Nigeria's PFM system is the inadequate budget formulation, expenditure prioritization and control which invariably manifests in poor financing of core programmes in critical sectors. Furthermore, the absence of accountability mechanisms results in large scale corruption and misuse of public funds within the budget execution process. Also, there is lack of comprehensiveness and timeliness in dissemination of information.

There are still other gaps observed but in order to avoid unnecessary repetition, we chose to reflect these gaps and the requisite steps to fill them, in our recommendations below.

2.12 RECOMMENDATIONS

In view of the foregoing assessment and observations, we wish to recommend as follows:

Preparation of MTEF/FSP

1. The macroeconomic, fiscal and monetary forecasts contained in the MTEF should be subjected to review by entity other than the preparing entity and should be updated at least once a year.

2. Government should include a range of fiscal forecast scenarios based on alternative macroeconomic assumptions in the MTEF.
3. The FGN needs to focus more on non-oil revenue as this has proven to be more stable than oil-revenues.
4. The Government would need more deliberate investment on capital expenditure to achieve its economic goals.
5. The President and the National Assembly should set the consolidated debt limit in line with Section 42 of FRA, 2007.
6. The Government should increase Public Private Partnership through well prepared projects involving MDAs especially the Infrastructure Concession Regulatory Commission & the Private sector.
7. The Government should reduce borrowing by enhancing revenue generating base & ensure that MDAs remit the accurate operating surplus as and when due.
8. The MTEF should be prepared and approved before the presentation of the Annual Budget.

Annual Budget

9. Government should include sensitivity analysis, alternative scenarios, and probabilistic forecasts of fiscal outcomes in both MTEF and the Annual Budget; this would reduce the probability of risks occurring and enhance the credibility of the forecasts to avoid optimistic bias which would invariably translate to achieving the set targets.
10. In line with Section 19 of the FRA, 2007 the Annual Budget should be accompanied by:
 - i. A Revenue Framework broken down into monthly collection targets prepared on the basis of the predetermined Reference Commodity price as contained in the MTEF.
 - ii. A Fiscal Risk Appendix evaluating the fiscal and other related risks to the Annual Budget and specifying measures to be taken to offset the occurrence of such risks.
11. Government should ensure that the macroeconomic, fiscal and monetary forecasts as well as their underlying assumptions in the annual budget are as much as possible, in harmony with those contained in the MTEF.
12. Amend Section 81 of the Constitution to fix the timeframe for the President and Governors to present the budget estimate by first week of September and legislature second week of December (*BudgIT, 2021*).
13. The Government should design budget template to ensure that every MDA is carried along.

Budget Implementation

14. In line with Section 25 of the FRA, government should, beginning from the next budget year, draw up an Annual Cash Plan in advance of the financial year, setting out projected monthly cash flows which may be revised periodically to reflect actual cash flows.
15. The Minister of Finance should, within 30 days of the enactment of the Appropriation

Act, prepare and publish a Disbursement Schedule derived from the Annual Cash Plan for the purpose of implementing the Appropriation Act – Section 26 of FRA.

16. Government should ensure that the sums appropriated for a specific purpose be used solely for the purpose specified in the Appropriation Act. This would aid the achievement of targets and policy objectives set out in the MTEF and the Annual Budget.
17. There is need to explain revenue and expenditure outturns comprehensively in the budget implementation report.
18. There is need to control expenditure and ensure it is within the projections to avoid significant variances.

Audit and Reporting

19. There is a need for improvement in the area of budget documentation to enhance comprehensiveness and transparency as a requirement of FRA, 2007 and PEFA's "Transparency in Public Finances".
20. The Auditor-General for the Federation should publish an audit report consistent with international standards stating whether government's statements represent a true and fair view of its financial position, without major qualifications.
21. The financial reports for the FGN should be prepared annually and should be comparable with the approved budget; containing full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees, and long-term obligations, supported by a reconciled cash flow statement.
22. Government should ensure that financial reports are submitted for external audit within 3 months of the end of the fiscal year; otherwise, it becomes unreliable and it loses its purpose for remedial action.
23. The Office of the Auditor-General for the Federation (OAGF) should prepare and submit to the National Assembly within 3 months of the receipt of the financial reports, an audit report for the last three completed fiscal years.
24. There is need for budget execution report on GOEs so that their performance can be measured.

We have no doubt that these recommendations if carried into effect would engender great effective budgeting and budget implementation in Nigeria, with the ultimate result of rapid macroeconomic stability and growth.

2.7 PHYSICAL VERIFICATION OF SELECTED FGN CAPITAL PROJECTS

In compliance with the powers and the implicit mandate of Fiscal Responsibility Commission as contained in Section 2 (1) (a) of the FRA, 2007, the Commission carried out physical verification of completed and ongoing projects of the Federal Government and some of its agencies across the six geo-political zones of the country. *Note that Section 30 applies to the Minister of Finance for determining attainment of fiscal targets.*

The main aim of the exercise was to visit Federal Government project sites and to ensure compliance with the provisions of the FRA, 2007 as follows:

- To physically verify the existence of the selected projects
- To ensure procurement processes are adhered to in accordance with Section 38 of the FRA, 2007
- To compare budgetary provisions with actual expenditures on projects;
- To ensure adequate utilization of government funds
- To determine reasons for delays and abandonment of projects
- To encourage the citizenry to take interest in projects located within their zones

Methodology

The methodology adopted for the exercise was as follows:

1. Requesting and obtaining written information on the projects to be inspected from the various MDAs.
2. Studying submissions from MDAs to establish project performance before visit.
3. Physical visit to project sites with consultant, contractor and the supervising staff of the beneficiary MDAs.
4. Obtaining progress reports about each project from the supervising ministry, the beneficiary institution[s] and contractors where necessary. These were analyzed to form a view about the verification exercise.
5. Interviewing project stakeholders to obtain further information.
6. Preparing reports on each project visited including observations and recommendations.

Challenges:

Challenges encountered during the course of the exercise include:

1. Failure of some supervising MDAs to respond to the Commission's request on time in providing vital information.
2. Delay/failure of MDAs to provide guides to accompany/introduce the FRC teams to the projects, even after informing such MDAs well ahead of time.
3. Failure of the organizations/agencies visited to ensure that contractors and/or consultants were on ground to brief the teams about their projects.

The 2021 exercise, being the ninth was conducted in the six geo-political zones of the country to physically verify selected on-going or completed Federal Government projects as at December, 2021.

The exercise covered projects spread across Works, Power, Health Sectors, Water Resources, Nigeria Building and Road Research Agency (NBRRI), as well as the

Nigerian Correctional Services.

The list of projects according to their zones is enumerated below:

North Central Zone

1. Dualization of Abuja-Abaji-Lokoja Road: Section 1v: Koton Karfe-Lokoja, Kogi State
2. Complementary Work to State Headquarters of Nigerian Correctional Service office, Lokoja Kogi State
3. Construction of Solid Concrete Standard Perimeter Fence and Construction of Reinforced Concrete Drainage at Koton Karfe Custodial Centre, Koton Karfe, Kogi State
4. Construction of 6.03km Access Road in Agwada-Ugede Karu-Keffi Kokona LGAs, Nasarawa State
5. Rehabilitation of Makurdi-Naka-Adoka Phase 1: (Makurdi Naka Road) in Benue State. Contract No 6574
6. Federal Medical Centre (FMC), Makurdi, Benue State:
 - a. Rehabilitation /Equipping of Amenity Ward
 - b. Construction and Finishing of Isolation Ward
 - c. Construction of Drainages, Landscaping, Internal Road Networks, Walkways and Visibility Lighting at Permanent Site APIR



One of the Completed Bridges at Section IV Koton Karfe-Logoja Road



Ongoing construction of drainage along the 22km length asphalt on Makurdi-Naka-Adoka road in Benue State

North East Zone

1. Rehabilitation of Tumu-Pindiga Kashere (Gombe State) Futuk- Yola (Bauchi State)-Bashar- Dengi (Plateau State Road) C/No.6214.
 2. Rehabilitation and Construction of road in Jauro Rose, Kashere, Akko Local Government area of Gombe State.
 3. Dualization of Kano-Maiduguri Road Section 1: (Kano-Wudil-Shuarin) C/No. 5878.
 4. Construction of Burga-Dull-Mbat II-Tadnum-Gobbiya-Badagari-Gwarangah-Sum, Bauchi State. C/No. 6308.
 5. Construction of Tudun Wuss-Wandi-Baraza-Durr-Zumbul-Polchi-Dot-Kwanar, Bauchi State. C/No 6298.
 6. Abubakar Tafawa Balewa University Teaching Hospital (ATBUTH), Bauchi.
 - Construction of Trauma Centre Phase III
 - Expansion of Psychiatric wards (for victims of insurgency at North/East)
 - Construction of Nutritional Rehabilitation centre (for victims of insurgency at North/East)
 7. Construction of Nigeria Correctional Service State Headquarters Office Complex Gombe State
 8. Construction of concrete storey building cell block (240), Yola Custodial Centre
- Rehabilitation of Mayo-Belwa – Jada – Ganye Toungo road in Adamawa state C/No. 6450



Bad portion of the completed Tumu-Pindiga Kashere (Gombe State) - Futuk Yola (Bauchi State) road



Dualization of Kano-Maiduguri Road Section 1: Kano-Wudil-Shuarin

North West Zone

1. Federal Medical Centre (FMC), Birnin Kudu
 - a. Construction of Hostel Block for School of Post Basic Mid- Wifery
 - b. Construction of 2 nos. lecture theatres for School of Post Basic Mid-Wifery
 - c. Construction of Modular Theatre
 - d. Construction of entrance and exit gate and installation of solar street lights
2. Aminu Kano Teaching Hospital (AKTH), Kano
 - a. Construction (Extension) of Surgical Theatre
 - b. Construction of Road Network within the Premises of AKTH
 - c. Construction of 40 flats for Residents Doctors
3. Federal College of Agricultural Produce, Inspection and Stored Products, Kano
 - a. Construction of classrooms and office building
 - b. Completion of a block of 8 classrooms with offices at permanent site
4. Dualization of Kano-Katsina Road Phase I (Kano town at Dawanau round about to Katsina border in Kano State.)
5. Rehabilitation and construction of Kano-Gwarzo-Dayi Road
6. Construction and equipping of General Hospital at Kobo, Kano State
7. Procurement of hospital equipment (Section 2) at Kobo, Kano State
8. Construction of 2km asphalt road and 3 in 1 solar street light at Gwale, Tudun Yola, Emirate Street, Kano State
9. Construction of Matan Fada Road Section 1) in Kunchi, Kano State



Ongoing construction of 2nos. Lecture Theatres for School of Post Basic Mid-Wifery at FMC, Birnin Kudu, Jigawa State.



Inside view ongoing construction of 40 flats for Residents Doctors at AKTH, Kano

South East Zone

1. Construction of the National Emergency Management Agency South-East Zonal Office, Enugu, Enugu State
2. Rehabilitation of outstanding section of Onitsha-Enugu Expressway, Amansea-Enugu State Boarder C/N0.6266
3. Rehabilitation of 9th Mile-Orokam Road in Enugu State C/N0. 6290
4. Nnamdi Azikiwe University Teaching Hospital, Nnewi, Anambra State:
 - a. Completing the construction of Specialty Clinics at the Permanent Site
 - b. Completing the construction of G.O.P.D Block at the Permanent Site
 - c. Completing the construction of male surgical Ward at the Permanent Site
 - d. Completing the construction of fence work at the Permanent Site
5. Construction of Houses for the Less Privileged in Anambra Central Senatorial District, Anambra State
6. Construction of Nigerian Correctional Service SHQ Office Complex at Owerri, Imo State
7. Construction of Industrial Training Fund Area Office Complex at Owerri, Imo State
8. Construction of Nigerian Correctional Service SHQ Office Complex at Umuahia, Abia State
9. Construction of Industrial Training Fund Area Office Complex at Abakaliki, Ebonyi State



A Cross-Section of the completed Specialty Clinic at the Nnamdi Azikiwe University Teaching Hospital, Nnewi, Anambra State



Ongoing construction of SHQ office of NCS at Umuahia, Abia State

South South Zone

1. Reconstruction of Abak-Ekparakwa-Ete-Ikot Abasi Road: C/N 6490
2. Construction of Central Sewage System (Bio-fill Integrated Water Treatment Plant, phase II) at Custodian Centre, Port-Harcourt
3. Construction of one-storey concrete cell block at Ogwashi-Uku, Delta State.
4. Construction of Bodo-Bonny 37.9 km riad, with 3 main bridges and 13 mini-bridges, C/N 6247
5. Federal Medical Centre, Yenagoa:
 - a. Construction of two-storey Surgical Ward
 - b. On-going construction of Medical Record Block
 - c. Expansion/Construction of 6 (six) No. one storey Theatre
6. Nigeria Maritime Academy, Oron:
 - a. Construction of Internal Road-15 within the Academy
 - b. Shore protection and sand filling at the Boatyard
 - c. Construction of 100-capacity female cadet hostel
 - d. Construction of 200-capacity male cadet hostel
7. Rehabilitation and construction of road in Nto-Ekpe-Atan Ibong road, Obot- Akara LGA, Akwa-Ibom North-West Senatorial District, Akwa-Ibom State.



Side view of the on-going construction of one storey maximum Concrete Cell Block at Ogwashiuku Custodial Centre, Delta State



View of the theatre building showing roofing already completed at FMC Yenagoa, Bayelsa State

South West Zone

1. Rehabilitation of Ikorodu Shagamu Road in Lagos State C/NO.6289A
2. Addendum III: Dualization of Lagos-Otta Road in Lagos State C/NO.3278A
3. Federal College of Agriculture, Ibadan, Oyo State
4. Rehabilitation and Upgrading of Idanre Water Supply Project, Ondo State Phases 1 And 2
5. Construction of National Emergency Management Agency's South West Zonal Office, Lagos, Lagos State
6. Rehabilitation /Upgrading of Obafemi Awolowo University Phase 1 And 2.
7. Construction of Ile Ife Dam
8. Construction of internal roads in Ikorodu Federal Constituency, Lagos State
9. Obafemi Awolowo University Teaching Hospital, Ile-Ife



Asphalted Section of Rehabilitation of Ikorodu - Shagamu Road in Lagos / Ogun States.



On-going Construction of 1000 Capacity Lecture Theatre at FCA, Ibadan, Oyo State

2.8 GENERAL OBSERVATIONS AND FINDINGS

- i. Lack of consistent timeline and inadequate release/paucity of funds is a major challenge and is hindering the completion of projects at stipulated delivery dates.
- ii. Some State Commands (of the Nigerian Correctional Services) where projects are situated did not have records/updated progress reports of projects.
- iii. Inflation has affected the contractors' acquisition of materials needed for projects, thereby leading to variations and, in some cases, abandonment.
- iv. Sections of some projects (especially road projects) are already failing while work is still ongoing.
- v. Motorist are observed driving on portions of the shoulders of road projects thereby damaging such portions.
- vi. Indiscriminate parking of trucks along roads, often times cause accidents and road degradation.
- vii. Insecurity has affected the progress of projects because it creates an atmosphere of fear and tension.
- viii. One project (of the Nigerian Correctional Services) is located in an isolated and bushy outskirts of the town with no security provided to keep watch over the edifice, leaving the yet-to-be-occupied structure prone to vandalization.
- ix. Some Federal Medical Centers have many projects running simultaneously without completion.
- x. Projects are seen to be progressing at a slow pace due to inadequate capital releases, thereby causing delays in completion.
- xi. Progress of projects is largely hampered by compensation issues.
- xii. External landscaping of building projects is not done as it is not ordinarily included in most original contract agreements.
- xiii. COVID-19 pandemic has affected the cost of materials.

2.9 GENERAL RECOMMENDATIONS

- i. State Commands (of the Nigerian Correctional Services) where projects are situated should keep the records/updated progress reports of all projects and be ready to avail inspectors of all necessary details on request.
- ii. Adequate security should be put in place to handle cases of kidnappings, armed robbery and other security threats on projects. This will protect structures from being vandalized, in addition to preventing interruptions of project delivery and unplanned stoppages.

- iii. Consistent and adequate release of funds by the Government is needed to enhance delivery of projects and prevent abandonment.
- iv. As soon as a project is completed, already damaged parts should be repaired before it is handed over.
- v. Huge trucks parking along roads causing damage to public facilities.
- vi. Portions with ongoing work should be clearly demarcated. Alternative routes should be provided to enhance free flow of traffic.
- vii. Commencement of operations should begin as soon as projects are completed as non-usage usually results in dilapidation of facilities.
- viii. Project engineers/supervisors and consultants should ensure that projects are delivered with strict compliance to specifications and standards.
- ix. Contractors should take advantage of the dry season and speed up work on weather sensitive projects.
- x. Sustained monitoring of projects should be ensured.
- xi. All projects envisaged to be executed should be included in the relevant Medium-Term Expenditure Framework (MTEF) and the actual execution should be in line with the plan.
- xii. A few manageable projects should be embarked upon by MDAs at any point in time to prevent project abandonment.
- xiii. Government agencies should make more recourse to Public-Private-Partnership (PPP) funding arrangement for projects. SUKUK and other alternative funding have proved very effective and should therefore be sustained.
- xiv. Government should always have in mind the socio-economic benefits to the citizens before embarking on any project, thereby providing full funding for completing the project on time for use without delay. This will ensure value for money and good governance.
- xv. Contracts should not be awarded without proper planning, designs, surveys and scope clearly stated. This should also include soil integrity tests before projects are awarded.
- xvi. Hastiness in signing contracts by FG should be discouraged especially where there are issues of compensation.
- xvii. The non-response rate to requests for information and documents by MDAs is discouraging. Having prior information before the exercise will make the exercise more effective and decisive.



CHAPTER
THREE

3

DEBT, INDEBTEDNESS
AND BORROWING



CHAPTER THREE

DEBT, INDEBTEDNESS AND BORROWING

3.1 INTRODUCTION

Parts IX and X of the Fiscal Responsibility Act (FRA), 2007 stipulate the framework, rules and conditions for indebtedness and borrowing by any Government in the Federation. While Part IX of the Act contains the framework and rules governing public debt and indebtedness, Part X provides the conditions for borrowing by any tier of Government in the Federation.

3.2 DEBT MANAGEMENT FRAMEWORK/ LIMITS OF CONSOLIDATED DEBTS OF THE FEDERAL, STATE AND LOCAL GOVERNMENTS

Section 41 of the FRA, 2007 provides that government at all levels must borrow for only capital expenditure and human development at concessional terms with low interest rates and long amortization period. In addition, the intended borrowing shall be approved by the relevant legislative body.

Section 44 of the FRA, 2007 specifies the conditions for borrowing by any government in the Federation as follows:

- Any Government in the Federation or its agencies and corporations desirous of borrowing must specify the purpose of the intended borrowing; and present a cost-benefit analysis of the purpose the intended loan is to be utilized.
- Existence of prior authorization in the Appropriation Act or Law for the purpose for which the borrowing is to be utilized.
- The proceeds of such borrowing shall solely be applied towards long-term capital expenditure.
- Fiscal Responsibility Commission shall verify on quarterly basis, compliance with the limits and conditions for borrowing by each Government in the Federation.

