Monitoring Compliance Debt Management

Annual Report & Audited Accounts FOR THE YEAR ENDED 31 DECEMBER 2010

June, 2011

FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

ANNUAL REPORT AND AUDITED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER, 2010

CONTENTS

LIST OF ACRONYMS

BIR	-	Budget Implementation Report
BOF	-	Budget Office of the Federation
BPE	-	Bureau of Public Enterprises
CBN	-	Central Bank of Nigeria
CSOs	-	Civil Society Organizations
DFID	-	Department for International Development
DMO	-	Debt Management Office
DSA	-	Debt Sustainability Analysis
ECA	-	Excess Crude Account
FAAC	-	Federation Account Allocation Committee
FCT	-	Federal Capital Territory
FEC	-	Federal Executive Council
FIRS	-	Federal Inland Revenue Service
FGN	-	Federal Government of Nigeria
FMF	-	Federal Ministry of Finance
FRA	-	Fiscal Responsibility Act
FRC	-	Fiscal Responsibility Commission
GDP	-	Gross Domestic Product
ICT	-	Information and Communications Technology
IMF	-	International Monetary Fund
MDAs	-	Ministries Department and Agencies
MDGs	-	Millennium Development Goals
MTEF	-	Medium Term Expenditure Framework
NACA	-	National Agency for the Control of AIDs
NCC	-	Nigerian Communication Commission
NEEDS	-	National Economic Empowerment and Development Strategy
NITDA	-	Nigerian Information Technology Development Agency
NNPC	-	Nigerian National Petroleum Corporation
NPA	-	Nigerian Ports Authority
NPC	-	National Planning Commission
NSDC	-	National Sugar Development Council
OAGF	-	Office of the Accountant General of the Federation
OSGF	-	Office of the Secretary to the Government of the Federation
PRSPs	-	Poverty Reduction Strategy Papers
SEEDs	-	States Economic Empowerment and Development Strategy
UNDP	-	United Nations Development Project
WAIFEM	-	West African Institute for Financial and Economic Management

LIST OF TABLES

STATEMENT BY THE CHAIRMAN

The submission of the Annual Report and Audited Accounts of the Fiscal Responsibility Commission (FRC) for 2010 to the National Assembly is an opportunity to review the broad performance of the Nigerian economy and to present the activities and accounts of the Commission for the year ended 31 December, 2010.

2. The year, two thousand and ten (2010) was full of challenges. The global economy continued to impact Nigerian finances negatively. The inflow of direct foreign investments virtually dried up. External reserves went down and the foreign exchange rate of the naira declined against the United States dollar. Of course, the currency flight that started in 2009 did not stop in 2010.

3. At the political front, Nigeria faced political fragility on account of the President's ill health. This unfortunate incident partly delayed the approval, signing and execution of the 2010 budget. For example, the execution of the capital expenditure had to be extended to 31 March 2011. Partly on account of global economic crisis, the collected revenue fell by about 1[illegible] percent. Both oil revenue and non-oil revenue as well as the financing items, fell short of the budgeted figures.

4. On the expenditure side were severe challenges such as huge budget deficit, menacing strike threats by critical labour unions and registration of voters. In order to deal with these problems, Government had recourse to access miscellaneous revenue sources amounting to N802.66billion, including capital borrowing, and two supplementary budgets.

5. Price inflation which was expected to decline to one unit digit in 2009, stood at 11.8% on 31 December, 20[illegible] As indicated earlier, the foreign exchange

rate depreciated slightly by 0.75 from 2009 to N150.48/US$ at the end of December, 2010.

6. The relationship between recurrent expenditure and capital expenditure presented a challenge. While the budgeted recurrent- to- capital relationship was about 64.54:35.46, the actual performance turned out to be 77.5:22.47. The skewed performance in favour of recurrent expenditure deviated substantially from the Millennium Development Goal (MDG) and National Economic Empowerment Development Strategy (NEEDS) expectations of 60:40, that is, 60 percent recurrent and 40 percent capital expenditure respectively. Overall, while there was recurrent expenditure performance of 92.85 percent, only 50.08 percent was achieved in capital expenditure.

7. On a happy note, the Gross Domestic Product (GDP) grew at 7.85 percent in 2010, an increase of 0.89 percent from the growth rate of 6.96 percent in 2009.

8. The Excess Crude Account (ECA) was mismanaged. There were several withdrawals from the account in 2010 even though the market place of oil price did not fall below the oil benchmark price of N67 per barrel and the projected production of 2.39million barrels per day (mpd). The ECA which had a credit balance of $20billion in 2007 was drawn down to about $400million in 2010. Consequent upon the persisted decline of the external reserve and consistent withdrawals from the ECA, the International investors lost confidence in the naira and the investment rating agency of Fitch Ratings and Standards and Poors slightly underrated Nigeria from B+ to B-. However, the utilization of the savings in the ECA Largely helped Nigeria to cope with the impact of the continued global economic crisis.

9. In the area of banking, the Central Bank of Nigeria (CBN) intervened in the downslide of the banking system and assisted 10 banks with recapitalization of about N620billion in 2009. The affected banks had their management removed and replaced. The intervention of the CBN restored public confidence in the banks in 2010, although the banking system reduced facilities granted to the private sector and charged high interest rates on loans and paid very low interest rates on deposits.

10. Infrastructural development

in Nigeria was low and in deplorable state. The much promised delivery of 4000 mega watts (MW) of electricity could not be achieved. There have been claims that 4000MW was delivered. In the course of the year, the President launched a road map which would hopefully lead to the delivery of higher and reliable electricity.

11. No doubt, majority of Nigerians remained poor and unemployed in 2010. Although the MDG programme continued to address the problem of poverty with qualified success, the socio-economic question remained substantially unattended to. The preceding scenario affects the operations and activities of the FRC in 2010.

Result of Activities of the FRC

12. In the course of 2010, the FRC monitored and enforced the implementation of the Fiscal Responsibility Act (FRA), 2007 by the Federal Government and its agencies and corporations. The FRC also disseminated information on standard practices and international good practice and carried out fiscal and financial studies for dissemination to the MDAs and public.

13. The result is that the Federal Government and its corporations and agencies were definitely, but gradually, moving away from discretionary and secret public finance management to public finance management based on fiscal rules and fiscal responsibility. Though there were occasional breakouts of financial scams, public financial management was becoming more accountable and transparent. However, the sub-national Governments were rather too slow in the adoption and implementation of fiscal responsibility.

14. Some persons and organisations had contravened the provisions of the FRA, 2010. The FRC has commenced the investigation of the breaches and will report of its findings in 2011. Meanwhile critical problems of lack of sanction power, permanent office accommodation and the budgetary or funding constrains facing the FRC call for solution.

The Commissioners

15. The Commissioners of the FRC remained Alh. (Dr) Aliyu Jibril Yelwa, OON,

The Commissioners

(Sardauna Yauri) as the Chairman, Chief (Dr) S.E.O Mordi, Alh. S.A. Kore, (Wambai Wanmba) Chief (Barr.) Chris Okewulonu, Alh. Z. M. Sada, Alh. Gimba Ya'u Kumo, Dr. (Chief) Adewumi Abitoye, Barr. Benson Upah, Alh. Suleiman Abubakar and Hajia A.S. Yusuf (representing Federal Ministry of Finance). Alh. Gimba, who represented the North-East Geo-political Zone, resigned in December, 2010. Earlier in 2009, a member representing the Civil Society Organisations resigned. There were, therefore, two vacancies, on the Commission.

Management and Staff

16. The efforts of the management and staff of the Commission cannot be overemphasized. Their dedication to duties and unique loyalty contributed greatly to the achievements of the Commission. I hereby express my sincere gratitude for their efforts. In return, the commission will continue to invest in quality training and development, both in Nigeria and worldwide, in order to ensure that the staffs are equipped for the challenges of our ever changing nvironment.

Conclusion

17. Finally, I will on behalf of the Commission, express sincere thanks to the President Commander-In-Chief of the Armed Forces, National Assembly, Federal Ministry of Finance, Secretary to the Government of the Federation, Office of the Chief Economic Adviser to the President, the Ministries, Departments and Agencies (MDAs), States and other stakeholders who are too numerous to mention for the meaningful support and contribution to the growth and success of this great Commission

INTRODUCTION

In order to provide for prudent management of the nation's resources, ensure long term macroeconomic stability and growth of the national economy within the medium term fiscal policy framework, secure greater accountability and transparency in fiscal transactions, promote the national economic objectives set out under section 16 of the 1999 Constitution, and establish the FRC to enforce and monitor the provisions of the Act, the Federal Government enacted the Fiscal Responsibility Act in 2007. The Act was signed into law on 30 July, 2007 and subsequently the FRC was established in 2008 and inaugurated in April, 2009.

2. The Act covers among other things, the preparation, approval, execution and evaluation of annual budgets. The annual budget is derived from the medium term expenditure framework (MTEF) which is a separate document prepared and approved before the annual budget. Besides the MTEF and annual budgets, there are numerous fiscal rules in the FRA, 2007 which must be observed and followed.

3. Section 10 of the FRA, 2007 imposes a duty on the FRC to submit a annual report on its activities and audited accounts to the National Assembly. The report provides an opportunity for the National Assembly to have a general survey of the activities of the FRC in monitoring and enforcing the FRA, 2007 on how Government sets its priorities, harnesses, allocates and utilizes its resources on the set priorities.

4. This report is a product of planning, monitoring, enforcement and analysis of the implementation of the provisions and requirements of the FRA 2007 by the Federal Government and its corporations and agencies. It also contains the attempt by the FRC to monitor and enforce the FRA on public debt, indebtedness and borrowing by the Governments in the Federation as well as provide assistance to the States in the implementation of fiscal responsibility in their domain on areas of jurisdiction.

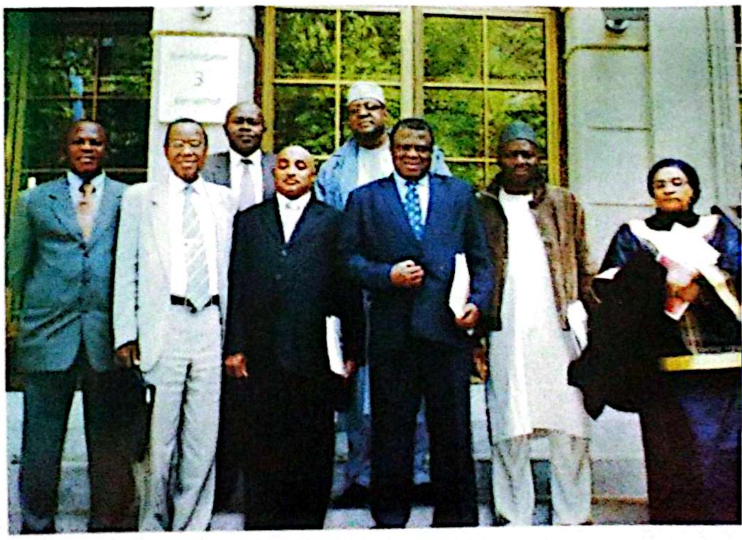
5. Before writing the report on the implementation of fiscal responsibility in the States, the FRC engaged a consultant to survey the States and produce a report

on the status of implementation of fiscal rules in the States. Similarly, the FRC sent its senior officers to the States to collect their annual budgets and consolidated financial positions. This was in addition to earlier written requests and persuasion. At the Federal level, this report is based on the MTEF 2010-2012, 2010 budget, quarterly budget implementation reports for 2010, consolidated 2010 budget implementation report and various returns from the MDAs, corporations and agencies. This report is structured into chapters.

6. Chapter 1 gives the rundown of the functions of the FRC otherwise known as the mandate of the Commission. In chapter 2, the monitoring activities are highlighted in the areas of the MTEF, annual budget, budgetary execution and achievement of targets, public revenue and expenditure, savings and assets management and use of the proceeds of the sale of assets. Public debt, Indebtedness and Borrowing Constitute Chapter 3, while Budgetary Planning of Corporations and Related Agencies are treated in chapter 4.

7. Chapter 5 looks at the rate of the adoption and implementation of fiscal responsibility in the States. In chapter 6, the report focuses on the issues of accountability and transparency of fiscal transactions. Research and Dissemination of Standards are covered in Chapter 7. The problems confronting Enforcement are treated in chapter 8. The Administration and Finance of the FRC including its Audited Accounts are covered in chapter 9.

8. The obstacles and challenges to the Commission are highlighted in chapter 10. The report ends with a summary of the implementation of the FRA, 2007 in 2010, and the impact of fiscal responsibility on the economy in Chapter 11.



Commissioner in a group photograph during a capacit building tour in canada, May 2011

FISCAL
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FEDERAL REPUBLIC OF NIGERIA

CHAPTER 1

THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

Transparency
Integrity
Truth
Justice
Prudence

Part 1 (Section 1) of the Fiscal Responsibility Act, 2007 provides for the establishment of the Fiscal Responsibility Commission (FRC) as a corporate body while Section 2 of the FRA, 2007 gives powers to the FRC. According to the Act, for the purpose of performing its functions, the Commission shall have powers to:

(a) compel any person or government institution to disclose information relating to public revenues and expenditures; and

(b) cause an investigation into whether any person has violated any provision of the Act.

1.2. If the Commission is satisfied that such a person has committed any punishable offence under this Act or violated any provisions of this Act, the Commission shall forward a report of its investigation to the Attorney-General of the Federation for possible prosecution. This provision is made in section 2 subsection (2).

<u>Functions of the Commission</u>

1.3. Having established and given powers to the Commission, the FRA, 2007 in section 3 specifies the function of the FRC thus:

3(i) the Commission shall:

(a) monitor and enforce the provisions of this Act and by so doing, promote the economic objectives contained in section 16 of the Constitution;

(b) disseminate standard practices including international good practice that will result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in fiscal matters;

(c) undertake fiscal and financial studies, analysis and diagnosis and disseminate the result to the general public;

(d) make rules for carrying out its functions under the Act; and

(e) perform any other function consistent with promotion of the

The Charge and Commitment

objectives of this Act.

1.4. The objectives of the Act are:

(i) prudent management of the nation's resources;

(ii) to ensure long-term macroeconomic stability of the national economy;

(iii) to secure greater accountability and transparency in fiscal transaction within a medium term fiscal policy framework;

(iv) the establishment of the Fiscal Responsibility Commission; and

(v) to ensure the promotion and enforcement of the nation's economic objectives.

1.5. In order to reinforce the functions the Commission and stress the objectives the Act, President Umaru Musa Yar'Adu at the inauguration of the FRC on 14 Apr 2009, gave a charge to the Commission whe he said:

The Charge

" *our nation's economic future and fisc responsibility are directly linked. There is a t between fiscal responsibility and financial pruden today and what society can enjoy tomorrow. Facing up to both the long and short-term fiscal challenges therefore, will help put the nation on a path to lasting prosperity and rising standard of living. If, on the other hand, we fail to quickly address the preponderance of fiscal inefficiency and wasteful spending in our systems, we will squander the only opportunity to get our finances in order, and*

I charge you not to afford to do that. "

President Umaru Musa Yar' Adua
at the inauguration of FRC

1.6. In response to the charge from the President, the Chairman, Alhaji (Dr) A.J Yelwa, on behalf of the Commission, made a commitment that:

The Commitment

> "*We shall give full meaning to the provisions of the Fiscal Responsibility Act to make Nigeria's wealth useful to its citizens. From what I have seen, members are loyal and committed to serve. We intend to carry out our assignment with diligence and firmness. We will do our duty without ill-will, fear or favour.*"

Alhaji (Dr.) Aliyu Jibril Yelwa, OON
(Sardaunan Yauri)
Chairman, Fiscal Responsibility Commission

1.7. Ever since its inauguration, the FRC has reduced its functions and the objectives of the Act to concrete projects and actions. The Commission will ever remain committed to its quest for a regime of prudent, ethical and efficient management of public finances across all tiers of Government in the Federation.