Section 45 (1) of the FRA, 2007 provides:

“All banks and financial institutions shall request and obtain proof of compliance with the provisions of this Part before lending to any Government in the Federation”

Section 45 (2) of the FRA, 2007 further provides:

"Lending by banks and financial institutions in contravention of this part shall be unlawful"

In a bid to ensure compliance with the provisions of Sections 41 and 44 of the FRA, 2007, the Commission, in 2021, embarked on the following actions: and activities:

- Obtaining from commercial banks, details of their lending to each government in the Federation in 2021.
- Analyzing the reports from the banks, to test if the borrowings by the governments in the Federation in 2021 complied with the rules and conditions for borrowings as specified in Sections 41 and 44 of the FRA, 2007.
- Verification of lending to Governments in the Federation by paying visit to the Head Offices of the following four banks in Lagos:
 - Access Bank Plc
 - First City Monument Bank Plc
 - Sterling Bank Plc
 - Zenith Bank Plc

The aim of the exercise was to verify the compliance of the banks with the provisions of Sections 45 (1) and Section 45 (2) of the FRA, 2007.

Also, in 2021, the Commission carried out verification of the borrowings by the Katsina and Bauchi State Governments with the aim of assessing compliance of the State Governments with the provisions of Sections 41 and 44 of the FRA, 2007. The report of the exercise can be found in Section 3.8 of this report.

It is instructive to note that Section 42 (4) of FRA, 2007 mandates the Commission to collate and publish, on quarterly basis, a list of Governments in the Federation that exceed the limits of their respective consolidated debt stocks. However, in 2021, it was not possible for the Commission to verify the compliance of each Government with this provision of the FRA, 2007. This is because the consolidated debt limits of the Governments in the Federation are yet to be set by the President, as specified in Section 42(1) of the FRA, 2007. Even as the Commission has written several times to the Hon. Minister of Finance on the need to advise the President to set the debt limits of the Governments in the Federation, the situation remains the same. However, the Commission will continue to engage and collaborate with the Hon. Minister of Finance and the Debt Management Office, to ensure that the consolidated debt limit of each Government in the Federation is set.

3.3 ANALYSIS OF PUBLIC DEBT AND SUSTAINABILITY IN 2021

Presented in Tables 3.1 and 3.2 below, is a summary of debt balances of the Governments in the Federation in 2021, as well as the debt trend from 2017 – 2021:

Table 3.1 Summarized Public Debt Balances as at December 31, from 2017-2021

Debt Stock	2017 ₦ million	2018 ₦ million	2019 ₦ million	2020 ₦ million	2021 ₦ million	% of Total Public Debt (2021)
External Debt: FG & States	5,787,512.64	7,759,229.99	9,022,421.64	12,705,618.48	15,855,231.25	40.08%
Domestic Debt: FG N	12,589,486.13	12,774,405.70	14,272,644.79	16,023,885.38	19,242,557.11	48.65%
Domestic Debt: States & FCT	3,348,774.26	3,853,436.05	4,106,314.86	4,186,010.99	4,458,244.14	11.27%
Total Public Debt	21,725,773.03	24,387,071.74	27,401,381.29	32,915,514.85	39,556,032.50	100%

Source: DMO

Note:

1. Domestic Debt Stock for Thirty two (32) States: Abia, Adamawa, Akwa Ibom, Anambra, Bauchi, Bayelsa, Borno, Cross River, Delta, Ebonyi, Edo, Ekiti, Gombe, Imo, Jigawa, Kaduna, Katsina, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Taraba, Yobe, Zamfara and the FCT as at December 31, 2021.
2. Domestic Debt Stock Figures for Four (4) States: Benue, Enugu, Kano and Rivers States as at September 30, 2021

Table 3.2 Nigeria's Total Public Debt Balance As Percentage of GDP

	2017	2018	2019	2020	2021
US\$ Million	70,999.36	79,436.72	84,053.32	86,392.54	95,779.64
₦GN Million	21,725,773.03	24,387,071.94	27,401,381.29	32,915,514.85	39,556,032.50
GDP ₦GN Million	119,372,379.29	127,747,888.63	140,767,010.00	152,316,126.10	176,039,307.97
% of GDP	18.20%	19.09%	19.47%	21.61%	22.47%

Source: DMO

Note: CBN Exchange Rate used in converting the: US\$ to NGNN

2017: 1US\$ to 306NGNN

2018: 1US\$ to 307NGNN

2019: 1US\$ to 326NGNN

2020: 1US\$ to 381NGNN

2021: 1US\$ to 412.99NGNN

As can be seen on Table 3.1 above, the total public debt stock of Nigeria at the end of 2021 was ₦39,556,032.50 million. It depicts an increase of ₦6,640,517.65million or 20.17% when compared to ₦32,915,514.85 million public debt stock of the country at the end of 2020. Out of the total public debt stock of Nigeria at the end of 2021, the external debt stock (Federal, States and FCT) was ₦15,855,231.25 million, accounting for 40.08% of the nation's total public debt balance at the end of 2021. Although, not expressly stated in the report from DMO, ~~it can be deduced that~~ the Exchange Rate used to convert the external debt stocks to Naira at the end of 2021, was US\$1 to NGN412.99.

The domestic debt stock of the 36 States and FCT as at the end of 2021 was ₦4,458,244.14 million, representing 11.27% of the total public debt stock of the country in the period under review. The domestic debt stock of the Federal Government as at the end of 2021 was ₦19,242,557.11 million, which depicts 48.65%% of the nation's total public debt stock.

The proportion of the country's external debt stock to the total public debt stock of the country as at 31st December, 2021 was 40.08%, while the proportion of the total domestic debt balance to the total public debt of the country (FGN plus the 36 States and FCT) as at 31st December, 2021 was 59.92%. This indicates that the total public debt stock in 2021 comprised of more domestic debt than external debt. However, given the implications of higher domestic debt to external debt which include but not limited to; the crowding out of small borrowers, this transfers risks to banks that issue loans on longer maturity, fixed-interest rates, leading to reduced returns. As a result of the risks posed by this scenario to holders of pensions, annuities and life insurance policies, governments in the Federation should be cautious in obtaining domestic loans.

Section 41(1) (b) provides, “*Government shall ensure that the level of debt as a proportion of national income is held at a sustainable level...*” From Table 3.2 above, the total Public Debt/GDP ratio as at 31st December, 2021 was 22.47%, which is less than both the global benchmark of 40% and the 56% threshold for countries in Nigeria's peer group. The implication of this, is that Nigeria's total public debt balance of ₦39,556,032.50 million as at end of 2021 was still sustainable. As such, the country can be said to still have enough fiscal space for

borrowing. This notwithstanding, there is need for the nation to be cautious as, rising public debt is more likely to jeopardise national economic growth.

3.4 REVENUE PROFILE OF THE STATES GOVERNMENTS IN NIGERIA

In order to assess the States Governments on the basis of Debt Management Office (DMO) Revised Guideline on Public Debt Management, 2012, there is need to analyze the respective revenue profile of the 36 States and FCT. For the purpose of clarity, the Guideline provides the procedure for public debt assessment in Nigeria. Specifically, Section F(C) of the Guideline provides that the total amount of loans outstanding at any particular time including the proposed loan shall not exceed 50 percent of the actual revenue of the body concerned, for the preceding 12 months. In order to assess the State Governments on the basis of this provision, it is therefore, necessary to analyze their respective revenue profile in 2021, their debt stocks at the end of 2021, as well as the debt/revenue ratio, as shown in Tables 3.3, 3.4 and 3.5 below:

Table 3.3 Total Net Revenue of the 36 States in 2021

S/N	State	Total Net Revenue 2021 ₦	% of Total	Ranking
1	ABIA	51,938,814,250.23	2.14%	23rd
2	ADAMAWA	53,396,996,339.59	2.20%	21st
3	AKWA – IBOM	140,267,173,109.87	5.79%	3rd
4	ANAMBRA	57,342,735,459.95	2.37%	15th
5	BAUCHI	57,231,937,500.73	2.36%	16th
6	BAYELSA	118,190,938,602.37	4.88%	5th
7	BENUE	51,820,021,475.84	2.14%	25th
8	BORNO	65,730,457,361.90	2.71%	10th
9	CROSS RIVER	38,490,759,406.51	1.59%	35th
10	DELTA	190,708,669,201.84	7.87%	1st
11	EBONYI	48,911,436,197.43	2.02%	26th
12	EDO	65,835,109,071.25	2.72%	9th

13	EKITI	39,991,195,885.04	1.65%	34th
14	ENUGU	55,195,257,612.08	2.28%	19th
15	GOMBE	45,558,167,900.37	1.88%	29th
16	IMO	60,568,202,922.66	2.50%	13th
17	JIGAWA	62,732,015,272.84	2.59%	12th
18	KADUNA	70,459,181,738.57	2.91%	7th
19	KANO	86,473,434,805.83	3.57%	6th
20	KATSINA	65,039,561,526.78	2.68%	11th
21	KEBBI	56,770,562,985.92	2.34%	17th
22	KOGI	54,388,264,940.04	2.24%	20th
23	KWARA	44,496,261,824.89	1.84%	30th
24	LAGOS	135,077,310,707.93	5.57%	4th
25	NASARAWA	48,879,169,080.97	2.02%	27th
26	NIGER	58,202,275,264.52	2.40%	14th
27	OGUN	43,767,419,168.17	1.81%	31st
28	ONDO	51,923,579,591.28	2.14%	24th
29	OSUN	36,031,097,256.41	1.49%	36th
30	OYO	67,305,397,750.58	2.78%	8th
31	PLATEAU	40,888,276,375.55	1.68%	33rd
32	RIVERS	161,726,599,013.76	6.67%	2nd

33	SOKOTO	56,048,307,988.89	2.31%	18th
34	TARABA	43,239,391,652.97	1.78%	32nd
35	YOBE	52,825,962,549.25	2.18%	22nd
36	ZAMFARA	46,057,050,515.31	1.90%	28th
	TOTAL	2,423,508,992,308.12	100.00%	

Source: OAGF/FRC

The information contained in Table 3.3 above excludes IGR of the State Governments. The Table shows that the total net revenue of the 36 states in 2021 was ₦2,423,508,992,308.12, an increase of ₦129,658,401,795.68 or 5.65% over the combined total amount of ₦2,293,850,590,512.44 received by all the 36 States in 2020.

The increase may have been due to the gradual recovery of the country from COVID-19 Pandemic, in the last half of 2021, resulting in improved economic activities.

As in previous years, of the 36 States of the Federation, Delta State garnered the highest net revenue of ₦190,708,669,201.84, accounting for 7.87% of the aggregate revenue accruing to the 36 States in 2021. Rivers State came 2nd with a total net revenue of ₦161,726,599,013.76, representing 6.67% of the combined total revenue of the 36 States in 2021. Akwa-Ibom State was 3rd, with a total net revenue of ₦140,267,173,109.87 and accounted for 5.79% of the combined total revenue of the 36 States in Nigeria, in 2021. It is worthy of note that the three States which received the highest net revenue among the 36 States of the Federation in 2021, namely; Delta, Rivers and Akwa-Ibom, are all oil producing States that enjoy the 13% derivation.

Inversely, Osun State accounted for the least total net revenue, to the tune of ₦36,031,097,256.41 in 2021, depicting 1.49% of the total statutory revenue of the 36 States. The little net revenue of Osun State was due to the huge deduction from its allocation at source on monthly basis, for loan repayment.

3.5 DEBT PROFILE OF FEDERAL AND STATES GOVERNMENTS

In order to properly analyze the debt profile of the Governments in the Federation, it is pertinent to present their respective debt stocks, as indicated in Table 3.4 below:

Table 3.4 Debt Profile of Federal And State Governments as at 31st December, 2021

States and FCT	External Debt	External Debt (N412.99/US\$)	Domestic Debt	Total Public Debt	% of Grand Total
	US\$	₦	₦	₦	%
	(a)	(b)	(c)	(b+c)	
Abia	101,132,954.37	41,766,898,825.27	95,212,687,526.87	136,979,586,352.14	0.35%
Adamawa	80,228,066.38	33,133,389,134.28	99,546,925,540.21	132,680,314,674.49	0.34%
Akwa Ibom	46,031,858.21	19,010,697,122.15	214,608,901,124.02	233,619,598,246.17	0.59%
Anambra	110,269,840.49	45,540,341,423.97	55,715,871,700.61	101,256,213,124.58	0.26%
Bauchi	134,455,238.40	55,528,668,906.82	97,512,505,086.17	153,041,173,992.99	0.39%
States and FCT	External Debt	External Debt (N412.99/US\$)	Domestic Debt	Total Public Debt	% of Grand Total
	US\$	₦	₦	₦	%
	(a)	(b)	(c)	(b+c)	
Bayelsa	62,124,800.66	25,656,921,424.57	154,610,714,417.03	180,267,635,841.60	0.46%
Benue	32,004,644.69	13,217,598,210.52	128,349,137,648.15	141,566,735,858.67	0.36%
Borno	19,845,873.22	8,196,147,181.13	95,629,388,229.27	103,825,535,410.40	0.26%
Cross River	279,711,287.65	115,517,964,686.57	159,817,911,703.63	275,335,876,390.20	0.70%
Delta	61,412,768.79	25,362,859,382.58	154,613,430,716.40	179,976,290,098.98	0.45%
Ebonyi	63,468,402.18	26,211,815,416.32	42,160,050,001.31	68,371,865,417.63	0.17%
Edo	276,295,191.95	114,107,151,323.43	78,898,662,554.42	193,005,813,877.85	0.49%
Ekiti	120,603,760.16	49,808,146,908.48	106,392,266,984.46	156,200,413,892.94	0.39%
Enugu	129,193,969.00	53,355,817,257.31	69,169,594,013.02	122,525,411,270.33	0.31%
States and FCT	External Debt	External Debt (N412.99/US\$)	Domestic Debt	Total Public Debt	% of Grand Total
	US\$	₦	₦	₦	%
	(a)	(b)	(c)	(b+c)	
Gombe	35,140,105.02	14,512,511,972.21	69,131,414,495.94	83,643,926,468.15	0.21%

Imo	83,652,334.49	34,547,577,621.03	205,189,461,320.27	239,737,038,941.30	0.61%
Jigawa	29,456,929.24	12,165,417,206.83	31,355,699,951.72	43,521,117,158.55	0.11%
Kaduna	595,122,867.84	245,779,793,189.24	61,711,008,612.16	307,490,801,801.40	0.78%
Kano	114,236,292.27	47,178,446,344.59	111,896,457,385.67	159,074,903,730.26	0.40%
Katsina	60,007,294.84	24,782,412,695.97	66,675,639,486.81	91,458,052,182.78	0.23%
Kebbi	45,502,202.91	18,791,954,779.80	52,328,132,269.40	71,120,087,049.20	0.18%
Kogi	55,987,205.25	23,122,155,896.20	70,660,141,638.40	93,782,297,534.60	0.24%
States and FCT	External Debt	External Debt (N412.99/US\$)	Domestic Debt	Total Public Debt	% of Grand Total
	US\$	N	N	N	%
	(a)	(b)	(c)	(b+c)	
Kwara	48,868,548.63	20,182,221,898.70	93,372,803,241.96	113,555,025,140.66	0.29%
Lagos	1,333,523,000.72	550,731,664,067.35	658,959,728,218.34	1,209,691,392,285.69	3.06%
Nasarawa	56,876,073.68	23,489,249,669.10	54,097,105,862.47	77,586,355,531.57	0.20%
Niger	72,611,596.25	29,987,863,135.29	83,400,390,653.54	113,388,253,788.83	0.29%
Ogun	120,292,486.65	49,679,594,061.58	232,622,135,016.73	282,301,729,078.31	0.71%
Ondo	87,671,377.95	36,207,402,379.57	63,812,139,549.89	100,019,541,929.46	0.25%
Osun	99,979,102.57	41,290,369,570.38	134,700,861,676.61	175,991,231,246.99	0.44%
Oyo	85,267,618.51	35,214,673,768.44	142,561,877,915.91	177,776,551,684.36	0.45%
Plateau	35,682,283.68	14,736,426,337.00	150,496,218,244.16	165,232,644,581.16	0.42%
States and FCT	External Debt	External Debt (N412.99/US\$)	Domestic Debt	Total Public Debt	% of Grand Total
	US\$	N	N	N	%
	(a)	(b)	(c)	(b+c)	
Rivers	147,779,956.85	61,031,644,379.48	225,505,011,356.83	286,536,655,736.31	0.72%

Sokoto	39,721,872.70	16,404,736,206.37	71,290,133,242.97	87,694,869,449.34	0.22%
Taraba	23,544,189.83	9,723,514,957.89	93,184,991,218.36	102,908,506,176.25	0.26%
Yobe	24,757,878.32	10,224,756,167.38	71 82,461,349,492.75	92,686,105,660.13	0.23%
Zamfara	31,003,814.54	12,804,265,366.87	99,939,746,045.19	112,744,011,412.07	0.29%
FCT	27,770,992.98	11,469,142,390.81	50,653,647,410.77	62,122,789,801.58	0.16%
Total for States and FCT	4,771,234,681.89	1,970,472,211,265.49	4,458,244,141,552.42	6,428,716,352,817.91	16.25%
FGN	33,620,096,360.41	13,884,763,595,885.70	19,242,557,114,703.00	33,127,320,710,588.70	83.75%
Grand Total	38,391,331,042.30	15,855,235,807,151.20	23,700,801,256,255.40	39,556,037,063,406.60	100.00%

Source: DMO/FRC

Note:

- Domestic Debt Stock for Thirty two (32) States: Abia, Adamawa, Akwa Ibom, Anambra, Bauchi, Bayelsa, Borno, Cross River, Delta, Ebonyi, Edo, Ekiti, Gombe, Imo, Jigawa, Kaduna, Katsina, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Taraba, Yobe, Zamfara, and the FCT were as at December 31, 2021.**
- Domestic Debt Stock Figures for Four (4) States: Benue, Enugu, Kano and Rivers States were as at September 30, 2021**

From Table 3.4 above, the combined total public debt stock of the 36 States and FCT at end of 2021 was ₦6,428,716,352,817.91, representing 16.25% of the total public debt of the country as at end of 2021. According to the report from DMO, the domestic debt stock figures for 32 (Thirty two) States: Abia, Adamawa, Akwa Ibom, Anambra, Bauchi, Bayelsa, Borno, Cross River, Delta, Ebonyi, Edo, Ekiti, Gombe, Imo, Jigawa, Kaduna, Katsina, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Taraba, Yobe, Zamfara, and the FCT were as at December 31, 2021. On the other hand, the domestic debt stock figures for Benue, Enugu, Kano and Rivers States were, as at September 30, 2021.

Lagos, with a total debt stock of ₦1,209,691,392,285.69, was the most indebted State in the country as at end of 2021. The debt stock of Lagos State accounted for 3.06% of the total public debt stock of the country at the end of 2021.

Kaduna State was the second most indebted State, with a total debt stock of ₦307,490,801,801.40 or 0.78% of the country's total public debt stock of the country at the end of 2021. The third highest indebted State in the country at the end of 2021 was Rivers, with a total debt stock of ₦286,536,655,736.31, accounting for 0.72% of the combined total public debt stock of Nigeria at the end of 2021.

On the other hand, Jigawa State had the least debt stock at the end of 2020, with a total debt balance of ₦43,521,117,158.55 or 0.11% of the total public debt stock. FCT had the second least debt stock of ₦62,122,789,801.58, representing 0.16% of the cumulative debt stock of the Nation at end of 2021.

The third least indebted State at the end of 2021 was Ebonyi, having a total debt stock of ₦68,371,865,417.63, accounting for 0.17% of the total debt of the country at the end of 2021.

3.6 ANALYSIS OF THE DEBTS OF STATE GOVERNMENTS AS PROPORTION OF THEIR NET STATUTORY REVENUE IN 2021

It is instructive to note that Nigeria has just one national Gross Domestic Product (GDP), as States are yet to have theirs. Therefore, it is not practicable to ascertain the Debt Sustainability of the States, using Debt-to-GDP ratio. Further, the debt limits for the Federal and State Governments are yet to be set.

However, States whose proportion of Debt-to-Revenue is above 50% are assumed to have violated Section F (C) of Debt Management Guidelines, 2012. That notwithstanding, it cannot be concluded that such States have over-borrowed. This is because the overall debt limits for the governments in the Federation have not been set.

Table 3.5: Proportion of Total Debt to Net Statutory Revenue of the 36 States in 2021

State	Total Public Debt	Total Net Revenue	Debt to Total Net Revenue	Excess of the 50% Threshold
	N	₦	%	%
Abia	136,979,586,352.14	51,938,814,250.23	263.73%	213.73%
Adamawa	132,680,314,674.49	53,396,996,339.59	248.48%	198.48%
Akwa Ibom	233,619,598,246.17	140,267,173,109.87	166.55%	116.55%
State	Total Public Debt	Total Net Revenue	Debt to Total Net Revenue	Excess of the 50% Threshold
	N	₦	%	%
Anambra	101,256,213,124.58	57,342,735,459.95	176.58%	126.58%
Bauchi	153,041,173,992.99	57,231,937,500.73	267.41%	217.41%
Bayelsa	180,267,635,841.60	118,190,938,602.37	152.52%	102.52%

Benue	141,566,735,858.67	51,820,021,475.84	273.19%	223.19%
Borno	103,825,535,410.40	65,730,457,361.90	157.96%	107.96%
Cross River	275,335,876,390.20	38,490,759,406.51	715.33%	665.33%
Delta	179,976,290,098.98	190,708,669,201.84	94.37%	44.37%
Ebonyi	68,371,865,417.63	48,911,436,197.43	139.79%	89.79%
State	Total Public Debt	Total Net Revenue	Debt to Total Net Revenue	Excess of the 50% Threshold
	N	N	%	%
Edo	193,005,813,877.85	65,835,109,071.25	293.17%	243.17%
Ekiti	156,200,413,892.94	39,991,195,885.04	390.59%	340.59%
Enugu	122,525,411,270.33	55,195,257,612.08	221.99%	171.99%
Gombe	83,643,926,468.15	45,558,167,900.37	183.60%	133.60%
Imo	239,737,038,941.30	60,568,202,922.66	395.81%	345.81%
Jigawa	43,521,117,158.55	62,732,015,272.84	69.38%	19.38%
Kaduna	307,490,801,801.40	70,459,181,738.57	436.41%	386.41%
Kano	159,074,903,730.26	86,473,434,805.83	183.96%	133.96%
Katsina	91,458,052,182.78	65,039,561,526.78	140.62%	90.62%
State	Total Public Debt	Total Net Revenue	Debt to Total Net Revenue	Excess of the 50% Threshold
	N	N	%	%
Kebbi	71,120,087,049.20	56,770,562,985.92	125.28%	75.28%
Kogi	93,782,297,534.60	54,388,264,940.04	172.43%	122.43%
Kwara	113,555,025,140.66	44,496,261,824.89	255.20%	205.20%
Lagos	1,209,691,392,285.69	135,077,310,707.93	895.55%	845.55%

Nasarawa	77,586,355,531.57	48,879,169,080.97	158.73%	108.73%
Niger	113,388,253,788.83	58,202,275,264.52	194.82%	144.82%
Ogun	282,301,729,078.31	43,767,419,168.17	645.00%	595.00%
Ondo	100,019,541,929.46	51,923,579,591.28	192.63%	142.63%
Osun	175,991,231,246.99	36,031,097,256.41	488.44%	438.44%
State	Total Public Debt	Total Net Revenue	Debt to Total Net Revenue	Excess of the 50% Threshold
	N	₦	%	%
Oyo	177,776,551,684.36	67,305,397,750.58	264.13%	214.13%
Plateau	165,232,644,581.16	40,888,276,375.55	404.11%	354.11%
Rivers	286,536,655,736.31	161,726,599,013.76	177.17%	127.17%
Sokoto	87,694,869,449.34	56,048,307,988.89	156.46%	106.46%
Taraba	102,908,506,176.25	43,239,391,652.97	238.00%	188.00%
Yobe	92,686,105,660.13	52,825,962,549.25	175.46%	125.46%
Zamfara	112,744,011,412.07	46,057,050,515.31	244.79%	194.79%
Total	6,366,593,563,016.33	2,423,508,992,308.12	262.70%	212.70%

Source: DMO/FRC

Note: The Total Net Revenue excludes IGR

Table 3.5 above shows the proportion of the consolidated public debt of the States to their respective total net revenue in 2021.

The information contained in the above table shows that all the 36 States surpassed the DMO threshold of 50%.

The Table indicates that Lagos State had the highest Debt-to-Total Net Revenue in the country of 895.55%, surpassing the DMO 50% threshold by 845.55% at the end of 2021. Conversely, Jigawa State had the least Debt-to-Total Net Revenue of 69.38%, exceeding the DMO threshold, by 19.38% at the end of 2021.

3.7 DEBT VERIFICATION EXERCISE

During the 2021 fiscal year, the Commission, through the Policy and Standards Directorate, carried out debt verification in four commercial banks and two State Governments in the country. The aim of the exercise was to assess the compliance of banks and State Governments with the relevant provisions of the FRA, 2007, specifically Sections 41, 44 and 45.

3.7.1 Debt Verification Exercise in Banks

Section 45 (1) of the FRA, 2007 provides:

“All Banks and financial institutions shall request and obtain proof of compliance before lending to any Government in the Federation”

Section 45 (2) of the FRA, 2007 further provides:

“Lending by banks and financial institutions in contravention of this Part shall be unlawful”

In a bid to examine the extent of compliance of banks with the provision of Section 45 of the FRA, 2007, as stated above, a verification of the lending by three commercial banks to six State Governments, was carried out in June, 2021. The highlights of the exercise are as follows:

A) Access Bank Plc

Verification of the loans granted by Access Bank Plc to State Governments in 2015 and 2016:

S/N	Borrowing State Govt.	Date of Borrowing	Amount ₦	Purpose
i.	Enugu	11/12/2015	10,000,000,000.00	For execution of capital projects in the State
ii.	Jigawa	16/11/2015	10,000,000,000.00	For execution of various infrastructural projects in the State

(B) First City Monument Bank Plc (FCMB)

Verification of lending by FCMB to Delta State Government, to the tune of ₦2,000,000,000.00, on 1st August, 2016 for the execution of various capital projects in the State.

(C) Sterling Bank Plc

Verification of the following loans extended to Kwara State Government:

S/N	Borrowing State Govt.	Date of Borrowing	Amount ₦	Purpose
i.	Kwara	21/01/2016	₦1.5b	To augment the payment of salary of workers of the 16 Local Governments in the State
ii.	Kwara	05/02/2016	₦2.7b	To augment the payment of salary of workers of the 16 Local Governments in the State
iii.	Kwara	08/02/2017	₦300m	Conversion of overdraft earlier obtained for financing various infrastructural projects in the State, to a term loan

(D) Zenith Bank Plc

Verification of loans granted to Delta and Gombe State Governments

S/N	Borrowing State Govt.	Date of Borrowing	Amount N	Purpose
i.	Delta	28/09/2015	10,936,799,299.36	For execution of capital projects in the State
ii.	Gombe	02/07/2015	952,297,297.30	For execution of capital projects in the State

3.7.1a Observations And Findings From The Exercise

1. None of the banks where the exercise took place, requested and obtained proof of compliance, before granting the loans to the beneficiary State Governments.
2. There was no evidence that the State Government which benefited from the loans, prepared and presented cost-benefit analysis of the intended projects before the facilities were extended to them, indicating a contravention of Section 44 (1) of the FRA, 2007.
3. There was no evidence that the banks set up proper monitoring mechanism to ensure that the respective loans taken by the State Governments were utilized for the intended purposes.
4. The records of the loans kept by the banks were adjudged to be adequate.
5. The banks mostly relied on the approval of the States' Fiscal Responsibility Commissions or Councils and the approval of the States' Houses of Assembly to grant the loans under reference to the State Governments.
6. The interest rates charged for the loans granted by all the banks were above 3%. This is a violation of Section 41(1a) of the FRA, 2007 which specifies that loans to be taken by any Government in the Federation should be at concessional term. It is worthy of note that, the *Interpretation* to the FRA, 2007 defines "*Concessional Term*" as interest rate not exceeding 3%.

3.7.1a RECOMMENDATIONS

- i. Banks in the country willing to lend to any Government in the Federation must, first of all, approach the Commission to obtain proof of compliance before granting such loans.
- ii. Banks in the country should ensure that proposed borrowings by any Government in the Federation must have been captured in its Appropriation Act, for the ensuing year.
- iii. Banks and other financial institutions in the country must ensure that a cost-benefit analysis of the purpose of the proposed loan is submitted by the intending Government, before such loan is granted.
- iv. Banks should set up proper monitoring mechanism to ensure that loans extended to Governments in the Federation are utilized for the intended purposes.

3.7.2 DEBT VERIFICATION EXERCISE IN STATE GOVERNMENTS

3.7.2a Debt Verification Exercise in Katsina State

The main task before the Team was to verify the utilisation of the N10,000,000,000.00 loan obtained by the Katsina State Government from Access Bank Plc in 2016 for the execution of various infrastructural projects in the State.

During the exercise, the verification team examined the records and documents, including the disbursement of the proceed of the said loan. The team also embarked on physical verification of some of the projects claimed to have been executed with the proceed of the loan.

Observations and Findings from the Exercise

- i. It was revealed during the exercise that all the projects selected for inspection and eventually inspected by the FRC officials, were funded from the proceed of the N10 Billion loan facility obtained from Access Bank Plc, in 2016.
- ii. Majority of the Projects verified have been duly completed and put to use.
- iii. There was no evidence that a cost-benefit analysis, detailing the economic and social benefits of any of the projects verified, was produced prior to project approval and commencement.
- iv. The renovated projects were still looking very good at the time of the verification exercise.
- v. Officials of Katsina State Ministry of Finance exhibited good record keeping and retrieval.
- vi. A look at the records made available to the FRC team indicated that the projects executed with the loan are spread across the local governments of the State.
- vii. All projects executed with the proceed of N10bn term loan are capital in nature.
- viii. The State Government provided security personnel that man the facilities at all times. Moreover, the communities in which the projects are sited treat them with sense of ownership.

RECOMMENDATIONS ON THE EXERCISE

- i. The Katsina State Government should ensure that for any subsequent borrowing, it will seek and obtain proof of compliance with Fiscal Responsibility Act (FRA), 2007, particularly Part IX and X of the Act.
- ii. Going forward, Katsina State Government, if desirous of borrowing, should specify the purpose for which the borrowing is intended and present cost-benefits analysis, detailing the economic and social benefits of the purpose to which the intended borrowing is to be applied.
- iii. The Katsina State Ministries, Departments and Agencies (MDAs) should, on regular basis, maintain the projects executed in order to achieve longevity and value for money.

3.7.2b Debt Verification Exercise in Bauchi State

The exercise was aimed at verifying the utilization of the ₦15,000,000,000.00 bond raised from the capital market in 2014, by the Bauchi State Government. During the exercise, the verification team requested the officials of Bauchi State Ministry of Finance to provide

records and documents related to the bonds, projects executed, disbursement of the proceed, physical verification and confirmation of some of the projects claimed to have been executed with the proceed of the bonds.

i. Highlights of the Bond Raised From Capital Market

Borrowing State:	Bauchi State
Bond Amount:	₦15,000,000,000.00
Lending Institution:	Capital Market
Date Granted:	December, 2014
Coupon Rate:	15.5% per annum
Tenor:	20 years (240 months)

Amount drawn down to date: ₦15,000,000,000.00

ii. Utilization of the proceed of ₦15b Bond Raised by The Bauchi State Government, From Capital Market in December, 2014

A summary of the utilization of the proceed of ₦15b Bond raised by the Bauchi State Government from capital market in December, 2014, is displayed in Table 3.6 below:

Table 3.6: Breakdown of the utilization of the proceed of ₦15bn Bonds Raised From Capital Market in December, 2014

S/N	Project	Amount Allocated ₦	Amount Utilized ₦	Year	Balance ₦
1.	Refinancing of FCMB facility	3,645,598,666.00	3,645,598,666.00	2014	Nil
2.	Refinancing of Fidelity Bank Plc Facility	3,297,356,763.47	3,297,356,763.47	2014	Nil
3.	Completion of International Airport, Bauch	5,483,520,556.31	5,483,520,556.31	2015	Nil
4.	Completion of Specialist hospital, Bauchi	1,425,524,014.22	1,425,524,014.22	2015	Nil
5	Cost of Insurance	1,148,000,000.00	1,148,000,000.00		Nil
5.	Total	15,000,000,000.00	15,000,000,000.00		Nil

iii. Status of the Bond

According to the information provided to the team by the officials of the Ministry of Finance, Bauchi State indicated that the bond is running and performing in line with the agreed terms and conditions.

iv. **Observations and Findings on the Exercise**

- a) It was revealed during the exercise that all the projects selected for inspection and eventually inspected by the FRC officials, were partially funded from the proceed of the N15 Billion bonds raised from the capital market in 2014.
- b) The Projects verified have been duly completed and put to use by the State government.
- c) The evidence of a cost-benefit analysis, detailing the economic and social benefits of any of the projects verified was not provided; perhaps there was none.
- d) There is no evidence that Proof of Compliance with Fiscal Responsibility Act 2007 was obtained from Fiscal Responsibility Commission by the Bauchi State Government and its agency (Yankari Express Corporation) before the borrowing was effected.
- e) The sum of N6,942,955,429.47, equivalent to 46.29% of the N15 billion bonds was used to refinance earlier loans obtained from FCMB and Fidelity Bank Plc in 2011, while the remaining 53.71% was used for completion of Bauchi International Airport and Specialist Hospital, Bauchi.

v. **Recommendations on the Exercise**

- i. Fiscal Responsibility Commission advised the Bauchi State Government and its agency (Yankari Express Corporation) to always ensure that for any subsequent borrowing, it should seek and obtain proof of compliance with Fiscal Responsibility Act (FRA) 2007, particularly parts IX and X of the Act.
- ii. In the same vein as in (i) above, the Commission advised Bauchi State Government and its agency (Yankari Express Corporation) to always prepare and present cost-benefits analysis, detailing the economic and social benefits of the purpose to which the intended borrowing for any capital project is to be applied.

3.8 DONOR SUPPORT AND INTERNATIONAL COLLABORATION

In January, 2022, the Commission wrote to the Hon. Minister of Finance, Budget and National Planning requesting for comprehensive information on the technical and financial support/intervention by International Support Organizations to Government Agencies, in the course of 2021. The essence of the request is to enable the Commission capture and monitor the utilization of the proceeds of such donations. However, a response is yet to be received regarding the request, as at the time of compiling this report.

In a bid to attract internal support (technical and financial), the Commission embarked on a follow-up of earlier contacts made with the World Bank, International Monetary Fund, CISLAC among other supporting organizations. It is hoped that with the cordial relationships already established, the needed supports will soon be attracted from the identified organizations.

It is necessary to note that in 2021, a good number of officers of the Commission attended the online training on "*Fiscal Risks and Debt Sustainability Analysis in Low-Income Countries*" organized by International Monetary Fund (IMF). It is gladdening to further observe that the training has resulted in positive impact on the work performance of these officers.

S/N	Date	Organization	Title of Training/Dialogue
1	April 9, 2021	Actionaid	One day National Dialogue in Nigerian's Rising Debt Profile
2	July 1, 2021	Actionaid	One Day Roundtable on Debt management
3	Dec. 8 & 9, 2021	Actionaid	A 2 Day Technical Roundtable on the 2022 Proposed Budget
4	October 26, 2021	CISLAC	Pan African Conference on Combatting Illicit Financial Flows to Bridge the Widening Gap
5	December 1, 2021	Policy Innovation Center	Design Workshop on Behavioural Insights for Improving Transparency in Nigeria
6	July 28, 2021	BudgIT	Fiscal Transparency and Accountability of COVID-19 Funds Management in Nigeria

The major impact of participation in the above listed trainings and dialogues, is the widening of horizon and enhancement of the quality of work of the Commission.



CHAPTER
FOUR

4

BUDGETARY PLANNING OF
CORPORATIONS AND OTHER
RELATED AGENCIES



CHAPTER FOUR

BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

The Fiscal Responsibility Commission has consistently ensured implementation of Part IV of the Fiscal Responsibility Act, 2007, titled **Budgetary Planning of Corporations and other related agencies** necessitating that all Government-Owned Enterprises (GOEs) under the Schedule of the FRA, 2007 prepare and submit their estimates of revenue and expenditure to the Honourable Minister of Finance. The Part runs from Section 21 to Section 24 of the Act. It also states a framework for the treatment of the Operating Surpluses and Deficits of the Government-Owned Corporations listed in the Schedule to the Act and any subsequent additions made by the Honourable Minister of Finance.

This Chapter examines:

- Schedule Corporations
- Remittance of Operating Surplus
- Revenue Hearings of the National Assembly
- Tripartite Committee on Reconciliation

4.1 SCHEDULE CORPORATIONS

The initial Schedule of the FRA, 2007 had thirty-one (31) Government-Owned Corporations listed, with provisions 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.

Meanwhile, out of the initial thirty-one (31) corporations listed, seven (7) were privatized or liquidated in the intervening period, leaving twenty-four (24). Six (6) corporations were added by the Minister in 2011 taking the number of functional government-owned Corporations listed under the Schedule of FRA, 2007 to thirty (30) as at the end of 2014.