Chairman FRC and Commissioners pose with World Bank Officials

FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

CHAPTER 2

MONITORING ACTIVITIES

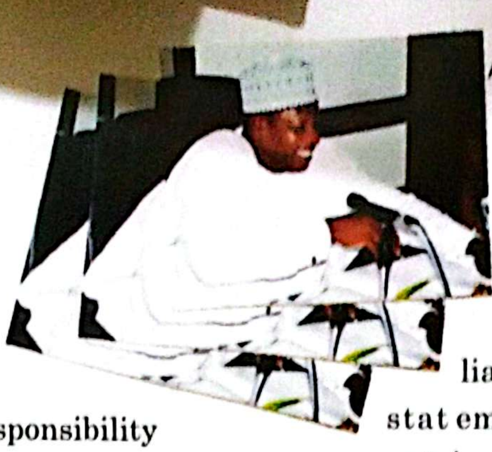
Transparency

Integrity

Truth

Justice

Prudence



In the Course of the year, the Fiscal Responsibility Commission monitored or observed the Governments and their MDAs in the course of their implementation of the provisions of the FRA, 2007 in order to record and regulate their activities report to the National Assembly and ultimately achieve the objectives for which the Act was enacted.

Medium Term Expenditure Framework:

2.1. **Sections 11 and 13** of the FRA, 2007 provide for the preparation of the MTEF every financial your beginning from April, clear the draft MTEF with Federal Executive Council (FEC) and submit it not later than June, to the National Assembly for approval. The approved MTEF by the NASS should be gazetted and form the bases of the annual budget.

2.3. The Minister of Finance is required to consult with the States before embarking on the preparation as well as consult with other Government agencies and Civil Society Organisations and other Non-Governmental Organisations in the course of the preparation of the document, particularly at the stages of establishing the macroeconomic framework, considering the fiscal strategy paper, an expenditure and revenue framework, a consolidated debt statement, statement on contingent liabilities, and a fiscal risk statement. The MTEF should contain projected aggregate revenue and expenditure ceilings for a three financial year period, with the first year forming the basis for the annual budget for the ensuing fiscal year.

2.4. Partly with prodding from the FRC, the Minister produced a draft 2010 – 2012 MTEF and submitted it to NASS in November, 2009, that is, 4 months behind the schedule. The draft MTEF complied substantially with the provisions of the Act, except that:

i. there was no evidence of consultation with the States and the NGOs;
ii. there was no evidence that macroeconomic analysis was extended to the preceding three financial years, 2007 – 2009, particularly, 2007;
iii. the budget deficit was higher than 3 percent of the GDP provided in the Act;
iv. the MTEF was cleared with the FEC too late and submitted to the NASS in November, 2009 or 4 months behind the deadline; and
v. there was no evidence to show that approved MTEF was published in the gazette as required by the Act.

2.5. Later, a variance analysis of the MTEF and 2010 budget was made to highlight the deviations from each other.

Preparation and Approval of the 2010 Annual Budget

2.6. According to the FRA, 2007, the annual budget should be derived from the first year of the approved three-year MTEF. Again, with prodding from the FRC, the Minister prepared the draft annual budget 2010, ostensibly based on the MTEF approved by the NASS in November, 2009, and submitted to the FEC. After approval by the FEC, the draft 2010 budget was submitted to the NASS for consideration and approval in November, 2009, in accordance with Section, 81(i) of the 1999 Constitution. The Constitution provides that "The President shall cause to be prepared and laid before each House of the National Assembly at any time in each financial year, estimates of the revenue and expenditure of the Federation for the next following financial year."

2.7. The NASS, after receiving the draft 2010 budget in November, 2009, went on annual recess. In March, 2010, the NASS considered and approved the draft 2010 budget. The President could not give his assent to the approved 2010 budget till April, 2010 or thereabout. In effect, the budget which was to commence on 1st January, 2010, was signed into law four months behind the commencement date with dire consequences.

2.8. To some extent, the late approval of the MTEF in November, 2009 may be blamed for the seemi late submission of the draft 20 budget in November, 2009. While t FRA has no time table for t submission of the budget by t President and approval by the NAS the constitution allows la submission of the budget to the NA and delayed approval. In fact, Secti 82 of the 1999 Constitution allows t Government to spend up to 50% approved budget for the precedi year pending the approval of t current year's budget. This promo laxity in the budget cycle.

2.9. The delayed approval of, and asse to, the budget in 2010 worked mischief the execution of the budget as follows:

i). the execution of capit projects was so behi schedule at the end of t financial year that the capit expenditure budget w extended to 31 March, 2011;

ii). the production of the fi quarter budg implementation report w due in April before the budget was assented to;

iii). the implementation of capi projects in the draft 2010 a collection of proposed n taxes and tariffs had to wait 4 months until the budget w signed.

Highlights of the 2010 Budget

2.10. The approved 2010 budget was N4.608 trillion, broken down into:

			N trn
(i)	Recurrent (non-debt) Expenditure	=	N2.077
(ii)	Debt Servicing	=	0.497
(iii)	Statutory Transfer	=	0.181
(iv)	Capital Expenditure	=	1.853
			4.608

2.11. Against the total expenditure of N4.608 trillion was a total budgeted revenue of N3.086 trillion. Thus, the approved budget had a deficit of N1.522 trillion or 4.86 percent of the GDP. The calculation is laid out below:

			N trillion
(i)	Total Expenditure	=	4.608
(ii)	Total Revenue	=	3.086
(iii)	Budget Deficit	=	1.522
(iv)	GDP	=	31.265
(v)	Deficit as % ofGDP	=	(1.522/31.265) x 100, i.e 4.86%

2.12. A budget deficit of 4.86% exceeded the maximum of 3% fixed by the FRA, 2007 under Section 21. The 3% upper limit can, however, be exceeded if there is a threat to the national sovereignty. There was no such threat in 2010. It is remarkable that a deficit of 3.28% proposed by the Executive at P.47 of the draft MTEF 2010 – 2012, was exceeded by the Legislature when it approved 4.86%.

2.13. A good budget cycle is one that allows enough time for each of the necessary activities to be completed well and for the entire cycle of actions to be completed in time for the start of the target fiscal year. It was not only the 2010 budget that was delayed. All the 2005 – 2010 budgets were delayed; except once in the five years that the Appropriation Bill was signed into Appropriation Act before the beginning of the target fiscal year. The record is as follows:

Table 2.1: Budget Presentation and Authorization

FISCAL YEAR	PRESENTATION OF APPROPRIATION BILL	PRESIDENTIAL SIGNING OF APPROPRIATION BILL INTO ACT
2005	2004, October, 12	2005, April 12
2006	2005, December 6	2006, February 22
2007	2006, October 11	2006, December 22
2008	2007, November 8	2008, April 11
2009	2008, December 2	2009, March 3
2010	2009, November, 23	2011, April

2.14. On the average, Nigeria signed the appropriation bill into law three months into the target financial year. Many suggestions have been made on how to improve the Nigerian budget cycle. These include the submission of a working committee at an international conference in 2002. International good practices requires that budget should be signed into law before the commencement of the target fiscal year.

2.15. In the United States of America (USA), the budget cycle starts early and the budget is signed into law early enough before the target financial year. In Canada, the budget is approved and signed between January and March to commence in April. Switzerland approves and signs its budget into law in November and December to commence in January.