The Honourable Minister of Finance further included ninety-two (92) Agencies by Finance Circular Ref: No. FMF/HMF/2016/1 dated 21st November, 2016. This brought the listed agencies to one hundred and twenty – two (122). However, on 20th December, 2021. The Honourable Minister of Finance issued another Finance Circular, Ref: No. FMFBNP/OTHERS/IGR/CFR/12/2021 dated 20th December, 2021 where 64 of the 122

agencies were removed and seven were added. This has currently brought the number of Schedule Corporations to 65 for the purpose of implementing Sections 21 -23 FRA, 2007.

Estimates of Revenue and Expenditure

All Schedule Corporations are required in Section 21, FRA 2007 to prepare and submit annually, a three- year estimate of revenue and expenditure to cover the entire operations of the Agencies. The preparation of the estimates of revenue and expenditure forms the foundation for the budgeting process. This important document is to be derived from the strategic or corporate plan of the Agency.

An acceptable Estimate of Revenue and Expenditure should contain:

- Analysis and Evaluation of the three preceding financial years
- Underlying assumptions for the next three financial years' projections.
- Medium-term policy thrust that is consistent with the Strategic or Corporate Plan of the Agency.
- Approved Budgets of the Agency.

All Schedule Corporations are required to submit approved Annual Budgets. The budgets as stressed are to be derived from the MTEF and should be comprehensive in relation to the financial and accounting structure of the Agency and consistent with the Chart of Accounts.

It is pertinent to emphasize, that a well-structured budget should also indicate projected operating surplus for the year. This will satisfy the requirement for the submission of projected Operating Surplus under the FRA, 2007.

(a) General Reserve Fund

A separate and distinct General Reserve Fund is to be created in compliance with Section 22, FRA 2007. It is also required that 20% of net operating surplus be transferred annually to the Fund.

(b) Operating Surplus

Section 22, FRA, 2007 requires that from the total surplus from operations, 80% be remitted as Operating Surplus to the Consolidated Revenue Fund.

(c) Audited Financial Statements

Section 23, FRA 2007 requires that Audited Financial Statements be prepared and published not later than 90 days after year end.

In light of the above, the following activities were undertaken by the Commission:

- i. Monitored Schedule Corporations to ensure compliance with FRA 2007, particularly Sections 21-23, especially on the timely submission of Accounts and payment of Operating Surplus (if any) to the Consolidated Revenue Fund.

- ii. Participated in inquiries on revenue generation and remittances by the Committees on Finance of the Senate and House of Representatives.
- iii. Studied and prepared status reports for each Schedule Corporation, raising issues, observations and recommendations.

The Commission in the course of implementing the provisions of the Act has established that Schedule Corporations require close monitoring to ensure accountability and transparency in public financial management. This will greatly enhance good governance and prudent fiscal management in Nigeria.

The summary of Schedule Corporations and Operating Surplus remittances made to the Consolidated Revenue Fund from 2007 to 2021 is shown in Table 4.1 below. The Table reveals that a total of N2.35trillion has been remitted for all the years while N313billion was remitted in 2021 only. The Agency by Agency remittance is captured in the Table.

4.2 REMITTANCE OF OPERATING SURPLUS

In 2021, the Commission continued to monitor the remittance of the Operating Surpluses of Schedule Corporations. Sections 22 and 23, FRA, 2007 stipulate the manner in which Schedule Corporations should treat its Operating Surplus/deficit. A Corporation's Annual Audited Accounts and Reports are analyzed and Operating Surplus/Deficit is determined for the year succeeding the one being reported on. The Audited Accounts must be submitted to the Commission by the 31st March of the succeeding year.

The Commission participated remarkably in the National Assembly's Revenue Hearings and played a crucial role in the proceedings. This contributed greatly in raising Operating Surplus remittances from **N213,786,633,693.01** in 2020 to **N313,339,656,672.81** in 2021. The Fiscal Responsibility Commission is certain that there will be continued improvement as a result of the various collaborations.

In order to further secure compliance with the remittance of Operating Surplus, the Commission intensified efforts at implementing the Template for the Calculation of Operating Surplus across all Schedule Corporations.

The full compliance with the TSA by Schedule Corporations has greatly enhanced remittances. The collaboration with the OAGF and the Finance Committee of the Senate and House of Representatives respectively has made great impact in ensuring Agencies pay up liabilities.

Table 4.1 below shows the current list of all Schedule Corporations and a summary of Operating Surplus remitted to the Federal Government Consolidated Revenue Fund in 2021. The Table reveals that a total of **N313.34 billion** was remitted in 2021.

4.3 REVENUE HEARINGS OF THE NATIONAL ASSEMBLY

The Senate Committee on Finance Revenue Hearings were investigative hearings on Internally Generated Revenue (IGR) and 1% stamp duties remittances to the Consolidated Revenue Fund (CRF) by MDAs. These hearings started on 9th March, 2021 through to 30th June, 2021.

The major highlights of the hearings were:

- Agencies' sources of Internally Generated Revenue
- 1% Stamp Duties that ought to have been collected from year 2014.
- Agencies' funding status (whether Treasury-funded, Partially-funded or Self-funded).
- Total number of Contracts awarded, Contract sum, detailed breakdown of Capital Appropriations, Releases and Utilizations for the Periods under review (2014-2019) by each agency.
- Evidence of IGR remittances (2014-2019) to the CRF.
- Evidence of Stamp duty remittances from 2018 to the CRF.

A total number of thirty-six (36) Schedule Corporations, among other agencies, were invited for the investigative hearings. Out of which a total of nineteen (19) Schedule Corporations were referred to the Commission for reconciliation. These were:

- National Automotive Design and Development Council
- National Inland Waterways Authority (NIWA)
- National Bio-Safety Management Agency (NBMA)
- Nigeria Hydrological Service Agency
- Energy Commission of Nigeria
- Nigeria Electricity Regulatory Commission (NERC)
- National Steel Raw Materials Development Agency
- Nigerian Copyright Commission
- Nigerian Maritime Administration and Safety Agency
- Lagos International Trade-Fair Complex Management Board
- Nigerian Film Corporation (NFC)
- National Environmental Standards Regulatory Agency (NESREA)
- Nigerian Social Insurance Trust Fund (NSITF)
- Nigerian Geological Survey Agency
- Nigerian Civil Aviation Authority (NCAA)
- Maritime Academy of Nigeria, (MAN)
- Federal Airport Authority of Nigeria (FAAN)
- Corporate Affairs Commission (CAC)

- Nigerian Security & Civil Defence Corps (NSCDC)

Eight (8) agencies out of the 19 referred came for reconciliation. They were:

- Nigerian Civil Aviation Authority (NCAA)
- Maritime Academy of Nigeria, (MAN)
- Federal Airport Authority of Nigeria (FAAN)
- Corporate Affairs Commission (CAC)
- Federal Road Safety Corps (FRSC)
- Nigerian Security & Civil Defence Corps (NSCDC)
- National Biosafety Management Agency (NBMA)
- Nigerian Geological Survey Agency (NGSA)

During the reconciliation sessions, the following general observations and findings were made:

- a. The Commission discovered that most Agencies do not remit 100% of their Internally Generated Revenue to the CRF, insisting that the Circular directing Agencies to remit 25% of IGR is an inferior law to the respective Acts of Parliament setting up said agencies.
- b. The Commission also supported that the available laws should be harmonized to instruct agencies to limit their expenditure on IGR to not more than 50%.
- c. A lot of agencies do not verify if contractors have remitted their obligation of the 1% stamp duty to the CRF.
- d. Conclusions were reached with some agencies to be removed from funding from the National Budget either fully or partially, as their operations can be fully funded via Internally Generated Revenues.
- e. Lack of submission of Treasury Receipts as most agencies that remitted their Operating Surplus were not collecting their Treasury Receipts from OAGF.
- f. The Committee constituted a Tripartite Committee comprising FRC, OAGF and OuAGF.

Recommendations

- a. The Commission needs to ensure the dissemination to relevant agencies of the Finance Circular with Reference number FMFBNP/OTHERS/IGR/CFR/12/21 dated 20th December, 2021 on the subject of Revenue, Expenditure and IGR remittances to the CRF.
- b. OAGF is advised to adopt the issuance of e-receipt automatically as payments are made to the CRF.
- c. Need to resolve outstanding issues with Schedule Corporations arising from the review of their accounts is recommended.

4.4 TRIPARTITE COMMITTEE ON RECONCILIATION

The Tripartite Committee is a three-institution committee set up in May 2021 by the Chairman, Senate Committee on Finance during their Investigative Hearing of all MDAs. The three-Institution members are:

- Representatives from Fiscal Responsibility Commission (FRC)
- Representatives from Office of the Accountant General of the Federation (OAGF) and
- Representatives from Office of the Auditor General for the Federation (OAuGF)
- The Committee (The Tripartite Committee) was set up to:
- Reconcile mainly, the liability of any MDA with unresolved/pending issues relating to their Outstanding Operating Surplus Liability established by the Fiscal Responsibility Commission;
- Investigate non-remittance of already established and agreed Operating Surplus Liability;
- Ensure full remittance of Operating Surplus and IGR (Internally Generated Revenue) to the Consolidated Revenue Fund (CRF) of the Federal Government, among others.

During the financial year, 2021, about eight (8) Agencies were referred to the Tripartite Committee for different reasons. In each case, the Committee sat for at least two meetings to resolve issues relating to Agencies with their representatives in attendance.

Agencies handled and resolved by the Committee in 2021 were:

- I. National Bio-Safety Management Agency (NBMA)
- ii. Nigerian Electricity Regulatory Commission (NERC)
- iii. Council of Registered Builders of Nigeria (CORBON)
- iv. Fiscal Responsibility Commission (FRC)
- v. Council of Mining Engineers and Geoscientists (COMEG)
- vi. Federal College of Education, Okene
- vii. Modibbo Adama University, Yola
- viii. Nigerian Communication Commission (NCC)

All the reasons for which these agencies were sent to the Tripartite Committee were resolved after the necessary supporting documents were tendered. Thereafter, corresponding reports on each of the Agencies following the Tripartite Committee reconciliation with representatives from such Agencies were signed by each member of the Committee and submitted to the Office of the Chairman, Senate Committee on Finance.

Table 4.1: Operating Surplus Remittance by Agencies 2007 – 2020

53	NATIONAL DRUG LAW ENFORCEMENT AGENCY	20,000,000.00	161,000,000.00	50,000,000.00	36,769,284.69	-	-	990,543,327.66	3,541,472,400.57	56,769,284.69
54	NATIONAL EXAMINATIONS COUNCIL	-	-	-	-	-	-	-	-	6,076,042,335.80
55	NATIONAL FOOD RESERVE AGENCY	-	3,867,010.18	-	-	-	-	-	-	-
56	NATIONAL FILM AND VIDEO CENSORS BOARD	23,073,799.13	-	-	1,059,502.30	-	-	-	-	34,880,166.12
57	NATIONAL HAJJ COMMISSION OF NIGERIA	6,829,854.51	-	-	-	-	-	-	8,018,919.25	8,018,919.25
58	NATIONAL INFORMATION TECHNOLOGY DEVELOPMENT AGENCY	-	-	1,000,000,000.00	-	-	-	385,976,064.58	238,790,179.00	3,124,766,243.58
59	NATIONAL INLAND WATERWAYS AUTHORITY	18,000,000.00	1,404,851,379.14	-	-	-	-	325,552,664.11	802,122,828.05	3,476,266,542.70
60	NATIONAL INLAND WATERWAYS AUTHORITY	925,739,671.40	-	-	-	-	-	-	-	18,335,923.42
61	NATIONAL INSTITUTE OF HOSPITALITY AND TOURISM DEV STUDIES	-	-	-	-	-	-	-	-	-
62	NATIONAL INSURANCE COMMISSION	1,671,832,098.00	250,000,000.00	-	-	-	-	88,910,527.00	172,243,552.46	2,184,799,014.96
63	NATIONAL LOTTERY REGULATORY COMMISSION	67,962,349.52	-	-	-	-	-	302,255,517.87	534,492,159.72	534,492,159.72
64	NATIONAL LOTTERY TRUST FUND	-	-	-	-	-	-	-	-	18,861,223.04
65	NATIONAL OIL SPILL DETECTION AND RESPONSE AGENCY	16,476,000.00	-	-	-	-	-	500,000,000.00	230,000,000.00	730,000,000.00
66	NATIONAL PENSION COMMISSION	-	-	-	-	-	-	-	7,694,359.88	32,632,704.95
67	NATIONAL QUARANTINE SERVICES	-	-	-	-	-	-	-	-	36,387,826.06
68	NATIONAL SEEDS COUNCIL	-	-	-	-	-	-	-	751,261.25	751,261.25
69	NATIONAL SPACE RESEARCH AND DEVELOPMENT AGENCY	-	15,172,000.00	-	-	-	-	-	-	17,102,778.00
70	NATIONAL SPORTS COMMISSION	-	-	-	-	-	-	-	-	450,000.00
71	NATIONAL STEEL DEVELOPMENT FUND	-	-	-	-	-	-	-	-	27,212,504.49
72	NATIONAL STEEL RAW MATERIALS DEVELOPMENT AGENCY	-	-	-	-	-	-	23,476,369.39	-	27,212,504.49
73	NATIONAL SUGAR DEVELOPMENT COUNCIL	2,057,166,800.73	1,811,749,518.00	-	-	-	-	-	-	7,886,459,655.80
74	NATIONAL THEATER, IGANJUI LAGOS	-	-	-	-	-	-	-	-	5,034,531.25
75	NATIONAL WATER RESOURCES INSTITUTE	-	-	-	-	-	-	-	-	-
76	NEWS AGENCY OF NIGERIA	275,258,489.62	3,619,324.00	-	-	-	-	-	-	290,853,245.90
77	NIGERIAN AGRICULTURE INSURANCE CORPORATION	66,647,317.00	-	-	-	-	-	-	50,000,000.00	117,747,317.00
78	NIGERIAN AIRSPACE MANAGEMENT AGENCY	453,946,167.00	100,000,000.00	200,000,000.00	-	-	-	-	151,692,106.26	908,365,156.79
79	NIGERIAN ATOMIC ENERGY COMMISSION	-	-	-	-	-	-	-	-	1,000,000.00
80	NIGERIAN BUILDING AND ROADS RESEARCH INSTITUTE	-	-	-	-	-	-	-	-	-
81	NIGERIAN CIVIL AVIATION AUTHORITY	9,880,872,000.00	2,000,000,000.00	3,215,820,000.04	-	-	-	700,000,000.00	571,204,430.69	17,367,896,430.73
82	NIGERIAN COMMUNICATION COMMISSION	59,705,740,951.00	51,517,136,076.00	49,792,870,113.00	94,297,345,850.79	12,465,390,333.00	61,167,960,808.08	349,467,766,131.87	-	72,447,937.27
83	NIGERIA COMMUNICATION SATELLITE	-	-	-	-	-	-	-	-	1,500,000,000.00
84	NIGERIA CONTENT DEVELOPMENT AND MONITORING BOARD	-	-	-	-	-	-	-	-	2,065,222,271.54
85	NIGERIAN COPYRIGHT COMMISSION	2,023,004,996.54	-	-	-	-	-	-	42,187,275.00	2,065,222,271.54
86	NIGERIAN CUSTOMS SERVICE	-	-	-	-	-	-	-	-	208,569,129.62
87	NIGERIAN DEPOSIT INSURANCE CORPORATION	46,259,145,759.50	33,676,709,533.44	38,557,024,370.51	111,566,127,970.00	54,600,000,000.00	54,600,000,000.00	54,600,000,000.00	54,600,000,000.00	359,814,794,919.94
88	ING. ENVIRONMENTAL STANDARDS & REG. ENFORCEMENT AGENCY	49,579,024.78	-	-	-	-	-	-	-	291,960,041.41
89	NIGERIAN ELECTRICITY REGULATORY COMMISSION	158,386,049.96	56,945,241.25	382,949,650.00	150,751,149.64	155,784,308.79	586,937,019.71	1,624,338,290.24	1,624,338,290.24	1,624,338,290.24
90	NIGERIAN EXPORT PROCESSING ZONES AUTHORITY	-	-	-	-	-	-	845,957,674.36	20,894,261.25	866,851,935.61
91	NIGERIAN EXPORT IMPORT BANK	9,288,958.00	1,108,341,590.30	10,000,000.00	-	-	-	-	-	1,152,171,768.47
92	NIGERIAN EXPORT PROMOTION COUNCIL	500,000.00	665,062.00	2,645,000.00	-	-	-	-	-	8,632,762.00
93	NIGERIAN FILM CORPORATION	-	-	-	-	-	-	-	-	-
94	NIGERIAN GEOLOGICAL SURVEY AGENCY	8,086,728,000.00	-	253,889,234.00	-	-	-	586,753,052.45	2,802,536.06	12,179,813,507.54
95	NIGERIAN IMMIGRATION SERVICE	-	-	-	-	-	-	-	-	-
96	NIGERIAN INSTITUTE OF ADVANCE LEGAL STUDIES	-	-	-	-	-	-	-	-	-
97	NIGERIAN INTEGRATED WATER RESOURCES MGT COMMISSION	-	-	-	-	-	-	-	-	-
98	NIGERIAN INVESTMENT PROMOTION COUNCIL	41,006,895,445.31	1,000,000,000.00	3,931,713,015.57	1,359,858,840.09	3,931,713,015.57	1,405,107,513.57	7,696,679,369.23	7,696,679,369.23	56,909,717,922.21
99	NIGERIAN INSTITUTE OF TRANSPORT TECHNOLOGY	-	-	-	-	-	-	-	-	136,981,420.85
100	NIGERIAN MARITIME ADMINISTRATION AND SAFETY AGENCY	288,576,149.07	29,630,484.00	67,410,596.36	160,352,241.36	44,131,085.50	160,352,241.36	613,813,881.29	613,813,881.29	613,813,881.29
101	NIGERIAN NUCLEAR REGULATORY CORPORATION	96,268,384,806.87	19,314,815,596.85	6,219,699,340.79	37,626,344,463.71	64,559,838,443.25	118,104,040,064.72	377,809,145,650.94	377,809,145,650.94	377,809,145,650.94
102	NIGERIAN PORTS AUTHORITY	485,191,610.00	17,773,631.58	80,386,004.50	-	-	-	10,000,000.00	-	631,042,133.47
103	NIGERIAN POSTAL SERVICE	-	-	-	-	-	-	-	-	-
104	NIGERIAN PRESS COUNCIL	-	-	-	-	-	-	-	-	-
105	NIGERIAN RAILWAY CORPORATION	-	-	-	-	-	-	-	-	5,159,526.02
106	NIGERIAN SECURITY AND CIVIL DEFENCE CORPS	367,469,906.01	19,314,815,596.85	606,644,892.00	25,939,087.75	200,000,000.00	557,942,805.13	22,288,761,678.50	22,288,761,678.50	25,939,087.75
107	NIGERIAN SHIPPERS COUNCIL	-	-	-	-	-	-	-	-	-
108	NIGERIAN SOCIAL INSURANCE TRUST FUND	-	-	-	-	-	-	-	-	-
109	NIGERIAN TELECOMMUNICATION	-	-	-	-	-	-	-	-	-
110	NIGERIAN TELEVISION AUTHORITY	192,725,895.93	750,583.32	-	-	-	-	-	-	211,036,202.34
111	NIGERIAN TOURISM DEVELOPMENT CORPORATION	254,300.00	-	-	-	-	-	13,968,376.19	-	254,300.00
112	NIGERIAN TOURISM DEVELOPMENT CORPORATION	-	-	-	-	-	-	-	-	-
113	NO CLARIFICATION	-	-	-	-	-	-	51,966,277,403.51	-	51,966,277,403.51