2.16. In the prevailing circumstances it is recommended that the Nigeria budget cycle should run from July to December. The Appropriation Bill should be presented to the NASS in September and for approval in November. The President should sign the budget in December.

MTEF 2010 – 2012 And 2010 Budget Variance

2.17. The approved 2010 budget deviated so considerably from the MTEF that the FRC decided to present comparative figures for the two in Table 2.2

Table 2.2: Comparison of MTEF 2010-2012 with Budget 2010 proposal

S/N	ITEM	MTEF	BUDGET	VARIANCE	% VARIATION
i.	GDP Growth rate (%)	2.6	6.1	3.5	134.6
ii.	Inflation rate (%)	10.1	11.2	1.1%	10.9
iii.	Benchmark price of Crude Oil per barrel (US$)	50.00	57.00	$7.0	14
iv.	Oil Revenue (₦ trillion)	1.72	2.86	1.14	66.3
v.	Non-Oil Revenue (₦ trillion)	3.54	4.20	0.66	18.6
vi.	Federally collectible revenue (₦ trillion)	5.41	7.06	1.65	30.5
vii.	FGN Estimated Revenue (₦ trillion)	2.10	2.57	0.47	22.4
viii.	FGN Expenditure (₦ trillion)	3.121	4.08	0.96	30.7
ix.	Budget deficit as a % of GDP	3.18	4.8	1.52	47.8

Sources: MTEF 2010-2012 and Approved Budget for 2010

2.18. Although, the Government was implementing the FRA, 2007, one doubts whether the fiscal rules were being complied with. The figures in **Table 2.2** above **pleads that the Legislature needs a change in attitude and have confidence in proposals of the experts painstakingly worked out.**

Employment Generation

2.19. Section 16(1)(d) of the 1999 Constitution recognises unemployment as a national problem to be taken care of. This notwithstanding, both the 2010 budget and 2010 – 2011 MTEF were silent on unemployment. Of course, unemployment is a scourge in Nigeria. It was prevalent in 2010. **The mantra, that is, the 7-Point Agenda was so loud that the MTEF and Budget could not hear the melancholic cries of the unemployed.** It seems that if the non-government organizations were consulted in the course of preparing the MTEF, some measures would have been recommended or taken against unemployment.

Budgetary Execution and Achievement of Targets

2.20. For the purpose of successful execution of the budget, Part V, of the FRA, 2007, among other things, provides for the preparation of annual cash plan, disbursement schedule, power of the Minister to approve virement and the responsibility of the Budget Office to monitor and report on budget implementation.

Annual Cash Plan

2.21. The Accountant-General of the Federation is required to prepare in each financial year, an annual cash plan under Section 25 of the FRA, 2007. The annual cash plan should be prepared in advance of the financial year, setting out projected monthly cash flows and shall be revised periodically to reflect actual cash. The Federal Government shall cause t[h] document to be produced.

Disbursement Schedule

2.22. Section 26 of the FRA, 20[07] provides that:

The Minister, shall within 30 days of the enactment of Appropriation Act, prepare and publish a disbursemen[t] schedule derived from the Annual Cash Plan for the purpose of implementing the Appropriation Act.

2.23. Based on continued prompting by t[he] FRC, the annual cash plan an[d] disbursement schedule were prepared a[nd] submitted behind time in September, 201[0]. The documents carried actual revenue a[nd] disbursement figures up to August, 2010 a[nd] projections from September – Decemb[er] 2010. They were never revised. It was n[ot] clear whether the disbursement schedu[le] was published. The consequence, apart fro[m] contravening the FRA's provisions, is th[at] the disbursement of funds for t[he] implementation of the Appropriation A[ct] 2010 was not based on the annual cash pl[an] and disbursement schedule. The[se] contraventions will be investigated in 2011.

Power to Approve Virement

2.24. Under Section 27(1) of the FRA, 20[07] funds should be used solely for the purpo[se] specified in the Appropriation Act. So[me] flexibility is introduced in Section 27[(2)] which provides that:

"... the Minister may in exceptional circumstances and in the overall public interest, recommend for the approval of the National Assembly virements from sub-head of account, without exceeding the amount appropriated to such head of account."

In effect, virement can only be made from one sub-head to another subhead under the same account or head of expenditure. This limitation of virement to one head of account is to ensure that Government policy is not easily changed. A change in policy requires a supplementary budget, not virement.

2.25. In 2010, the FRC witnessed virements not known to law or financial regulations. This occurred when the Federal Capital Territory Administration vired expenditure from education and health sub-heads and heads of account to the works or transport sub-heads and heads of account. The change of appropriation from one head to another should have been carried out through supplementary appropriation.

Budget Implementation Reporting

2.26. As provided under Section 30 of the FRA, 2007:

30(1). The Minister of Finance, through the Budget Office of the Federation, shall monitor and evaluate the implementation of the Annual Budget, assess the attainment of Fiscal targets and report thereon on a quarterly basis to the Fiscal Responsibility Council (Commission) and the Joint Finance Committee of the National Assembly.

30(2) The Minister of Finance shall cause the report prepared pursuant to subsection 1 of this section to be published in the mass and electronic media and on the Ministry of Finance website not later than 30 days after the end of the quarter.

2.27. The first, second and third quarter budget implementation reports were sent to the FRC as follows:

From left, Commissioner Monitoring and Evaluation, Alh. Shuaibu Kora, Commissioner, Policy and Standards Chief Sylvanus Mordi and Commissioner, Planning, Research and Statistic, Alh. Mohammed Sada during the meeting.

S/N	Name of Report	Due Date	Time Sent	Length of Time Behind Schedule
1.	2010 1st Quarter	31 March 2010	4 Sept. 2010	5 Months
2.	2010 2nd Quarter	30 June, 2010	7 Oct. 2010	21/2 Months
3.	2010 3rd Quarter	30 Sept. 2010	28 January, 2011	4 months
4	2010 4th Quarter	30th Jan. 2011	06 June 2011	5 Months

Source: Letters from the BOF Submitting BIRs

2.28. Although, the FRC commented on these reports and sent its comments to the President, NASS, FMF and others, it is pertinent to also observe here that the reports were sent too late. Comments on them would not have the desired impact on the subsequent quarter budget execution. The subsequent quarter budget execution might have been completed by the time the prior quarter report arrived at the FRC.

2.29. In the circumstances, the publication of the reports in the mass and electronic media as well as on the Ministry of Finance Website was behind time. In the situation, the reports would only be useful for research purposes; certainly not for improving the implementation of the subsequent quarter budget.

2.30. As if the Ministry of Finance had heeded the comments of the FRC, the 4th Quarter 2010 Budget Implementation Report, combined with summary of Consolidated Budget Implementation Report for 2010, was submitted to the FRC on 2nd June, 2011. However, while the 4th quarter report came 5 months behind schedule, the consolidated report for the full year was alive and fresh on arrival. As usual, the FRC will comment on the combined report and disseminate its views later.

2010 Revenue Performance

2.31. After two Supplementary estimates to Federal Government of Nigeria budget, estimated revenue budget stood at N3,179.80 billion.

A total of revenue of N2,958.72 billion or 93.05% was actually collected. A summary of revenue performance is given in table 2.4.