114	NURSING AND MIDWIFERY COUNCIL	-	-	-	-	-	-	-	-	20,000,161.25	-	20,000,161.25
115	OGUN/OSUN RBDA	-	-	-	-	-	-	524,250.00	-	-	-	524,250.00
116	OIL AND GAS FREE ZONE AUTHORITY	259,710,432.65	-	46,822,235.00	-	-	-	262,721,500.27	-	-	-	569,254,167.92
117	OKUNJU NATIONAL PARK	-	-	-	-	-	-	-	-	-	-	-
118	OLD OYO NATIONAL PARK	-	-	-	-	-	-	-	-	-	-	-
119	PETROLEUM PRODUCT PRICING REGULATORY AGENCY	607,650,275.55	-	645,343,334.00	314,545,786.49	314,545,786.49	-	1,276,894,087.70	3,608,444,016.48	1,344,775,604.64	-	8,112,198,891.35
120	RAW MATERIAL AND RESEARCH AND DEVT. COUNCIL	109,717,775.00	-	225,468,800.56	-	-	-	8,698,161.33	16,254,430.51	896,527,286.72	-	354,269,691.99
121	SECURITIES AND EXCHANGE COMMISSION	1,929,651,000.00	-	-	-	30,000,000.00	-	105,813.09	1,679,489,003.11	-	-	4,544,365,451.16
122	SMALL AND MEDIUM ENTERPRISE DEVT. AGENCY OF NIGERIA	-	-	-	-	-	-	17,851,806.00	-	-	-	17,851,806.00
123	SOKOTO RIMA RBDA	-	-	-	-	-	-	617,751,620.00	-	1,229,681,846.30	-	2,919,220,787.59
124	STANDARDS ORGANISATION OF NIGERIA	200,694,221.29	-	-	-	-	-	19,786,106.30	-	-	-	19,786,106.30
125	TAFAWA BALEWA SQUARE MANAGEMENT BOARD	-	-	-	-	-	-	-	-	566,128.51	-	566,128.51
126	TEACHERS REGISTRATION COUNCIL OF NIGERIA	-	-	-	-	-	-	18,402,960.54	73,929,184.36	-	-	2,094,123,766.87
127	TERTIARY EDUCATION TRUST FUND	1,001,791,621.97	-	1,000,000,000.00	-	-	-	14,850,439.87	20,000,000.00	40,408,377,752.44	-	40,408,377,752.44
128	UNSPECIFIC OPERATING SURPLUS	-	-	-	-	-	-	40,000.00	-	-	-	40,000.00
129	UPPER BENUE RBDA	-	-	-	-	-	-	-	-	-	-	-
130	UPPER NIGER RBDA	-	-	-	-	-	-	-	-	-	-	-
131	VOICE OF NIGERIA	-	-	-	-	-	-	-	-	-	-	-
TOTALS		1,020,622,436,524.39	255,613,290,786.24	141,613,560,541.56	135,684,973,435.21	272,487,783,359.03	213,786,633,693.01	313,339,656,672.18	2,351,148,335,011.62	2,351,148,335,011.62	2,351,148,335,011.62	2,351,148,335,011.62

Source: Office of the Accountant-General of the Federation

CHAPTER
FIVE

5

ENFORCING FISCAL
RESPONSIBILITY



CHAPTER FIVE

ENFORCING FISCAL RESPONSIBILITY

5.1 It is worth reiterating that the hallmarks of the F.R.A, 2007 which are equally beneficial for the sub-national Governments include:

- Public participation and consultation in fiscal affairs especially in the preparation of the MTEF & the Annual Budget
- Effective medium and long term fiscal and budgetary planning
- Enhanced transparency and accountability
- Prudence and value for money in terms of expenditure
- Efficiency in the conduct of fiscal and financial affairs
- A saving culture and control of debts & deficits for the benefit of future generations
- The involvement of citizens' in the enforcement and implementation of the F. R. Law including adequate punishment for violators.

5.2 A Memorandum of Understanding between the Commission and the Economic and Financial Crimes Commission (EFCC) excerpts which, would among others, oblige the EFCC to render on request, critical assistance to the FRC particularly in the area of conducting certain forensic investigation or enforcement operation in which the proficiency, skill, capability, technical competence and facilities of the EFCC will be most valuable and useful in order to give due effect and achieve the intended consequence of the provision of Section 2 of the Act.

ENGAGEMENT WITH STAKEHOLDERS

5.3 The Commission is also seeking to strengthen its policy of partnering with both the Ministry of Finance and the Office of the Accountant-General of the Federation in order to ensure that defaulting Agencies are made to remit into the CRF the accurate amount due and payable from them as Operating Surplus as well as verifying the position of any amounts previously paid or claimed to have been paid. Furthermore, the Commission has embarked on a robust Revenue Monitoring Exercise which entails requesting and scrutinizing certain Books of Accounts of Agencies. This is done in order to ascertain their revenue generating performances and identify gaps and loop holes then work out effective strategies for blocking revenue leakages and generally improving on the prevailing revenue generating situation.

During the year under review, the Commission embarked on extensive collaborative and advocacy visits to critical stakeholders like the Minister of Finance, Chairman of EFCC, DG, Debt Management Office, Executive Secretary, National Universities Commission, Auditor-General for the Federation etc. with the view to strengthening the operations of the fiscal responsibility framework for sustainable macro-economic growth and development

CITIZENS PARTICIPATION IN MONITORING & ENFORCING THE ACT

5.4 The importance of citizens' action and involvement in the implementation of the provisions of the Act is underscored by Section 51 of the FRA, 2007 which bestows 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. The Commission has been unrelenting in its advocacy at various public events to draw the attention of individual citizens and Groups, as stakeholders, to the said provision with a view to engendering their proactive participation in the enforcement of the provisions of the Act.

5.5 The Commission's deliberate policy of engaging and partnering with interested community based civil organizations and other citizen-agents for the purpose of monitoring certain Federal Government on-going projects contained in the capital budget has started yielding the desired dividends. During the Commission's scheduled inspection/ verification visits to certain selected Federal capital projects during the year, representatives of accredited CSOs were deployed to accompany the various teams from the Commission to verify projects spread across the six geo-political zones in the country.

EFFORTS TOWARDS THE AMENDMENT OF THE FRA, 2007

5.6 Following concerted efforts by the Commission to amend and strengthen the Fiscal Responsibility Act, 2007 at the National Assembly, the Bill has reached second reading in the Senate and Public Hearing has been conducted. It is the Commission's hope that with the support of relevant stakeholders as well as its continuous engagement with the leadership of the National Assembly that the relevant Committees of both Chambers will give the much desired amendment.

INVESTIGATION OF INFRACTIONS TO THE FRA, 2007

5.7 With the addition to the list of Corporations in the Schedule of the FRA, 2007 there is increase in the work load of the Investigation Unit of the Commission and thus has made it imperative that the manpower, facilities and capacity of the Commission's investigators are increased and improved especially in the areas of forensic auditing, performance and systems audit and investigation. Thence, Commission is taking steps to reorganize and reinforce the Commission's investigation personnel and apparatus within its limited resources, for greater efficiency, effectiveness and improved performance. There still exists a gap in the training of the personnel of the Investigation Unit which has been overhauled and the Commission is making efforts, in collaboration with sister Agencies like the EFCC, with support from Development Partners, to close this gap.

5.8 In 2021, the Commission did not embark on any new investigations per se especially as regards the non-remittance of Operating Surpluses by some Agencies save that it participated in investigative hearings at the National Assembly which resulted to hitherto unremitted revenue was determined and remitted into the CRF. The Commission also focused on strengthening its collaboration with the Office of the Accountant-General of the Federation and the Ministry of Finance, budget and National planing to jointly determine the outstanding amounts due from Schedule Corporations after ascertaining and deducting any previous interim payments made by them in line with the Template for the Calculation of Operating Surplus produced by the Commission and issued by the Hon. Minister of Finance. In this connection, the Commission is determined to leverage on the Treasury Single Account (TSA) policy of the Federal Govt. in ensuring the remittance of all outstanding amounts in accordance with agreed payment terms. The Commission is also collaborating with the relevant Committees of the National Assembly in order to ensure that they focus their oversight search light on habitually defaulting Agencies and by so doing, get them to comply with their statutory obligation with regard to the remittance of their Operating Surplus into the CRF of the Federation.

IMPLEMENTING FISCAL RESPONSIBILITY IN THE STATES

5.9 Certain Sections of FRA, 2007 are intended to persuade States and Local Governments to adopt principles contained therein. The Sections are reproduced hereunder:

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 Government may adopt the provisions of Part V (Budgetary Execution and Achievement of Targets) 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".*

5.9 In the year under review, the Commission provided technical assistance to the Benue State Fiscal Responsibility Commission during a 5-day study visit to the FRC; and were extensively schooled on the principles and practical workings of fiscal responsibility framework and the benefits thereof.

The Commission continued to promote and encourage States and Local Governments in the

Country to embrace and fully domesticate the regime of fiscal responsibility in order to expand and extend the frontiers of good governance, prudence, transparency and accountability. The Commission continues to advocate and proffer support for the amendment of several States' Fiscal Responsibility Laws in order to strengthen them for a more effective delivery of their mandates. The Commission has continued to leverage on the opportunities provided by the several invitations it received to participate at various events as well as those organized by Civil Society Organizations during the year to highlight the indispensability of effective Fiscal Responsibility Legislations not only at the Federal level but at the sub-national levels as well.

DEEPENING GOOD GOVERNANCE AT THE SUB-NATIONAL LEVEL

5.10 The Commission has continued to make informed presentations and contribution at different workshops, seminars and conferences on corruption prevention and good governance organized by various local and international Civil Society Organizations in 2021. For instance, the Commission organized a Two-Day Zonal Workshop On "Fiscal Responsibility, Transparency and Sustainable Development at the Sub-National Levels" in Kano and Lagos States for the North-West and South-West Geopolitical Zones respectively, with support from OrderPaper, a Civil Society Organization.

Invariably, the three terrible headwinds of poorly trained and inadequate number of staff as well as inadequate facilities and work tools have combined with the dire dearth of funding to render most, if not all the sub-national F.R.Cs/Agencies comatose and ineffective, that is where they exist at all.



CHAPTER
SIX

6

TRANSPARENCY AND
ACCOUNTABILITY



CHAPTER SIX

TRANSPARENCY AND ACCOUNTABILITY

6.1 Sections 48-50 FRA, 2007 provides for transparency and accountability in fiscal transactions.

The section provides 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 her finances;
- ii. NASS should ensure transparency during the preparation and discussion on the MTEF, Annual Budget and Appropriation Bill;
- iii. Federal Government shall publish her Audited Accounts not later than six months following the end of the financial year and in the mass media not later than seven months after 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 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.

6.2 The 2021 Budget was designed to further deliver on the goals of the Economic Sustainability Plan (ESP). It provided a clear road map for Nigeria's post Covid-19 economic recovery.

The commitment of the government to the signing of the 2021 Appropriation Act to return to the January – December budget cycle was maintained. The 2021 Budget was presented to the National Assembly on the 8th of October 2020 by President Muhammadu Buhari (GCFR) and passed into law on the 21st of December, 2021.

The initial budget of ₦13.588 trillion was then signed into law on the 31st of December, 2020 while the supplementary budget of ₦982 billion was passed by the National Assembly on the 17th of July, 2021 and assented by the President on the 26th of July, 2021.

During the year under review, the world in general was still faced with severe economic downturn due to the impact of the Covid-19 pandemic.

The country's economy has since been recovering from recession in the midst of it all, the total revenue of the 36 states was ₦2,423,508,992,308.12 in 2021. It showed an increase of ₦129,658,401,795.68 from ₦2,293,850,590,512.44 recorded in 2020. Though the recovery of the economy is gradual, in the last half of 2021, the economic activities improved generally.

The civil society organizations and the international community has requested for publications of all donations and expenses made during the Covid-19 pandemic.

6.3 As part of transparency and accountability, a close study and observation of the 2021 budget documents revealed the following:

- The need for timelines in publication of reports as the Budget Implementation Report was not completed as at the time of compiling this report. Half year was available.
- There was significant variance from MTEF projections and budget assumptions from both oil and non-oil revenues and expenditure.
- Macroeconomic and Fiscal forecasts to major economic assumptions had no alternative scenarios and probabilistic forecasts of fiscal outcomes were not included.
- The budget had no comprehensive information on budget deficit financing and also what to privatize within the fiscal year to fund the deficits.
- The mid-year deficit financing from the budget implementation report clearly shows that domestic borrowing was exceeded by N78.31 billion. No explanation was given for the variance.
- The 2021 budget was not accompanied by all the documents as required by the provision of Section 19 of the FRA, 2007.
- Expenditure for the first half year was projected at N5,764.76 billion but the actual outturn for the half year stood at N5,806.99 billion (N42.24 billion increase).
- Overhead cost (MDA's), Debt Service and other service wide votes showed increase of N8.48%, 21.54% and 39.16% respectively.
- Improvement on the comprehensiveness and accessibility of information on budget execution must be made a priority.
- There was no budget execution report on Chief Executive Officers so that their performance can be measured.
-

- 6.4 The Commission participated in the 2021 International Anti-corruption Day as a member of the Inter-Agency Task Team (IATT) on Anti-Corruption.

The need to intensify efforts towards transparency and accountability in public finance and management was majorly emphasized.

- 6.5 During the second quarter of the year, the Commission participated in a roundtable discussion themed 'Dialogue on Nigeria's Rising Debt Profile' organized by ActionAid International, a non-governmental organization in Abuja. The event attracted discussions around the Nigeria's public debt level and the ways to regulate the rising tide of borrowing by government through the wise utilization of the proceeds of loans on projects and exploring alternatives to borrowing.

In April, the Chairman led the management of the Commission on a series of courtesy calls on the Honorable Ministers of Special Duties and Inter-Governmental Affairs and that of State for Finance, Budget and National Planning respectively, as well as to the Office of the Auditor-General for the Federation, where issues discussed include the need to instill transparency and accountability at the grassroots levels through integration of fiscal responsibility; the need to disseminate a fresh circular on Operating Surplus and increasing the budgetary allocation for the Commission; and a collaboration to checkmate fiscal leakages in government agencies.



Group Photograph by both Management of Accountant General of the Federation and FRC

CHAPTER
SEVEN

7

COMMUNICATION, RESEARCH &
DISSEMINATION OF STANDARDS
YEAR 2021 ACTIVITIES



CHAPTER SEVEN

COMMUNICATION, RESEARCH & DISSEMINATION OF STANDARDS YEAR 2021 ACTIVITIES

7.1 On Tuesday, February 9, 2021, President Muhammadu Buhari forwarded the name of the then Acting Chairman, Victor Chinemerem Muruako Esq. to the National Assembly requesting that he be confirmed as Chairman, Fiscal Responsibility Commission. Consequently, on February 16th 2021, the nominee appeared before the House of Representatives Committee on Finance for screening and was subsequently confirmed as the substantive Chairman of Fiscal Responsibility Commission by the Senate on February 18, 2021. The Chairman was later inaugurated by the Secretary to the Government of the Federation, (SGF) Boss Mustapha.

In February, the Management team of FRC led by the Chairman, were at the Headquarters of the Independent Corrupt Practices Commission on a working visit where the two organizations discussed mutual collaboration, pledged to work together in the areas of assets recovery and capital projects tracking to push for the fight against corruption.



The Executive Chairman FRC, Barr. Victor Muruako (right) with the Permanent Secretary (General Services), Mr. Maurice Mbaeri during his inaugurations, March 2021

Later in the year, the ICPC staff conducted a deployment of Ethics and Compliance Scorecard at the FRC offices to check the effectiveness of ACTU in the Commission for the year 2021.

On matters relating to the National Assembly, in the month of March of the same year the Commission actively participated in a discussion on operating surplus remittances by the MDAs convened by the Senate Public Accounts Committee.

Also, the Commission participated at the public hearing on the Refusal by MDAs to Render Account to the Office of the Accountant-General of the Federation,



The Executive Chairman of FRC, Barr. Victor Muruako with the Chairman of ICPC during a courtesy visit to ICPC's Headquarters in Abuja, Feb. 2021

organized by the House of Representatives.

Similarly, the Commission participated in the House of Representatives Investigative Hearing on Internally Generated Revenue (IGR).



The FRC Chairman, Barr. Victor Muruako (L) presenting some vital documents to the Honorable Minister of Special Duties, Senator George Akume in his office, Abuja, April 2021

As part of the continued efforts to galvanize support for the ongoing process to amend the Fiscal Responsibility Act 2007, the Chairman led members of the management to pay a courtesy call to the Office of the Senior Special Adviser to Mr. President on National Assembly Matters. The Chairman reechoed the importance of FRC which among other things has become a major resource to the National Assembly in terms of ensuring compliance to extant laws of the Federation on revenue generation and compliance to preparation and presentation of audited statement of accounts by Government Owned Enterprises. This has given the Commission the privilege to participate regularly in most Senate Committee findings on Finance Investigative Public Hearing on remittance of revenue to the Consolidated Revenue Fund of the government.

The Commission actively participated in the Public Hearing for the Amendment of the Fiscal Responsibility Act 2007, organized by the Senate Committee on Finance which took place on July 6, 2021 at the National Assembly complex.

During the year, the Commission played host to members of the Benue State Fiscal Responsibility Commission who were on a five-day study visit to the Commission. The visiting team were trained by the staff of the Commission as well as those from sister agencies like Debt Management Office (DMO), Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and Other Related Offences Commission (ICPC).

While the Commission restates its commitment to continue to render assistance as required by the Act to such States that have shown interest, we use this opportunity to call on State Houses of Assembly and, particularly, state governors who have not taken this step to take immediate measures towards concluding the enactment and establishment of this critical Law and implementing institutions respectively.



The FRC Chairman, Victor Muruako, Esq. third right and the management staff with the BSFRC that came on a study visit to the Commission, Abuja. Jul 2021

The Commission initiated and facilitated collaboration with the National Youth Service Corps (NYSC) which gave the Commission the opportunity to conduct series of sensitization lectures



The Minister of Finance Budget and National Planning, Mrs. Zainab Shamsuna, and the Executive Chairman FRC, Victor Muruako, Esq. during a working visit in her office, Abuja. Aug. 2021

on Fiscal Responsibility Act 2007 and the functions of the Commission to new corps members at the NYSC orientation camps in various locations across the country.