Table 2.4:Inflow to the 2010 FGN Budget (in Nbn)

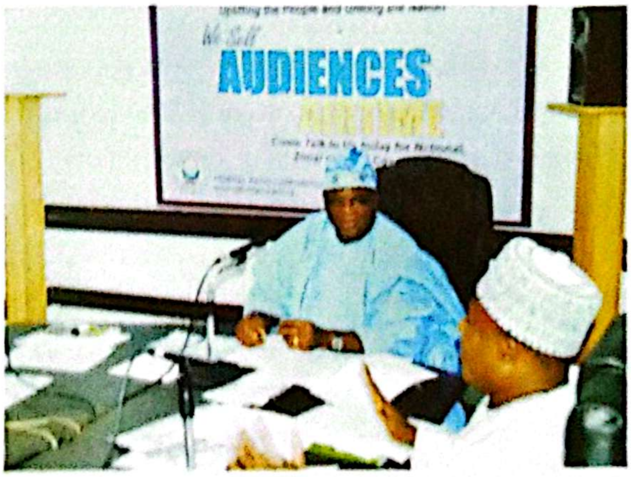
S/N	ITEM OF REVENUE	BUDGET	ACTUAL	% PERFORMANCE
1.	Total Revenue	3,179.80	2,958.72	93.05
2.	Oil Revenue	1,455.50	1,266.88	87.04
3.	Non-Oil Revenue (CIT, VAT, Custom, IGR)	830.09	674.63	81.27
4	Share of Special A/C, Unspent Balance Share of ECA and Other Sources	894.21	1,017.21	113.76

Source: 2010 Fourth Quarter and Consolidated Budget Implementation Report, Budget Office, 2011, page 21

2.32. Revenue performance of 93.05% looks impressive. This is due probably to the downwards review of the oil benchmark price and Oil production figure in the course of supplementary budgets. The other sources, budgeted at N894.21 billion yielded actual revenue of N1,017.21 billion. It should be realised that these source which constituted 34.38% of the revenue were special items, and as such, they do not occur every year. In fact, they were used as financing items. On the whole, oil revenue constituted about 65.25% of the regular recurrent revenue while non-oil revenue trailed behind, making up the balance of 34.75%.

Expenditure Performance

2.33. Out of a total budgeted expenditure of N5,159.66 billion, the sum of N4,047.06 billion or 78.44% was spent in 2010. A summary of the expenditure is presented in Table 2.5.



Chief Dr. Adewumi Abitoye Comm. Strategic communication during a live radio programme in Abuja

S/N	ITEM OF EXPENDITURE	BUDGET	ACTUAL	ERFORMANCE %
1.	Total Expenditure	5,159.66	4,047.06	8.44
2.	Total Recurrent Expenditure	3,211.39	2,961.86	92.23
3.	Total Capital Expenditure	1,764.63	833.27	50.60

Source: 2010 4th Quarter and Consolidated BIR, 2011 page, 28

2.34. In terms of relationship, while recurrent expenditure was 65.54% of the budget, capital expenditure was 34.46%. After execution, recurrent expenditure became 73.18%, while capital expenditure dropped from 34.46% to 20.58%. Transfers to the NDDC, National Judicial Council and Universal Basic Education Commission were not taken into consideration because they were mixtures of recurrent and capital. The total actual recurrent expenditure of 78.44% and capital expenditure of 50.60%, particularly capital, should be discounted by the amount spent on last year's capital projects extended from 1st January to 31st March, 2011. Also, using the concepts "releases" and "cash-backed" instead budgeted figures, to evaluate capital bud performance is misleading. The la comment has been made many times, but th Ministry of Finance seems not to agree wi the FRC. This smarks of contravention.

2.35. The growth of recurrent expenditur particularly personnel, including pension and overhead costs is worrying. Th relationship between personnel cos gratuity and pension, overhead cost to tota recurrent revenue are as follows:

i).	Personnel Cost-to-Revenue (1,380.50: 1,941.5)%	-	71.11%
ii).	Pension and Gratuity-to-Revenue (183.18: 1,941.51)%	-	9.45%
iii).	Overhead-to-Revenue (982.20: 1,941.51%)%	-	50.60%
iv).	Total Recurrent-to-Revenue (2,546: 1,941.51)%	-	113.14%

(Source: 4th Quarter and Consolidated BIR 2010 from Budget office)

2.36. International good practice prescribes that total personnel cost should not exceed 60% of the recurrent revenue. It also requires that total recurrent expenditure should be less than 100% of the recurrent revenue.

2.37. In the circumstances, Nigeria should deliberately rein in recurrent expenditure. Otherwise, it will rely on hardcore borrowing to finance the mounting deficit.

Deficit Budgeting and Financing

2.38. The draft MTEF 2010 – 2012 recommended a budget deficit of 3.20%. The approved budget raised deficit to 4.86% while the supplementary budgets further raised it to 6.33%. However, at the end of December, 2010, actual revenue, including financing items, stood at N2,958.72 billion while total expenditure was N4,047.06 billion thus leading to a shortfall or actual deficit of N1,088.34 billion.

The actual deficit-to-GDP ratio is (1,088.34 / 31,265.00) x 100. This works out at 3.48%. Fortunately, the actual deficit of 3.48% was below the supplementary budget of 6.33% but above the prescribed 3%.

2.39. The deficit of N1,088.34 billion was financed by:

			Nbn
i).	Sale of Government Property	=	7.40
ii).	Privatization Proceeds	=	6.30
iii).	Share of the ECA	=	97.66
iv).	Domestic Borrowing (FGN Bonds)	=	1,104.30
v).	World Bank Loan ($500m)	=	75.03
	Total	=	1,290.75
	Less Actual Deficit	=	1,088.34
	"Surplus"	=	202.41

(Source: 4th Quarter and Consolidated BIR 2010 from Budget office)

Savings and Asset Management

2.40. In order to avoid volatile consequences of the boom and bust cycles of oil revenue and associated fluctuating public expenditure, Section 35 of the FRA, 2007 provides for an arrangement to stabilize Government expenditure. This arrangement, otherwise known as oil-price rule, requires the Government to fix a conservative benchmark price for oil, quite below the market price. The fixed benchmark price is used to prepare the budget, while the excess between the benchmark price and market price is paid into the excess crude account (ECA) with the CBN.

2.41. The ECA balance is shared, when the need arises, among the Governments of the Federation. Pending the actual sharing, each Government know its entitlement. The unshared amount is invested by the CBN on behalf of the Governments in the Federation after due consultation with them.

2.42. According to Section 35(5):

"No Government in the Federal shall have access to the savings made in pursuance to subsection (2) of this section, unless, the reference commodity price falls below the determined level for a period of three consecutive months"

2.43. The augmentation referred to in subsection (5):

> *"... shall be limited to such sums that will bring the revenue of government to the level contained in its budget."*

2.44. Also in subsection (7):

> *"... subject to agreement by Federal and State Government in the Federation, a proportion of the savings may be appropriated in the following year for the capital projects and programmes."*

2.45. The ECA was properly administered up to 2007 when the credit balance in the account was about $20 billion. There after political resistance, aimed at the practice of saving oil revenue windfalls ensued. These saving were being deducted by the Federa Government from the Federal revenue before their distribution to al Governments on the basis of th Federation Account Allocation Formula It was argued by the States that this wa against the spirit of the 2002 Suprem Court decision which ruled a unconstitutional 'First Charge withdrawals from the Federation Account.

2.46. In December, 2007, the Federal and State Governments signed a memorandum of understanding (MOU that:

i). the Federal Government should continue to manage the ECA;
ii). any amount in excess of N1 trillion in the ECA should be shared;
iii). in exchange, the State committed to withdraw these funds gradually and use them for capital projects.

2.47. Disturbed by the spate o withdrawals from the ECA, the FRC in 2009/2010 called for the bank statement on the ECA from the CBN. The CBN obliged. Alarmed by the frequency o withdrawals and declining balances, the FRC requested the Minister to comply with section 35 of the FRA and, provide authorization for the withdrawals from the ECA. The Minister's response did not impress the FRC.

2.48. Accordingly, the Commission set up a body to carry out an in depth study of the operation of the ECA in order to determine whether or not Government complied with the provisions of the FRA, 2007. As at the time of reporting, the body set up to study the management of the ECA is yet to produce its final report. At the end of 2010, the balance in the ECA had declined from about $20billion in 2007 to about $400 million. consequently, the external reserve fell, the rating agencies underrated Nigeria from B+ to B-, inflation rose etc.