There's no gainsaying the fact that possible future leaders of this country need to be well served with necessary knowledge of fiscal governance. It will make them better at understanding the complexities of governance, appreciating the efforts of governments, evaluating policies and intervening, where need be, with more wisdom than the un-sensitized. Accordingly, and in consideration of the potential occupation of future leadership positions by Members of the NYSC, it is the deep desire of the FRC to prevail.

The Commission featured in a weekly radio programme titled 'Towards Realizing Accountability in the Extractive Sector' (T R A C E S) , s p o n s o r e d b y



The Executive Chairman FRC, Victor Muruako, Esq. and the DG, NYSC, Brigadier General Shuaibu Ibrahim after the signing of the MoU with the Commission in his office. Aug. 2021

CISLAC/Transparency International, Nigeria, with support from OXFAM to discuss Fiscal Responsibility in oil and gas producing states. The program ran for 13 weeks on Nigeria Info FM station in Abuja.

Pursuant to its efforts to extend the fiscal responsibility consciousness to other tiers of government, the Commission organized regional sensitization workshops on fiscal transparency and accountability in Kano and Lagos for the North-West and South-West geo-political regions respectively. The workshops attracted top government functionaries and key decision makers from states across the two geo-political regions.

While in Kano, the Chairman led the management of the Commission in a courtesy call to the Executive Governor of Kano State at the Government House where they discussed the adoption of the Fiscal Responsibility Law in the state.



The Executive Chairman FRC, Victor Muruako, Esq. (left) presenting an Award to the Executive Governor of Kano State His Excellency, Alhaji Abdullahi Umar Ganduje

RESEARCH AND DISSEMINATION OF STANDARDS

STATES PROFILES IN THE CONSUMER PRICE INDEX.

7.2 The Commission has continued to undertake fiscal and financial studies, analysis and diagnosis on the nation's economy and disseminating it to the public, as provided in the FRA, 2007.

During the year under review, the Commission undertook an analysis of the Consumer Price Index (CPI) of the State governments.

The Consumer Price Index (CPI) measures change of prices of goods and services consumed by citizens for day to day i.e. it measures inflation rate. The analysis of the CPI of the States is weighed by the consumption expenditure patterns of food and non-food items and it differs from State to State. Interstate comparison is not advisable as it can be misleading.

The weighting occurs to capture the importance of the selected commodities in the entire index.

Key in the construction of the price index is the selection of the market basket of goods and services. Every month, 10,534 informants spread across the country provide price data for the computation of the CPI. The market items currently comprise of 740 goods and services regularly priced.

The first stage in the calculation of the CPI is the collection of prices on each item (740 goods and services) from outlets in each sector (rural or urban) for each state. Prices are then averaged for each item per sector across the state. The next step is to use the average price to calculate the basic index for each commodity: The current year price of each commodity is compared with a base year's price to obtain a relative price.

Here the sum of the product of weights (obtained from the expenditure survey) and relative prices for each item is divided by the sum of the weight of the items in that class, and the result multiplied by 100 gives the required index number. This index number is still classified according to the urban or rural classification sector for each of the 36 States and the FCT.

In this analysis, the inflation rates will be considered using year-on-year and month-on-month basis for food and non-food items as at September 2021 respectively.

Table 7.1 Combined Urban & Rural States Consumer Price Index

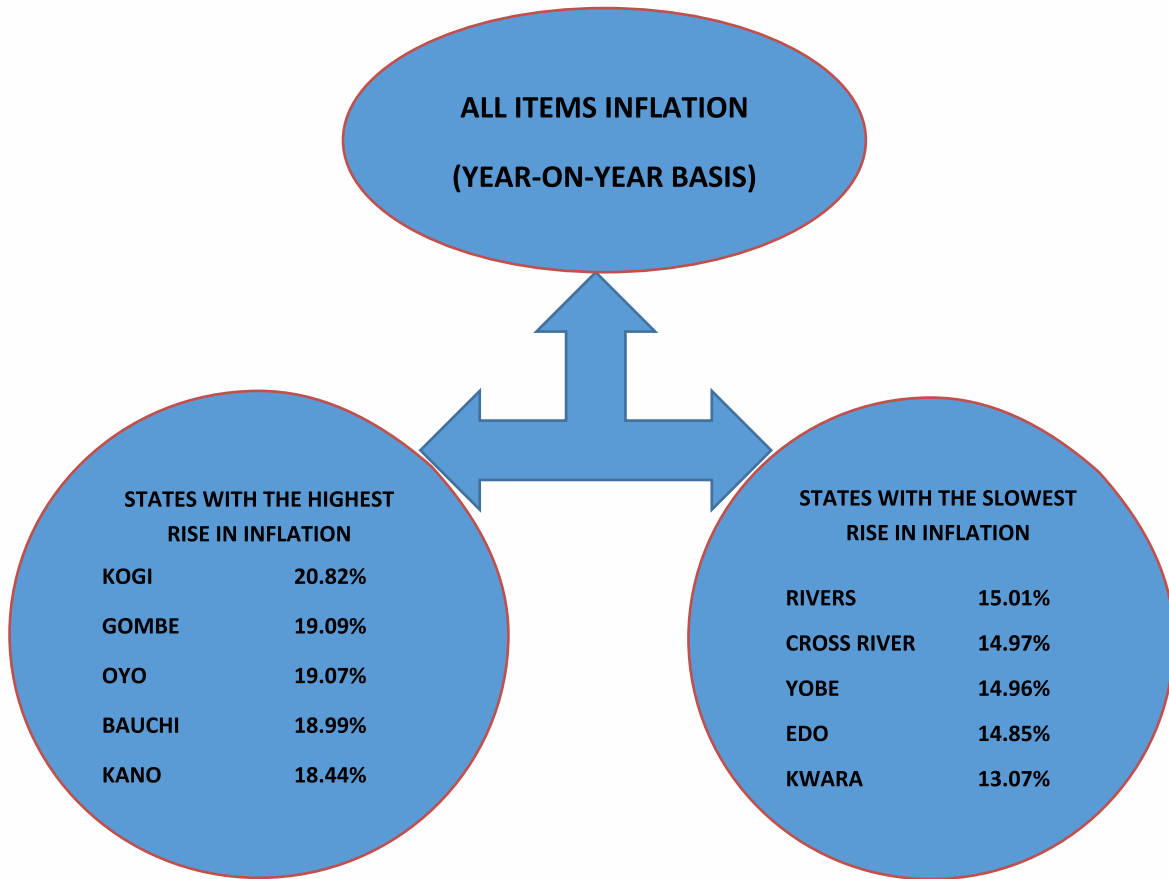
STATES	FOOD	ALL	FOOD	ALL	FOOD	ALL	MOM	YOY	MOM	YOY
		ITEMS		ITEMS		ITEMS	FOOD (%)	(%)	ALL(%) ITEMS	(%)
ABIA	377.6	340.8	442.6	390.1	447.9	394.9	1.21	18.63	1.23	15.89
ABUJA	380.1	330.9	447.3	383.6	451.3	388.6	0.88	18.72	1.31	17.43
ADAMAWA	380.8	328.8	447.9	382.4	447.8	384.6	0.89	17.61	0.59	16.98
AKWA IBOM	379.3	334.2	446.8	386.1	450.8	391.5	0.9	18.84	1.41	17.16
ANAMBRA	385.8	348.2	448.1	398.9	457.8	405.1	2.15	18.66	1.55	16.35
BAUCHI	348.2	384.5	398.9	452.2	405.1	457.5	1.55	16.35	1.58	18.99
BAYELSA	385.5	343.8	451.9	392.4	458.4	398.8	1.45	18.9	1.63	16.01
BENUE	381.9	334.2	457.5	393.1	458.5	391.3	0.23	20.08	-0.45	17.07
BORNO	378.5	327.3	449.9	376	453.2	379.1	0.73	19.73	0.83	15.83
CROSS-RIVER	381.9	316.5	460.9	369.5	463.3	363.9	0.52	21.3	-1.5	14.97
DELTA	388.1	325.1	458.4	371.2	463.1	375.3	1.03	19.33	1.12	15.43
EBONYI	387.4	347.1	458.2	392.3	466.2	405.7	1.74	20.34	3.42	16.88
EDO	391.1	351.3	449	400	456.7	403.5	1.71	16,77	0.89	14.85
EKITI	385.1	318.7	456.1	365.7	461.1	369.3	1.09	19.72	0.97	15.86
ENUGU	383.3	324.4	459	371.2	465.9	376.1	1.51	21.54	1.32	15.93
GOMBE	372.7	338.2	451.7	398.2	455.3	402.8	0.81	22.16	1.17	19.09
IMO	384.3	311.9	446.5	355.6	454.2	361	1.72	18.2	1.5	15.75
JIGAWA	375.4	342.3	451.2	401.9	455.5	405.6	0.95	21.33	0.93	18.5
KADUNA	390.9	352.8	458.9	408.5	469	414.7	2.22	19.98	1.53	17.56
KANO	383.3	348.2	456.1	402.7	466	412.4	2.17	21.58	2.41	18.44
KATSINA	374.3	313.9	436.1	358.3	443.2	363.5	1.64	18.43	1.47	15.82
KEBBI	390	361.4	458	418.9	458.4	421	0.09	17.56	0.49	16.49
KOGI	398.5	366.4	501.3	440.5	504.6	442.6	0.66	26.63	0.48	20.82
KWARA	391	406.8	469.8	459.9	471.9	462.5	0.43	20.67	0.57	13.7
LAGOS	385.1	349.2	460.2	403.3	469.9	410	1.67	21.5	1.68	17.41
NASARAWA	379.6	343.7	457.2	402.4	459.1	407.1	0.42	20.96	1.15	18.43
NIGER	379.7	350.3	447.9	400.8	453.3	407.2	1.21	19.38	1.6	16.26
OGUN	389	360.2	464.4	418.6	466.9	421.2	0.54	20.05	0.61	16.93
ONDO	380.1	343.6	456	402.1	461	406	1.11	21.28	0.98	18.17
OSUN	387.6	342	454.6	390.9	459.6	397.2	1.1	18.57	1.61	16.13
OYO	390	356.5	469.5	419.8	477.4	424.4	1.68	22.4	1.09	19.07
PLATEAU	386.1	352.2	453.9	405.3	458.4	410.8	0.99	18.72	1.37	16.64
RIVERS	389	341.6	446.8	385.7	451.1	392.9	0.97	15.97	1.88	15.01
SOKOTO	384.3	343	454.3	398.6	460.1	402.4	1.26	19.73	0.96	17.33
TARABA	387	337.9	452.5	387.3	454.4	390.1	0.42	17.41	0.71	15.45
YOBE	391.7	354.2	453.2	405.3	455.7	407.2	0.56	16.33	0.47	14.96
ZAMFARA	392.1	354	461.1	409.6	457.3	408.3	-0.83	16.62	-0.32	15.35

Source: National Bureau of Statistics

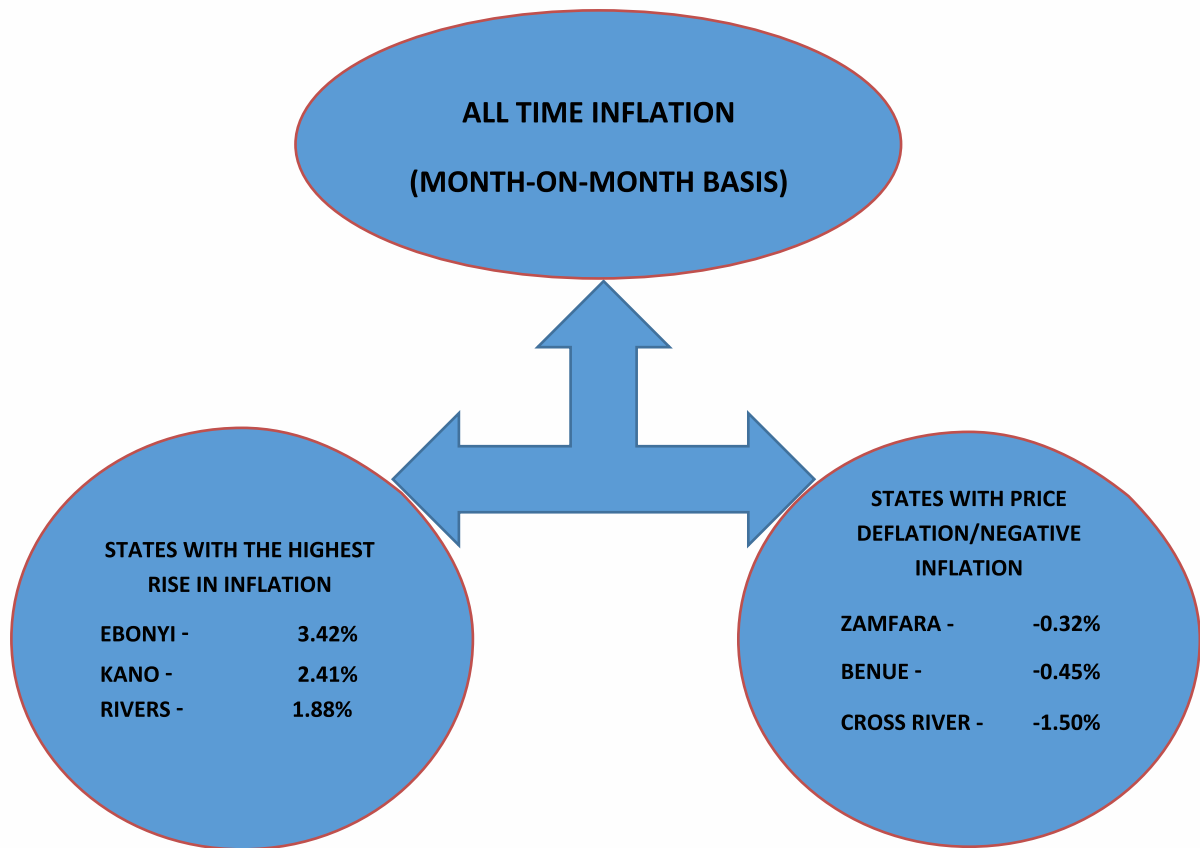
The Table above shows the inflation rates of all the States for food and non-food items, rural and urban items too. The diagrams below show the pattern of expenditure on food and non-food items and their inflation rates.

(A) ALL ITEM INFLATION

Below are all items (food and non-food) inflation represented in diagrams on a year-on year and month-on month basis:



From the diagram above, Kogi State has the highest all items inflation amongst all the States with 20.82% followed by Gombe (19.09%), Oyo (19.07%), Bauchi (18.99%) and Kano (18.44%) States with relatively high inflation rate as at September 2021. Rivers (15.01%), Cross River (14.97%), Yobe (14.96%) and Edo (14.85%) States had the slowest rise in inflation with Kwara State recording 13.70% as the slowest on year-on-year as at September 2021.



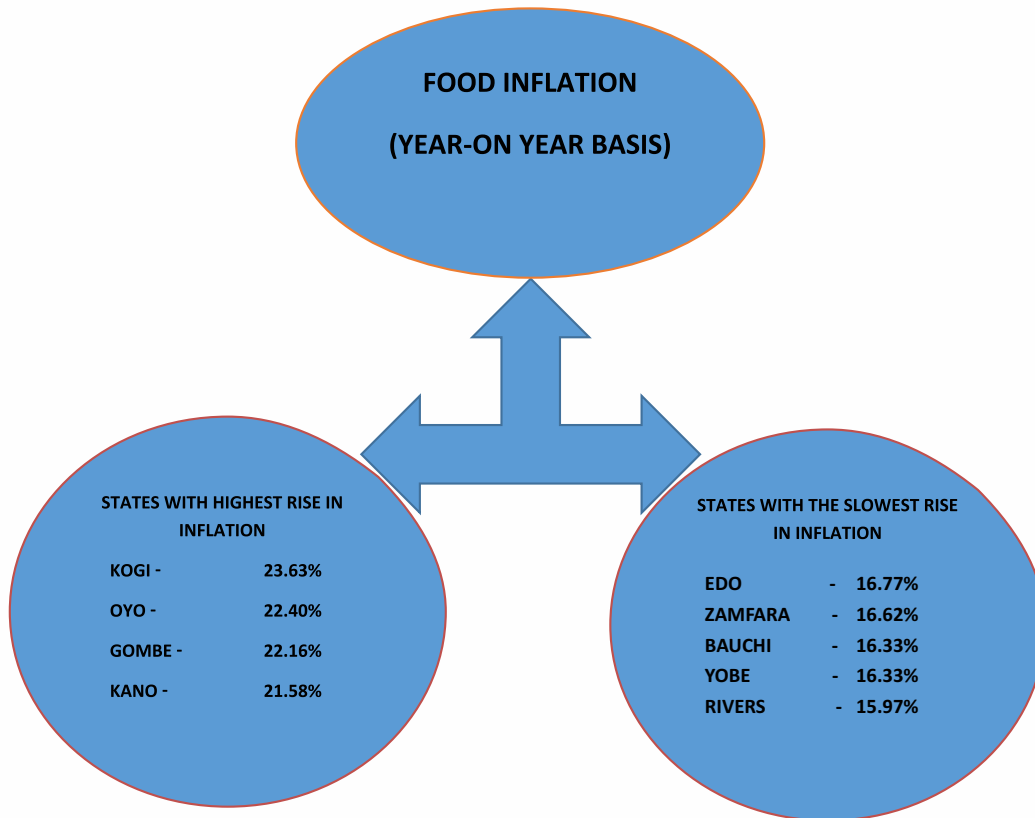
From the diagram above, the month-on-month rise in inflation was low for all the States with Ebonyi State having the highest percentage of 3.42% while other States had lower percentages as at September 2021.

Zamfara, Benue and Cross River States recorded Negative inflation as at September 2021.

(B) FOOD INFLATION

Food is essential for existence and the economy of any society therefore there is need to monitor the food index monthly and yearly. As at September 2021, food such as milk, cheese, eggs, bread, cereals, fish, meat, chicken, yam, potatoes, grains such as rice, millet, wheat, coffee and beverages etc. had the highest index in years.

The record of food index as at September 2021 is presented in diagrams below on year -on-year basis and month-on-month basis:



From the above diagram, Kogi State recorded the highest rate (23.63%) of food inflation of all the States, closely followed with high inflation rates by Oyo and Gombe States that recorded 22.40% and 22.16% with Kano and Gombe States following with 21.58% and 22.16%.

Rivers State recorded the slowest rise in inflation with a percentage of 15.97% and closely followed by Yobe (16.33%), Bauchi (16.35%), Zamfara (16.62%) and Edo (16.77%) States as at September 2021.



From the diagram above, Kaduna had the highest food inflation percentage of 2.22% while Kano (2.17%), Anambra (2.17%), Ebonyi (1.74%) and Edo (1.71%) States had relatively high food inflation while all the States had slow rise in food inflation. Kebbi had the slowest (0.09%) as at September 2021.

Zamfara (-0.83%) was the only State that recorded negative inflation while Kebbi and Benue States had deflation with 0.09% and 0.23% as at September 2021.

Table 7.2 Summary Table of Consumer Price Index (%) as at September, 2021

ITEM	Y-O-Y (%)	Y-O-Y (%)	DIFF (%)	M-O-M (%)	M-O-M (%)	DIFF (%)
	AUGUST	SEPTEMBER		AUGUST	SEPTEMBER	
Headline Consume Price Index	17.01	33.64	16.63	1.02	2.17	1.15
Food Sub-Index	20.30	39.87	19.57	1.06	2.32	1.26
Core Sub Index	13.14	27.15	13.74	0.77	2.01	1.24
Urban Index	17.59	34.78	17.19	1.06	2.27	1.21
Rural Index	16.43	32.51	16.08	.099	2.09	1.10

On month-on-month basis, the Headline Index increased by 1.15 percent in September 2021, this is 0.13 percent rate higher than the rate recorded in August 2021 (1.02) percent.

The percentage change in the average composite CPI for the twelve-month period ending September 2021 over the average of the CPI for the previous twelve-month period was 16.63 percent from 17.01% recorded in August, 2021.

The urban inflation rate increased by 17.19 percent (year-on-year) in September 2021 from 17.59 percent recorded in August 2021, while the Rural inflation rate increased by 16.08 percent in September 2021 from 16.45 percent in August 2021.

The Composite Food Index rose by 19.57 percent in September 2021 compared to 20.30 percent in August 2021.

This rise in the Food Index was caused by increases in prices of oils and fats, bread and cereals, food product N.E.C., fish, coffee, tea and cocoa, potatoes, yam and other tuber and milk, cheese and egg.

On month-on-month basis, the food sub-index increased by 1.26 percent in September 2021, up by 0.20 percent points from 1.06 percent recorded in August 2021.

The average annual rate of change of the Food sub-index for the twelve-month period ending September 2021 over the previous twelve-month average was 20.71 percent, 0.21 percent points from the average annual rate of change recorded in August 2021 (20.50) percent.

Note Observation

- Headline CPI: The change in prices from Sept. 2020-Sept. 2021
- Food sub-index: These refers to prices of all classes such as milk, cheese, bread, cereals, fish, beef, chicken, yam, coffee and other beverages etc.
- Core sub-index: These refers to prices of gas, household, textile, garments, cars, game of chance, major household appliances, passenger transport by air, hospital services etc.

- Urban index: These refers to prices of buildings, rents etc.
- Rural index: These refers to prices of making hamlets, farms etc.
- All the indexes above recorded the highest increase in consumer price index in months and years.

The economy has suffered inflation in the past three (3) years due to the pandemic, inconsistent economic activities, corruption, and insecurity amongst other factors.

Recommendations

- The States should encourage farmers and farming activities, in order to increase food production locally as this will assist in price reduction.
- The States should encourage the consumption of home grown foods as against canned and packaged food consumption.
- The States should build affordable homes for citizens as against homes with high rent rates.
- The States should encourage the sourcing and production of building materials e.g. iron rods.
- The States should work on their economy because the cumulative effect will help the nation's inflation rate. Therefore, balancing is needed to avoid both inflation and deflation in the economy.

CHAPTER
EIGHT

8

INSTITUTIONAL STRENGTHENING
AND CAPACITY BUILDING



CHAPTER EIGHT

INSTITUTIONAL STRENGTHENING AND CAPACITY BUILDING

8.1 STAFF PROMOTION

In its resolve to reward good performance and enhance career progression, the Management of the Commission has carried out the 2021 staff promotion exam/interview exercise, at the Public Service Institute Abuja on 13th March 2021. A total of sixty six (66) senior staff participated in the exam and 60 passed and were promoted. The Junior Staff Committee of the Commission also conducted the promotion exams/interview for junior staff between 13th – 16th April 2021. All 13 staff were successful in the examinations and interviews.

8.2 HUMAN CAPITAL DEVELOPMENT:

In its continued drive to improve capacity of the workforce to ensure productivity, some staff was trained based on their area of duties.

The 7-Day capacity building workshop was titled “Maintaining Best Global Practices in Project Execution in a Post Covid-19 Economy”. The Workshop was organized to improve staff capacity on the economic challenges posed by the Covid-19 pandemic and to acquire requisite tools to proffer appropriate and effective solutions.

It was organized in collaboration with the Nigerian Institute of Quantity Surveyors (NIQS) and the Society for Project Management and Development Professionals International, Association of National Accountants (ANAN) from November 29th - December 3rd 2021 at Sawalino Hotel, Keffi, Nasarawa State.

The Commission collaborated with Orderpaper, a media and communications company to conduct internal training (in series) for the staff of the Strategic Communication Directorate aimed at updating their knowledge on modern trends of communication.



FRC and Staff during the 2021 capacity building exercise at Keffi Nasarawa State



The Executive Chairman, FRC, Victor Muruako, Esq. in a group photograph with the Staff of SCD and the consultant during the in-house capacity development for the staff of SCD, April 2021

The Commission also engaged the junior staff of the Commission in training between 13th to 17th December 2021.

8.5 RETIREMENT

Hajiya Maryam Iliyasu Mohammed, the Director of Planning, Research and Statistics retired from active service. While Alhaji Ibrahim Baba Dauda left the Commission due to his appointment as the Executive Director Finance by the Federal Government at NASENI.

CHAPTER
NINE

9

CHALLENGES AND
PROSPECTS



CHAPTER NINE

CHALLENGES AND PROSPECTS

The following challenges are highlighted:

- **Funding**
- **Human Capital Development**
- **Equipping the ICT Unit**
- **Setting of Consolidated Debt Limit**
- **Amendment of FRA, 2007**

9.1 FUNDING

Inadequate funding has continued to militate against the performance of the Commission's key activities such as revenue monitoring, physical verification of FGN capital projects, monitoring the remittances of operating surplus, monitoring the implementation of MTEF, monitoring debt profile of the Federal, States and Local governments and providing technical support to States on Fiscal Responsibility Laws. The attendant economic situation of the year under review further aggravated the dwindling resources of the Federal Government hence the Commission need to do more in improving independent revenue remittances into Consolidated Revenue Fund (CRF).

9.2 HUMAN CAPITAL DEVELOPMENT

Public finance management system and their implications has increased the need to train and re-train staff of the Commission. The Commission's responsibilities and the need to deliver timely reports require proficiency in financial knowledge as well as technical abilities.

9.3 EQUIPPING THE ICT UNIT

There is urgent need to update ICT infrastructure to monitor and regulate financial activities of Government Agencies. The world as a global village is opening up online opportunities through the web and the Commission needs to keep up with the trend. The Covid-19 Pandemic ushered in the era of virtual meetings which have become the norm.

9.4 SETTING DEBT LIMITS

Section 42 FRA, 2007 states that:

“The President shall, within 90 days from the commencement of this Act and with advise from the Minister of Finance subject to approval of the National Assembly, set overall limits for the amounts of consolidated debt of the Federal, States and Local Governments pursuant to the provisions of Items 7 and 50 of Part I of the Second Schedule to the Constitution of the Federal Republic of Nigeria 1999 (as amended) and the limits and conditions approved by the National Assembly shall be consistent with the rules set in the Act and with the fiscal policy objectives in the Medium-Term Fiscal Framework”.

Despite various entreaties by the Commission, debt limits have not been set and this has resulted in the abuse of procedure for the procurement of loans by all three tiers of government. The monitoring of excesses and infringements by the various governments is therefore difficult.

9.5 AMENDMENT TO FRA, 2007

The proposed amendment of FRA, 2007 will give the Commission enhanced powers for better performance in the fight against corruption and financial recklessness.

The inherent weaknesses in the Fiscal Responsibility Act (FRA), 2007 need to be reviewed and amended in order to strengthen its effectiveness in ensuring the vision of the Act. The process reached Public Hearing in August 2021 and has since stalled.

The Commission has continued to liaise with the National Assembly in order to continue the process and amend the Act and there is a positive move to do so.

9.6 PROSPECTS

The stakeholders' interactive meetings have exposed more agencies to the provisions of the Act and its implementation.

The Commission is committed to continued collaboration with Agencies particularly in the area of implementing the Template for the Calculation of Operating Surplus.

The Commission is in the process of producing on a template for the Medium Term Expenditure Framework (MTEF). The aim is to improve the budget process. The template is expected to establish a uniform format for the production of MTEF by various MDAs in line with FRA, 2007.

The online monitoring and evaluation tool is being developed by the Commission as a digital infrastructure to provide a data driven digital platform for effective data gathering, analysis and

auditing to support revenue performance and management as well as forecasting and policy formulation.

Section 51 of the Act empowers citizens to seek the enforcement of the Act in any court of law without showing any special interest in doing so. Citizens are urged to utilize the provisions of the Section as a veritable platform for citizens' participation in governance.

It is the fervent hope of the Commission that with increased funding for its activities, improved working conditions, enhanced salary and staff welfare packages, the Commission will achieve more.



ANNEXURE

AUDITED FINANCIAL STATEMENTS



CORPORATE INFORMATION

Chairman: Victor C. Muruako, Esq.

Management team:

Victor C. Muruako, Esq.	- Chairman
Hajia Maryam Ilyasu Mohammed	- Director, Planning Research & Statistics (Retired)
Mr. Bello Prince Ibrahim	Head, Planning Research & Statistics
Mr. Sule Unekwu-Ojo Musa	- Head, Finance & Accounts
Alh. Muhammed A. Zailani	- Director, Administration
Barr. Charles C. Abana	- Head, Legal Investigation & Enforcement
Mr. Bede O. Anyanwu	- Head, Strategic Communication
Mr. Alex B. Elikwu	- Director, Policy & Standards
Mr. Hashim T. Ahmed	- Head, Internal Audit
Alh. Aliyu Bello Gulmare	- Head, Monitoring & Evaluation

Head office address:

No . 93 Yakubu Gowon Crescent
Asokoro District
Abuja.

Auditors: Nexia Agbo Abel & Co
43 Anthony Enahoro Street
Utako
Abuja.

Banker: Central Bank of Nigeria

RESULTS AT A GLANCE

	2021	2020	Change
	N	N	%
<i>Per financial position</i>			
Total assets	190,371,580	203,185,626	(6.31)
Net assets	124,259,241	158,338,078	(21.52)
Total liabilities	124,259,241	44,847,548	177.07
<i>Per income and expenditure</i>			
Income	346,751,873	271,373,196	27.78
Expenditure	393,706,499	347,957,618	13.15
Deficit for the year	(46,954,626)	(76,584,422)	38.69

MANAGEMENT COMMITTEE'S REPORT

The Management Committee presents its report with the financial statements for the year ended 31 December 2021.

1. Legal form

The Commission was established by Fiscal Responsibility Act No. 31 of 2007 as a corporate body to enforce the provisions of the act.

2. Principal activities and operational review

The primary activities of the Fiscal Responsibility Commission (FRC) as provided for in 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 best practices 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 number 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;
- (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.

3. Management committee

The Management Committee as listed on page 2 managed the affairs of the Commission during the year.

4. Board members

There is currently no standing board in the year under review as no Board was appointed. However, the Commission is fully run by the Management Committee headed by the Chairman of the Commission.

MANAGEMENT COMMITTEE'S REPORT (CONT'D)

5. Management Committee's responsibilities

The management committee is responsible for the preparation of the financial statements which give a true and fair view of the state of the Commission's affairs at the end of each financial year, and of the income and expenditure for that period and comply with the provisions of Fiscal Responsibility Act No. 31 of 2007. In doing so they ensure that:

- internal control procedures are in place which, as far as it is reasonably possible, safeguard the assets, prevent and detect fraud and other errors ;
- proper accounting records are maintained;
- applicable accounting standards are followed;
- suitable accounting policies are adopted and consistently applied;
- the going concern basis is used unless it is inappropriate to presume that the Commission will continue to exist.

6. Post balance sheet events

There is no post balance sheet event, which could have had material effect on the state of affairs of the Commission as at 31 December 2021 and the surplus/deficit for the year ended on that date which have not been provided for or disclosed in these financial statements.

7. Employment and employees

i. Employment of physically challenged persons

It is the policy of the Commission that there should be no unfair discrimination in considering applications for employment including those from physically challenged persons. All employees whether or not disabled are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers.

ii. Health and Welfare of Employees

The health, safety and welfare of employees are of primary concern to the Commission. Consequently staff welfare received adequate attention in the year under review.

In compliance with the Reformed Pension Act 2014, the Commission maintains a mandatory contributory pension and gratuity scheme for the benefit of its employees.

iii. Employee involvement and training

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

Management, professional and technical expertise are the Commission's major assets and investment in their further development continues.

The Commission's skills base has been expanded by a range of training provided to enhance the opportunities for career development of its employees.

8. Auditors

Nexia Agbo Abel & Co. have indicated their willingness to continue in office.

By order of the Management Committee



Victor Chinemerem Muruako, Esq.

SCN.022625

Chairman

Fiscal Responsibility Commission

**STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2021**

**STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The Management Committee of Fiscal Responsibility Commission is responsible for the preparation of the Financial Statements, which give a true and fair view of the financial position of the Commission as at 31 December 2021 and the results of its operations, cash flows and changes in net assets for the year ended, in compliance with International Public Sector Accounting Standards (IPSAS) and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, 2011.

In compliance with the provisions of CAMA 2020, the Management Committee must ensure that:

- proper accounting records are maintained.
- applicable accounting standards are followed.
- suitable accounting policies are adopted and consistently applied.
- judgement and estimates made are reasonable and prudent.
- the going concern basis is used, unless it is inappropriate to presume that the Commission will continue in business.
- internal control procedures are instituted, which as far as is reasonably possible, are adequate, safeguard the assets and prevent and detect fraud and other irregularities.

The Management Committee accept responsibility for the preparation of the Financial Statements, which have been prepared in compliance with:

- the provisions of CAMA 2020;
- the provisions of the Financial Reporting Council of Nigeria (FRCN), Act No. 6 of 2011; and
- the published accounting and financial reporting standard issued by the FRCN;

The Management Committee have made an assessment of the Commission's ability to continue as a going concern based on the supporting assumptions stated in the Financial Statements and have every reason to hold that the Commission will remain a going concern in the financial year ahead.

Signed on behalf of the Management Committee on 23rd June 2022 by:



Victor C. Muruako, Esq.
Chairman



Mr. Sule Unekwu-Ojo Musa
Head, Finance & Accounts



43 Anthony Enahoro Street
Utako District
Abuja – Nigeria

T: +234 (0) 809. 238. 4074
E: Infor@nexianigeria.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FISCAL RESPONSIBILITY COMMISSION ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **Fiscal Responsibility Commission** which comprise the statement of financial performance, the statement of financial position, Statement of changes in net asset as at 31 December 2021, statement of cash flows, statement of budget performance for the year then ended, a summary of significant accounting policies and other explanatory information set out on pages 9 to 22.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Fiscal Responsibility Commission** as at 31 December 2021 and the financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards, Fiscal Responsibility Commission Act No. 31 of 2007 and the Financial Reporting Council of Nigeria Act No 6, 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The management is responsible for the other information. The other information comprises the Management's Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regards.

Responsibilities of management and those charged with governance for the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Companies and Allied Matters Act, 2020 (CAMA 2020), the Financial Reporting Council of Nigeria Act No 6, 2011, the International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company's or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

In compliance with the requirements of the Sixth Schedule of the Companies and Allied Matters Act 2020, we confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) the Commission have kept proper books of account, so far as appears from our examination of those books; and
- iii) the statements of financial position and comprehensive income are in agreement with the books of account and returns.

Abel Onyeke, FCA-FRC/2012/ICAN/0000000119

For: Nexia Agbo Abel & Co
Chartered Accountants
Abuja, Nigeria

Sgt. June 2022



Nexia Agbo Abel & Co.



STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

1. Basis of preparation and key assumptions

The financial statements are prepared in compliance with the International Public Sector Accounting Standards (IPSAS). The financial statements are presented in the functional currency, Nigerian Naira (N) prepared under the historical cost convention in conformity with Generally Accepted Accounting Principles.

The preparation of financial statements in conformity with IPSAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although, these estimates are based on the best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Key estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the period of revision and future periods.

2. Fundamental accounting concepts

The following fundamental accounting concepts were taken as the basis of preparation of accounts and were followed by the Commission:

- Accrual basis concept;
- Going concern concept;
- Consistency concept
- Understandability;
- Materiality,
- Relevance;
- Prudence
- Completeness etc..

3. Accounting periods

The accounting year (fiscal year) of the commission runs from 1st January to 31st December. Each accounting year is divided into 12 calendar months (periods) and were set up as such in the accounting system.

4. Notes to the general purpose financial statements (GPFS)

Notes to the GPFS are presented in a systematic manner. The items in the Statements cross reference to any related information in the notes. The format provided in the Standardised General Purpose Financial Statement was followed.

5. Comparative information

The general purpose financial statements disclose all numerical information relating to previous period.

6. 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 the Consolidated Revenue Fund to meet the operating costs of the Commission.

STATEMENT OF ACCOUNTING POLICIES (CONT'D)

7. Internally generated revenue

Internally generated revenue is recorded when received, or when its realisation in cash is reasonably ascertained. Amounts realised and received at intervals are posted to the Consolidated Revenue Fund.

8. Expenditure

All expenditure are accounted for on a modified cash basis, i.e. all expenses are to be recognised in the period they are incurred or when the related services are enjoyed, irrespective of when the payment is made.

9. Foreign currencies

Transactions in foreign currencies are translated into Naira at the rates ruling on the dates of the transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date. All profits and losses on exchange whether realised or unrealised are accounted for in operating results.

10. Employee Entitlements

Pension & Gratuity:

Provision will be made, where applicable, using an actuarial valuation for retirement gratuities. The actuarial valuation determines the extent of anticipated entitlements payable under employment contracts and brings to account a liability using the present value measurement basis, which discounts expected future cash outflows.

To the extent that it is anticipated that the liability will arise during the following year, the entitlements are recorded as current liabilities. The remainder of the anticipated entitlements are recorded as non-Current liabilities.

11. Statement of Cash flow

This statement is prepared using the direct method in accordance with the format provided in the GPFS. The Cashflow statement consists of three (3) sections:

- i. Operating activities include cash received from all income sources of the Commission and record the cash
- ii. Investing activities are those activities relating to the acquisition and disposal of non-current assets.
- iii. Financing activities comprises of the change in equity and debt capital structure of the

12. Cash and cash equivalents

Cash at bank, cash in hand, demand deposits and other highly liquid investments held by the commission are classified as cash and cash equivalents on the statement of financial position and

13. Leases

Finance leases, which effectively transfer to the Commission substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payment. The leased assets and corresponding liabilities are disclosed while the leased assets are depreciated over the period the Commission is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

14. Financial Instruments

These form part of the Commission's everyday operations. These financial instruments include Bank Accounts, short term deposits, trade and accounts receivable, trade and accounts payable and term borrowings, all of which are recognised in the statement of financial position.