2.49. Meanwhile, the FRC wrote to the Minister and CBN to regularly reconcile the ECA and follow the Act in its management. This notwithstanding, the Government set up a Sovereign Wealth Fund (SWF) to probably replace the ECA. The SWF will be covered in the 2011 Annual Report.

Proceeds from the Sale or Transfer of Public Properties/Rights Over Public Assets:

2.50. In order to ensure that proceeds from the disposal of public assets done by the Bureau of Public Enterprises (BPE) and the Presidential Implementation Committee (PIC) on the sale of Federal Government houses were handled strictly in accordance with the provision of Section 53 of the FRA, 2007, the FRC opened up a channel of communication with the two organisations in 2009. After a long and strenuous effort, the FRC was able to obtain the response of the BPE in 2010 which contained information on the disposal of assets handled by it. From the information made available by the BPE, the Bureau was able to dispose of four (4) Federal Government Companies from July, 2007 to August 2010, the details of which are shown in table 2.6:

The Chairman of FRC, Alh. Aliyu Jibril Yelwa

Table 2.6. Proceeds from the Sale of Privatised Companies

Transactions From July 31, 2007 to August 2010								
s/n	Transaction	Address	Method of Sale	Date of Sale	Name of Investor	Proceeds	Expenses	Net Proceeds
1.	Lafiaji Sugar Company	Lafiaji, Kwara State	Liquidation	24th Aug. 2007	BUA International	11,111,802 [illegible]	17,226,200.00	(6,114,3 [illegible]
2.	Nigeria Newsprint manufacturing	Akwa Ibom	Liquidation	1st July, 08	Negris holdings Ltd	400,000 [illegible]	75,658,000	324,342 [illegible]
3.	Skypower Aviation Handling Company		Willing buyer willing seller (NAL Liquidation)	30th Sept 2009	Skypower Aviation Handling Company	5,522,100, [illegible]	1,133,873,186	4,388,22 [illegible]
4	Nigeria Mining Corporation	Jos	Sale of some moveable assets	2009	Various buyers	10,811,723	709,300	10,102,42 [illegible]

Source: BPE Letter dated 27 September 2010

2.51. From Table 2.6, the Commission is worried that the expenses incurred in selling Lafiaji Sugar Company outstripped the value of the Company. The Commission has therefore commenced investigation into this matter.

All efforts made by the Commission to secure the response of the Presidential Implementation Committee which handled the sale of Federal Government houses and other assets across the country have been rebuffed. The Commission has, under the powers conferred on it by section 2 of the FRA, 2007, taken steps to secure compliance.

Capital Projects Execution: Need for Inspection

2.52. As for the capital Component of the 2010 budget, the Commission analysed the 1st, 2nd and 3rd Quarter BIRs of 2010 a[illegible] observed a number of issues that requ[illegible] deeper attention, especially the reporting [illegible] on-going capital projects. It was noted th[illegible] a number of projects reported on in the [illegible] Quarter were omitted in the 2nd Quarter [illegible] even 3rd Quarter Report, even though [illegible] projects were at various stages of complet[illegible] It is the opinion of the Commission that [illegible] a project is reported as on-going, reporting [illegible] it should be continuous up to full completi[illegible] Cases in point as revealed in the B[illegible] include the following in Table 2.7.

Table 2.7. Projects Reported in the Q1 & Q2 but not in the Q3 BIR 2009

S/N	MDA		PROJECT	CONTRACTOR	CONTRAC N'bn	STATUS 1ST QUARTER BIR 2010	STATUS 2ND QUARTER BIR 2010
1	Work	i.	Reconstruction of Gombe-Numan-Yola Road (Yola-Numan Section)	Triacta Nig. Ltd	4.08	36%	80%
		ii.	Rehabilitation of Gombe-Numan-Yola Road (Section II)	Messrs Triacta Nig Ltd.	8.52	20.19%	36.15%
		iii.	Construction of Gombe bye-pass Road	Messrs Triacta Nig Ltd.	3.092	23%	34%
		iv.	Dualization of Kano-Maiduguri Road Section V (Damaturu-Maiduguri Road)	CCECC Nig. Ltd	39.99	22%	29%
		v.	Dualization of Ibadan-Ilorin Road Section I	PW Nig. Ltd	19.7	93%	96.8%
2.	FCT	i.	Abuja Rail Mass Transit Project Phase I (Lots 1 & 3)	CCECC Nig. Ltd	$841.65	17%	21%
3	Education	i.	University of Petroleum Resources, Effurun: Construction of College of Engineering, Female Hostel and Main Auditorium	Messrs Magifants & 2 others	1.5bn	40%, 18%	40% & 45%
4	Transport	i.	Rehabilitation of Rail Tracks, Bridges, Culverts from Lagos - Jebba	Messrs CCECC Nig. Ltd	12.29bn	6.5%	16.78%

ource: 1st, 2nd and 4th Quarter 2010 BIRs

2.53. The importance of consistency in project inspection as well as their status reports in the Quarterly BIR's until such projects are completed cannot be over-emphasised

2.54. In addition, going by the spirit of Sections 30 & 50 of the Act, it is the view of the FRC that the Commission should verify some of the capital projects. Some MDAs have denied the existence of some Projects credited to them in the BIRs. However, the Commission even though it had selected a sample of few projects for such exercise across the country, it was unable to physically move out of Abuja to see and evaluate them because it did not have the required budgetary provision. Such exercise will entail engaging experts like a civil, electrical, mechanical and structural engineers, quantity surveyors, and so on. The Commission had therefore made a case for budgetary allocation in 2011 budget proposals for the physical inspection of projects reported on in the BIRs.

Compliance with Due Process Requirements On Contracts

2.55. In exercise of the powers conferred on the Commission by Section 3(a), the Commission requested for information from the Bureau of Public Procurement regarding contracts awarded for the execution of the 2010 capital projects. The FRC specifically asked for information on ontracts awarde the MDAs in 009 and 2010 comparison, l of contracts d certified by the l eau in 2009 and 2 and the policy of the Bureau certification of contracts. The Bure obliged the request on 15th Decemb 2010.

2.56. From the analysis of informatio supplied, the FRC was able to disco that a total of 286 projects we processed and issued with "Certifica of No Objection" by the Bureau for Publ Procurement in 2009, while th corresponding figure for 2010 was 22 The Commission selected 40 project out of the lot submitted by the burea and spread across the geo-political zone and MDAs. This is for analysis t determine compliance with th established procurement procedure After scrutinizing the submission, th Commission decided to underta physical evaluation of these projects an relate its findings to those reported i the Quarterly BIRs.

Revenue Monitoring

2.58. The relevant provision of the FR mandates the Federal Ministry Finance to quarterly report on budg execution to FRC. To test complian with this provision, the FRC called f revenue returns from the MDAs. Table 2.8. (a),(b)and© are the MD responses.