STATEMENT OF ACCOUNTING POLICIES (CONT'D)

15. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to FRC and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All repair and maintenance is charged to the statement of financial performance during the financial period in which it is incurred.

Depreciation on assets is charged on a straight-line basis at rates calculated to allocate the cost or valuation of the asset over its remaining useful life. The rates are as follows:

	%	Years
Furniture & fittings	20	5
Motor vehicles	20	5
Office equipment	25	4
Plant & machinery	10	10
Library books	10	10

The full depreciation charge shall be applied to PPE in the months of acquisition and disposal, regardless of the day of the month the transactions. Fully depreciated assets that are still in use are carried in the books at a net book value of N10.00

16. 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 amortised in the period they are incurred.

17. Inventories

Inventories are valued at the lower of cost and net realisable value and they are reported under current assets in the Statement of Financial Position.

18. Account receivables

Accounts receivables are shown at estimated realisable value after providing for bad and doubtful debts.

19. Prepayments

Prepaid expenses can represent payments made early in the year for benefits to be received over the latter part of the year, or payments made in one year for benefits to be received in subsequent years. Prepayments for which the benefits are to be derived in the following 12 months should be classified as Current Assets. Where the benefits are expected to accrue beyond the next 12 months, it should be accounted for as a Long-Term Prepayment and classified as Non-Current Assets. Prepayments that are identifiable with specific future revenue or event, e.g. adverts, should be expensed in the period in which the related event takes place; those that relate to specific time periods, e.g. insurance, rent, leasehold premises, should be recognised as an expense in such periods. Prepayments not exceeding N10,000 shall be expensed immediately, except there is a possibility of obtaining a refund or credit within the same financial year.

STATEMENT OF ACCOUNTING POLICIES (CONT'D)

20. Deposits

Deposits are amounts received in advance in respect of goods or services provided. Deposits can represent payments received early in the year for goods/services to be offered over the latter part of the year, or payments received in one year for services to be offered in subsequent years. Deposits for which the services are to be offered in the following 12 months shall be classified as current liabilities. Where the services are expected to span beyond the next 12 months, it shall be accounted for as a non-current deposits and classified as Non-Current Liabilities.

21. Loans & debts

Loans are funds received to be paid back at an agreed period of time. They are classified under liability in the general purpose financial statement and are categorised as either short or long term. Short-term loans and debts are those repayable within one calendar year, while long-terms loans and debts shall fall due beyond one calendar year.

22. Unremitted deductions

Unremitted deductions are monies owed to third parties such as tax authorities, schemes and associations and other government agencies. These include: tax deductions and other deductions at source. These amounts shall be stated in the GPFS at their repayment value, which shall be treated as Current liabilities in the statement of financial position.

23. Accrued Expenses

These are monies payable to third parties in respect of goods and services received. Accrued expenses for which payment is due in the next 12 months shall be classified as current liabilities. Where the payments are due beyond the next 12 months, it shall be accounted for as non-current liabilities.

24. Current Portion of Borrowings

This is the portion of the long-term loan/ borrowing that is due for repayment within the next 12 months. This portion of the borrowings shall be classified under current liabilities in the statement of financial position.

25. Public Funds

These are balances of Government funds at the end of the financial year. They are classified under the Non-Current Liabilities in the Statement of Financial Position and include: trust funds, revolving funds and other funds created by Government.

26. Reserves

Reserves are classified under equity in the statement of financial position and include: statement of financial performance surpluses/ (deficit) and the revaluation reserve.

27. Contingent Liability

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future event(s) or present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities shall only be disclosed in the notes to the GPFS.

**STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 N	2020 N
Income			
Subventions	1	346,751,873	260,718,734
Other income	2	-	10,654,462
Total income for the year		346,751,873	271,373,196
Expenditure			
Operating expenses	6	(359,572,797)	(322,942,235)
Depreciation	10	(34,133,702)	(25,015,383)
Total expenditure for the year		(393,706,499)	(347,957,618)
Deficit for the year	14	(46,954,626)	(76,584,422)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 N	2020 N
Assets			
Current assets			
Cash and cash equivalents	7	11,316,425	21,899,842
Receivables	8	95,427,767	104,172,060
Inventory	9	6,562,782	7,505,415
		<u>113,306,974</u>	<u>133,577,317</u>
Non-current assets			
Property, plant and equipment	10	77,064,607	69,608,309
		<u>77,064,607</u>	<u>69,608,309</u>
Total assets		<u>190,371,580</u>	<u>203,185,626</u>
Liabilities			
Current Liabilities			
Payables	11	66,112,340	44,847,548
Net Assets		<u>124,259,241</u>	<u>158,338,078</u>
Net Assets/Equity			
Capital fund	12	124,259,241	158,338,078
Total Net Assets/Equity		<u>124,259,241</u>	<u>158,338,078</u>

These financial statements were approved on 23rd June 2022 and signed on its behalf by:

Victor C. Muruako, Esq.
SCN 022625
Chairman
Fiscal Responsibility Commission

Mr. Sule Unekwu-Ojo Musa
ICAN/051360
Head, Finance & Accounts
Fiscal Responsibility Commission

**STATEMENT OF CHANGES IN NET ASSET
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Capital fund N	Income and expenditure N	Accumulated fund N
Balance as at 1 January 2020		174,531,116	-	174,531,116
Capital appropriation in the year		115,609,986	-	115,609,986
Amortised cost of non tangible assets		(69,653,247)	-	(69,653,247)
Deficit for the year		-	(76,584,422)	(76,584,422)
Prior year adjustment	12	-	14,434,646	14,434,646
Balance as at 31 December 2020		220,487,855	(62,149,776)	158,338,078
Balance as at 1 January 2021		220,487,855	(62,149,776)	158,338,078
Capital appropriation in the year		261,171,003	-	261,171,003
Amortised cost of non tangible assets		(248,295,214)	-	(248,295,214)
Deficit for the year		-	(46,954,626)	(46,954,626)
Balance as at 31 December 2021		233,363,643	(109,104,402)	124,259,241

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 N	2020 N
Cash flow from operating activities			
Deficit for the year	14	(46,954,626)	(76,584,422)
<i>Adjustments:</i>			
Depreciation	10	34,133,702	25,015,383
Gains on disposal	2	-	(1,890,025)
Provisions written off	12	-	14,434,646
		<u>(12,820,924)</u>	<u>(39,024,418)</u>
<i>Changes in assets and liabilities:</i>			
Decrease in inventory		942,633	24,923,423
Increase in receivables		8,744,293	(20,561,030)
Increase in payables		<u>21,264,792</u>	<u>8,959,789</u>
Net cash used in operating activities		<u>18,130,794</u>	<u>(25,702,234)</u>
Cash flow from investing activities			
Purchase of property, plant and equipment	10	(41,590,000)	(10,197,928)
Proceeds on disposal of property, plant and equipment		-	1,890,025
Net cash used in investing activities		<u>(41,590,000)</u>	<u>(8,307,903)</u>
Cash flow from financing activities			
Capital grant received	12	261,171,003	115,609,986
Non tangible assets incurred		<u>(248,295,214)</u>	<u>(69,653,247)</u>
Net cash generated in investing activities		<u>12,875,789</u>	<u>45,956,739</u>
Net increase in cash and cash equivalent		(10,583,417)	11,946,601
Cash and cash equivalent at 1 January		<u>21,899,842</u>	<u>9,953,241</u>
Cash and cash equivalent at 31 December	7	<u><u>11,316,425</u></u>	<u><u>21,899,842</u></u>

**STATEMENT OF BUDGET PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Budget		Actual comparable 2021 N	Favourable/ (Adverse) 2021 N
		Appropriation	Allocation		
		2021 N	2021 N		
Revenue					
Recurrent - overhead	1	181,767,615	181,767,615	181,767,615	-
Recurrent - personnel	1	166,128,689	164,984,258	164,984,258	(1,144,431)
Capital grant		261,170,604	261,170,604	261,170,604	-
Total revenue (A)		609,066,908	607,922,477	607,922,477	(1,144,431)
Expenditure					
Personnel cost	3	166,128,689	166,128,689	164,984,258	1,144,431
Maintenance cost	4	29,959,464	29,959,464	32,405,141	(2,445,677)
Local travels and transport		17,494,411	17,494,411	15,300,330	2,194,081
Int'l Travel & Transport		-	-	5,955,668	(5,955,668)
Stationery, printing & consumables		12,086,446	12,086,446	18,718,704	(6,632,258)
		8,621,371	8,621,371	8,864,546	(243,175)
Office expenses	5	24,088,134	24,088,134	25,218,750	(1,130,616)
Subscriptions		1,256,920	1,256,920	1,037,089	219,831
Advert and publicity		3,439,000	3,439,000	4,771,000	(1,332,000)
Rent - office building		20,000,000	20,000,000	24,010,000	(4,010,000)
Staff training and development		11,000,000	11,000,000	6,521,128	4,478,872
Revenue remittance by PSEs		-	-	141,838	(141,838)
Refreshment & meals		7,500,000	7,500,000	7,121,347	378,653
Honorarium and sitting allowance		5,478,316	5,478,316	6,546,857	(1,068,541)
Staff welfare and recreation		8,600,000	8,600,000	7,187,788	1,412,212
Security services		12,000,000	12,000,000	12,508,000	(508,000)
Audit fees & expenses		5,743,072	5,743,072	5,523,500	219,572
Professional fees		8,440,864	8,440,864	7,322,500	1,118,364
Annual budget exp & admin		3,154,000	3,154,000	2,477,500	676,500
Promotion, Recruit. & App.		1,361,360	1,361,360	1,865,649	(504,289)
Insurance premium		200,000	200,000	-	200,000
Bank charges		601,582	601,582	495,200	106,382
Monitoring Act. & Follow up		741,977	741,977	596,004	145,973
		347,895,606	347,895,606	359,572,797	(11,677,191)
Capital expenditure					
Purchase of PPE	10	3,990,620	3,990,620	41,590,000	(37,599,380)
Non tangible assets		257,179,982	257,179,982	248,295,214	8,884,768
Total expenses (B)		609,066,208	609,066,208	649,458,011	(40,391,803)
Deficit for the year (A-B)				(41,535,534)	(41,536,234)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	N	N
1. Subvention		
Recurrent - overhead	181,767,615	110,472,598
Recurrent - personnel	164,984,258	150,246,136
	<u>346,751,873</u>	<u>260,718,734</u>
2. Other income		
Proceed from disposal	-	1,890,025
Presidential Initiative on Continuous Audit (PICA)	-	8,764,437
	<u>-</u>	<u>10,654,462</u>
3. Personnel costs		
Salaries and allowances	142,335,210	130,488,874
Deductions (Pension and NHIS)	22,649,048	19,757,262
	<u>164,984,258</u>	<u>150,246,136</u>
4. Maintenance costs		
Building	3,569,110	4,012,600
Plant & equipment	3,167,000	5,125,000
Office furniture	-	252,500
ICT facilities/equipment	1,488,412	648,199
Motor vehicle	3,494,320	4,693,884
Other maintenance services	4,356,299	1,416,000
Motor vehicle fuel & lubricant	16,330,000	4,440,000
	<u>32,405,141</u>	<u>20,588,183</u>
5. Office expenses		
Newspaper and periodicals	1,863,000	1,456,400
Electricity, Water & Rates	6,433,000	2,790,113
Cleaning and Fumigation	15,222,750	15,987,250
Sewage charges	1,700,000	300,000
	<u>25,218,750</u>	<u>20,533,763</u>

***PICA relates to income received in 2019 to offset cleaning and fumigation services accrued for periods between Oct 2018 to April 2019. This was offset in 2019, but omitted from the accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 N	2020 N
6. Operating expenses			
Personnel cost	4	164,984,258	150,246,136
Office expenses	6	25,218,750	20,533,763
Maintenance cost	5	32,405,141	20,588,183
Local travel & transport		15,300,330	13,723,180
Int'l Travel & Transport		5,955,668	-
Stationery, printing & consumables		18,718,704	31,955,696
Postages, fax & periodicals		8,864,546	4,175,543
Subscriptions		1,037,089	850,000
Adverts & publicity		4,771,000	874,000
Rent - office building		24,010,000	29,559,941
Bank charges		495,200	-
Insurance premium		-	120,000
Staff training & development		6,521,128	6,505,800
Revenue remittances by PSEs		141,838	2,028,525
Financial Consulting		5,523,500	4,612,500
Professional fees		7,322,500	5,081,847
Refreshment & meals		7,121,347	5,855,500
Honorariums & sitting allowances		6,546,857	5,277,593
Staff welfare & recreation		7,187,788	6,226,507
Security services		12,508,000	12,248,000
Promotion, Recruit. & App.		1,865,649	1,174,521
Annual budget exp. & admin		2,477,500	1,305,000
Monitoring Act. & Follow up		596,004	-
		359,572,797	322,942,235
7. Cash and bank balances			
Unutilised capital grant		1,391,161	11,943,263
Unutilised overhead grant		110,523	141,838
CBN Account 1		9,814,741	9,814,741
		11,316,425	21,899,842
8. Receivables			
Purchase advances		64,340,200	73,140,790
Salary advances		4,000,422	4,000,422
Advance for office imprest		4,750,000	4,750,000
With-holding tax Receivable		56,297	304,284
Motor vehicle advances (<i>ref note 8.1</i>)		22,280,848	22,280,848
		95,427,767	104,172,060

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	2020			
		N	N			
8.1. Motor vehicle advances		7,245,622	7,245,622			
Motor vehicle revolving loan		6,960,430	6,960,430			
Receivables from OAGF		8,074,796	8,074,796			
Balance with CBN		<u>22,280,848</u>	<u>22,280,848</u>			
9. Inventory						
Stationery items		6,562,782	7,505,415			
		<u>6,562,782</u>	<u>7,505,415</u>			
10. Property, plant and equipment						
	Furniture & fittings	Motor vehicle	Office equipment	Plant & machinery	Library books	Total
	N	N	N	N	N	N
Cost:						
At 1 January 2021	79,278,475	215,014,448	178,023,725	29,912,750	4,968,444	507,197,842
Addition	-	41,590,000	-	-	-	41,590,000
Disposal	(6,680,000)	(26,200,000)	(428,000)	(7,056,000)	-	(40,364,000)
At 31 December 2021	<u>72,598,475</u>	<u>230,404,448</u>	<u>177,595,725</u>	<u>22,856,750</u>	<u>4,968,444</u>	<u>508,423,842</u>
Depreciation:						
At 1 January 2021	66,743,576	175,158,680	168,013,190	23,034,375	4,639,712	437,589,533
Disposal	(6,680,000)	(26,200,000)	(428,000)	(7,056,000)	-	(40,364,000)
Charge for the year	5,193,331	24,950,967	2,907,145	1,069,425	12,834	34,133,702
At 31 December 2021	<u>65,256,907</u>	<u>173,909,647</u>	<u>170,492,335</u>	<u>17,047,800</u>	<u>4,652,546</u>	<u>431,359,235</u>
Carrying amount:						
At 31 December 2021	<u>7,341,568</u>	<u>56,494,801</u>	<u>7,103,390</u>	<u>5,808,950</u>	<u>315,898</u>	<u>77,064,607</u>
At 31 December 2020	<u>12,534,899</u>	<u>39,855,768</u>	<u>10,010,535</u>	<u>6,878,375</u>	<u>328,732</u>	<u>69,608,309</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 N	2020 N
11. Payables		
Value added tax (VAT)	128,552	656,844
Stamp duty	6,619	82,340
Accruals (<i>ref. note 11.1</i>)	65,977,169	43,804,080
	66,112,340	44,847,548
11.1. Accruals		
Rent	28,000,000	24,000,000
Audit fee	2,462,500	2,462,500
Cleaning & fumigation	14,622,730	12,892,180
Security services	6,565,570	4,171,466
Accrued:Other Goods & Services	14,326,369	277,934
	65,977,169	43,804,080
12. Accumulated fund		
Capital fund as at 1 January	158,338,078	174,531,116
Received during the year	261,171,003	115,609,986
Amortised cost of non tangible assets	(248,295,214)	(69,653,247)
Capital fund as at 31 December	171,213,867	220,487,855
Prior year adjustment (Provision written off)	-	14,434,646
Income and expenditure account	(46,954,626)	(76,584,422)
	124,259,241	158,338,078
13. Non tangible assets		
Amount received during the year	248,295,214	69,653,247
Amount amortised in the year	(248,295,214)	(69,653,247)
	-	-
14. Reconciliation of (Deficit)		
(Deficit) for the year	(46,954,626)	(312,287,773)
Depreciation	34,133,702	-
Provisions written off	-	14,434,646
Net issues from store	942,633	-
Net advances & prepayments	8,744,293	-
Net accruals & payables	21,264,792	-
	18,130,794	(297,853,127)
Capital grants received in the year	261,171,003	115,609,986
Fixed assets purchased	(41,590,000)	-
Non tangible assets incurred	(248,295,214)	(69,653,247)
	(28,714,212)	45,956,739
Cash/bank balance in the year	(10,583,417)	(251,896,388)
Cash/bank balance at 1st January	(407,232,542)	(155,336,154)
Cash/bank balance at 31 December	(417,815,959)	(407,232,542)
15. Contingent liabilities		
There were no contingent liabilities in respect of legal actions against the Commission during the year.		
16. Events after reporting period		
There were no significant or material adjusting events after the reporting period (31 December 2020-Nil).		

**RECEIPT AND PAYMENT ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 N	2020 N
Income		
Subvention	346,751,873	260,718,734
Other Income	-	10,654,462
	<u>346,751,873</u>	<u>271,373,196</u>
Expenditure		
Personnel cost	164,984,258	150,246,136
Maintenance cost	32,405,141	20,588,183
Local travels and transport	15,300,330	13,723,180
Int'l Travel & Transport	5,955,668	-
Stationery, printing & consumables	18,718,704	31,955,696
Postages, fax & telephone	8,864,546	4,175,543
Office expenses	25,218,750	20,533,763
Subscriptions	1,037,089	850,000
Advert and publicity	4,771,000	874,000
Rent - office building	24,010,000	29,559,941
Staff training and development	6,521,128	6,505,800
Revenue remittance by PSEs	141,838	2,028,525
Refreshment & meals	7,121,347	5,855,500
Honorarium and sitting allowance	6,546,857	5,277,593
Staff welfare and recreation	7,187,788	6,226,507
Security services	12,508,000	12,248,000
Depreciation	34,133,702	25,015,383
Audit fees & expenses	5,523,500	4,612,500
Professional fees	7,322,500	5,081,847
Promotion, Recruit. & App.	1,865,649	1,174,521
Annual budget exp & admin	2,477,500	1,305,000
Insurance premium	-	120,000
Bank charges	495,200	-
Monitoring Act. & Follow up	596,004	-
	<u>393,706,499</u>	<u>347,957,618</u>
Deficits for the year	(46,954,626)	(76,584,422)
Income and expenditure as at 31 December	<u><u>(46,954,626)</u></u>	<u><u>(76,584,422)</u></u>