Table: 2.8(a): Ministries, Departments & Agencies Revenue Returns for January – December 2010

S/No	MDA'S	APPROVED REVENUE TARGET FOR 2010	ACTUAL	SURPLUS	%	SHORTFALL	%
1	ACCOUNTANT GENERAL OF THE FEDERATION	531,546,531.44	1,975,445.00			529,571,086.44	99.63%
2	MINISTRY. OF COMMERCE & INDUSTRY	2,342,955,677.68	190,521,315.53			2,152,434,362.15	91.87%
3	MINISTRY OF DEFENCE	7,166,295,265.69	15,823,500.00			7,150,471,765.69	99.78%
4	MINISTRY OF EDUCATION	191,414,708,305.76	16,368,036,797.57			175,046,671,508.19	91.45%
5	HEAD OF SERVICE	1,168,852,919.57	4,496,666.00			1,164,356,253.57	99.62%
6	FEDERAL CAPITAL TERRITORY ADMINISTRATION	5,588,926,223.31	20,372,921,906.70	14,783,995,683.39	2.65%		
7	MINISTRY OF JUSTICE	585,986,553.57	646,494,576.78	60,508,023.21	0.10%		
8	MINISTRY OF LABOUR & PRODUCTIVITY	314,419,681.79	14,139,300.12			300,280,381.67	95.50%
9	MINISTRY OF WOMEN AFFAIRS &YOUTH DEVT.	1,833,122,241.62	23,803,165.54			1,809,319,076.08	98.70%
10	NATIONAL JUDICIAL COUNCIL	1,382,187,845.90	6,805,400.00			1,375,382,445.90	99.51%
11	NATIONAL PLANNING COMMISSON	477,523,973.99	109,644,392.22			367,879,581.77	77.04%
12	MINISTRY OF PETROLEUM RESOURCES	5,031,781,082.03	13,940,521.00			5,017,840,561.03	99.72%
13	MINISTRY OF POLICE AFFAIRS	3,881,175,294.21	5,394,326.92			3,875,780,967.29	99.86%
14	SEC. TO THE GOVT. OF THE FEDERATION	7,759,936,176.73	776,354,301.26			6,983,581,875.47	90.00%
15	MINISTRYOF MINES & STEEL	3,992,987,110.37	1,231,414,403.99			2,761,572,706.38	69.16%
16	MINISTRY OF SPECIAL DUTIES		676,006,832.71	676,006,832.71			
17	MINISTRY OF CULTURE & TOURISM	1,223,348,538.11	69,419,404.45			1,153,929,133.66	94.33%
18	MIN.OF NIGER DELTA AFFAIRS		187,266,958.89	187,266,958.89			
19	MIN.OF AGRIC & RURAL DEVT.	6,095,625,864.29	218,982,022.92			5,876,643,841.37	96.41%
20	MINISTRY OF INTERIOR	92,152,799,444.15	302,938,388.87			91,849,861,055.28	99.67%
21	NATIONAL ASSEMBLY	2,191,025,480.00	2,196,121,617.18	5,096,137.18	0.23%		
	SUB-TOTAL FOR 4 QUARTERS	332,944,178,730.21	41,236,379,626.47	15,707,777,498.20	0.05%	307,415,576,601.94	92.33%

2.8(b) REVENUE RETURNS BY MDA'S JANUARY-SEPTEMBER 2010

S/No.	MDA'S	APPROVED REVENUE TARGET FOR 2010	APPROVED REVENUE TARGET FOR 3 QUARTERS	ACTUAL	SURPLUS	%	SHORTFALL	%
1	AUDITOR-GENERAL OF THE FEDERATION	433,166,227.24	324,874,670.43	5,907,016.15			318,967,654.28	98.18%
2	MINISTRY OF WATER RESOURCES (2QTRS)	8,769,295,098.28	6,576,971,323.71	7,880,000.00			6,569,091,323.71	99.88%
3	MINISTRY OF POWER	33,172,508,301.56	24,879,381,226.17	12,100,000.00			24,867,281,226.17	99.95%
4	MINISTRY OF FOREIGN AFFAIRS	2,716,528,223.25	2,037,396,167.44	20,778,697.07			2,016,617,470.37	98.98%
5	COURT OF APPEAL			27,000,235.30	27,000,235.30			
6	NATIONAL ASSEMBLY	5,032,513,101.77	3,774,384,826.33	40,913,063.71			3,733,471,762.62	98.92%
7	MINISTRY OF ENVIRONMENT	5,969,079,402.70	4,476,809,552.03	90,474,075.00			4,386,335,477.03	97.98%
8	MINISTRY OF HEALTH	48,922,374,957.76	36,691,781,218.32	114,886,846.29			36,576,894,372.03	99.69%
9	MINISTRY OF INFORMATION	34,662,208,376.51	25,996,656,282.38	393,927,629.38			25,602,728,653.00	98.48%
10	MINISTRYOF WORKS	242,359,906.60	181,769,929.95	496,859,506.75	315,089,576.80	173.35%		
11	FEDERAL ROAD SAFETY CORP	6,551,417,499.10	4,913,563,124.33	1,141,534,369.97			3,772,028,754.36	76.77%
12	NIGERIAN PORT AUTHORITY	1,966,387,898.26	1,474,790,923.70	95,066,478.00			1,379,724,445.70	93.55%
	SUB- TOTAL FOR 3 QUARTERS	148,437,838,993.03	111,328,379,244.79	2,447,327,917.62	342,089,812.10	0.31%	109,223,141,139.27	98.11%

Source: Revenue Returns from the MDAs, 2010.

2.8 (c) REVENUE RETURNS TO THE FEDERATION ACCOUNT FOR 2010

S/N	MDA'S	BUDGET = N =	ACTUAL = N =	SURPLUS = N =	SHORTFALL = N =	%
1	NIGERIA NATIONAL PETROLEUM CORPORATION	1,975,800,000,000.00	2,292,750,000,000.00	316,950,000,000.00		16.04%
2	FEDERAL INLAND REVENUE SERVICE	2,557,300,000,000.00	2,836,760,000,000.00	279,460,000,000.00		10.93%
3	NIGERIAN CUSTOMS SERVICE					
	FEDERATION ACCOUNTS	511,000,000,000.00	317,893,090,448.00		193,106,909,552.00	37.79%
	NON-FEDERATION ACCOUNTS	150,000,000,000.00	228,747,415,919.00	78,747,415,919.00		52.50%
	TOTAL	661,000,000,000.00	546,640,506,367.00			

2.59. As can be seen from Table 2.8 a-c there are wide variances between the approved targets and actual collections by most of the MDAs sampled. This is due to either over ambitious projections or the collections have not been fully reflected by the MDAs concerned. The commission is currently looking into the cause(s) of such variations in order to address them accordingly. Also it is imperative that there should be regular quarterly reconciliations between the Ministry of Finance and the MDAs. The Ministry of Finance should constantly monitor the remittance of revenue to the Treasury and always evaluate revenue performance against approved targets.

2.60. Meanwhile, the Commission is on the trail of the defaulting MDAs. In the event of continued default, the relevant provisions of the FRA, 2007 will be invoked to ensure compliance. The defaulting MDAs are shown in Table 2.9.

Table: 2.9: Defaulting Ministries, Departments & Agencies

1	Federal Ministry of Aviation
2	Federal Ministry of Finance
3	Federal Ministry of Science & Technology
4	Federal Ministry of Transportation
5	National Sports Commission

A cross section of Commissioners on study tour to Canada

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 3

DEBT, INDEBTEDNESS AND BORROWING

Transparency
Integrity
Truth
Justice
Prudence

Parts IX and X (Sections 41-47) of the Fiscal Responsibility Act, (FRA) 2007 provides for the:

(i) framework for debt management;

(ii) limits on consolidated debt of the Federal, State and Local Governments;

(iii) servicing of external debt;

(iv) conditions of borrowing and verification of compliance with limits;

(v) lending by financial institutions;

(vi) prohibitions against the Central Bank of Nigeria (CBN) in its relation with Government, its Agencies and Parastatals; and

(vii) the power of the Minister to guarantee loans.

3.2. These provisions in the FRA, 2007 are intended to secure order, accountability and transparency in public debt transactions within a medium term borrowing policy framework that will ultimately lead to the long term debt sustainability. Debt transactions in 2010 are reported upon and examined below to show what transpired and, whether or not, debt can be sustained in the prevailing situation.

Framework for Debt Management

3.4. The FRA empowers all tiers of Government to borrow for only capital expenditure and human development on not more than 3% interest rate with long amortization period and on approval of the appropriate legislative body. Did the Government comply with these requirements?

3.5. All the outstanding external debts of both Federal and State governments as at 31 December, 2010 were for capital expenditure and human development. They were on reasonably long amortization periods of not less than 10 years. However, there is no clear evidence to show that the loans were obtained on concessional interest rate of 3% or less. However, about 92.12% of the debt is owed to multilateral agencies like the World Bank, International Development Association, and so on, which charge concessional interest rates. The balance of about 7.88% of the debts are owed to the Paris Club. The Paris Club loans are commercial loans which attract interest rates of over 3%.

3.6. In the area of domestic debt, there were no clear indications that Governments were borrowing for only capital expenditure and human development on 3% interest rate with the approvals of the appropriate legislative body. For example, the outstanding Federal domestic debts of N4, 551,822,388,000.00 were made up of:

(i) floating and fixed bonds of 5% - 16%;

(ii) development stock on more than 3% interest rate;

(iii) Nigerian Treasury Bonds of 5% - 12.5%;

(iv) Nigerian Treasury Bill; and

(v) Promissory Note.

3.7. Most of these domestic loans which mature in 5-20 years have no evidence specifying the purposes for which the loans were taken. In 2010 alone, 35 Nigerian Treasury Bills were issued amounting to about N1, 277,101,559,000.00. The purposes of these loans were not specified and the approval granted by the FEC or NASS was not indicated. Cost/benefit analysis or feasibility study was not done for these loans.

3.8. Probably, these loans were used to refinance matured securities, budget deficits, registration of voters, personnel payment and overheads. Non-compliance with conditions for borrowing might have been based on the escape clause in Section 41(2) of the FRA, 2007 which says:

Notwithstanding the provisions of subsection 1(a) and subject to the approval by the National Assembly, the Federal Government may borrow from the capital market.

3.9. In the prevailing situation, particularly with the escape clause, it is legally difficult to say that the Federal domestic borrowing from the capital market did not comply with the provisions of the FRA 2007. However, the approval of NASS would have been sought and obtained before contracting the debts.

Limits on Consolidated Debt of the Federal, State and Local Governments

3.10. Section 42(i) of the FRA 2007 requires the President and National Assembly (NASS) to fix limits of consolidated debt for the three tiers of Government. Since 2009, no fewer than three letters have been addressed to the Minister of Finance to initiate action in this regard. The Minister once replied to the Commission's letters to the effect that he was taking action and that as soon as the NASS approved limits of consolidated debt of the tiers of Government, the information would be made available to the Commission. As at present, no further correspondence from the Minister on limits on consolidated debt had reached the FRC.

Servicing of External Debt

3.11. According to Section 43(i), "Servicing of external debt shall be the responsibility of the Government that incurred the debt." So far, the Federal and State Governments have been servicing debts incurred by them respectively. Cases of wrong debiting or charging of debt servicing to States have been resolved amicably.

Conditions of Borrowing and Verification of Compliance with Limits

3.12. Under Section 44(i) of the FRA, 2007, any Government of the Federation, its agencies or corporations that wants to borrow must:

(i) specify the purpose of the loan; and

(ii) present cost/benefit analysis of the loan purpose.

3.13. Furthermore, the purpose for which the loan is intended must be in the approved budget and the proposed loan, including existing other public debt, should not exceed the fixed limit of consolidated debt of the borrower. The proceed of the loan must also be utilized for the intended purpose.

3.13.A While the FRA, 2007 requires the DMO to maintain publicly accessible electronic database of external and domestic debts of the three tiers of Government, the FRC should verify quarterly, each tiers compliance with conditions for borrowing and debt limit. Were these provisions implemented?

3.14. The Federal Government rarelly specified the purposes for which the external loans were meant. The cost/benefit analysis as well as the feasibility study for the external loans were hardly done. If done at all, it was perfunctorily carried out, merely by listing or enumerating some benefits of the loans. Although, the NASS approved the external loans, such loans were scarcely authorised in the previous or current Appropriation Acts.

3.15. At the sub-national levels, the external debts were treated in the same way as the Federal external loans. Although legislative approvals were obtained, the loan projects were hardly reflected in the past or present Appropriation Acts. They were not subjected to serious cost/benefit analysis or feasibility study.

3.16. In 2010, all the tiers of Government engaged in domestic borrowing. The Federal Government borrowed mainly from the capital market. The State Governments borrowed from both the capital and money (commercial banks) markets, while the Local Governments borrowed from the money market or commercial banks. No tier of Government complied fully with the conditions for borrowing in the domestic markets as stipulated by the FRA, 2007.

3.17. Since 2009, many requests have been placed on the DMO by the FRC to provide it with database on the external and domestic debts of the Federal, State and Local Governments. As usual, the DMO on 18 March, 2011, in a letter replied this way:

> You may wish to be informed that currently, 36 States of the Federation do not have a complete domestic debt data, which necessitated the DMO to take initiative starting from 2008 to help States establish the Debt Management Departments (DMDs) and reconstruct their domestic debt data. According to our schedule, the exercise would be completed in 2012. Therefore, the DMO is currently not in a position to supply data in respect of the domestic debts for States.

3.18. Not satisfied with the responses from the DMO over the years, the FRC, in 2010, addressed a letter to the 36 States and FCT to furnish the Commission with database on their consolidated financial positions, clearly stating their outstanding external and domestic debts as at 30 June, 2010 and 31 December, 2010, respectively. Early in 2011, officials of the FRC were sent to the States and FCT to obtain the same data earlier called for in a letter. As at today, only 6 States have responded, out of which 2 States disclosed their domestic debts. The other 4 States we either silent on, or reported n domestic debt. The remainin 30 States and FCT are yet to ma any response. FRC will contin to press until all respond.

3.19. In the course of the said da collection visit to the States and FCT, th Commission learnt that some of the su nationals were either querying th constitutional power of the Feder Government and FRC to pry into the financial administration or seeking the Governors' approvals to release such dat The Commission also discovered that onl States had formal Debt Manageme Departments.

3.20. Consequent upon the lack adequate and reliable data, it wa impossible to verify compliance with th conditions for borrowing. This impossibil was made worse by the lack of consolidat debt limits suggested by the President a approved by the NASS.

Lending by Financial Institutions

3.21. The banks in Nigeria and maj operators in the Nigerian capital mark were advised by the FRC in 2009 of th provisions of the FRA, 2007 to the effect th any lending to any Government of th Federation and its agencies or corporati above the approved consolidated debt balance would be unlawful. The lenders were to confirm compliance with the limits before approving loans to Government. Did the lenders do so?

3.22. Probably, the financial institutions have been lending to the three tiers of Government and their agencies and corporations. This probability, which is more of a possibility, could not be verified because the limits on consolidated debt for the Governments of the Federation have not been submitted to the NASS for approval.

Prohibitions against the CBN in its Relation with Government, Agencies and Parastatals

3.23. Section 46 of the FRA, 2007, prohibits the CBN from:

(i) buying fresh issues of Government Securities;

(ii) exchanging its securities with that of the Government, whether temporary or not; and

(iii) guaranteeing loans for any Government in the Federation.

3.24. The CBN is however, allowed to underwrite securities issued by the Federal Government for refinancing matured securities provided the proceeds are sold to the public at the market price. There is no evidence to show that the CBN was in breach of the prohibitions and provision.

Power of Minister to Guarantee Loans

3.25. The Minister, subject to the approval of the Federal Executive Council (FEC), is authorised by section 47 of the FRA, 2007 to grant guarantees to any Government in the Federation, provided the beneficiaries counter- guarantees equal to or greater than the amount of guarantees by the Minister. Such counter guarantees shall require the State and Local Governments to authorise the Federal Government to deduct overdue payments from their statutory revenue. No sub-national Government and Federal Agency can obtain external loan without the guarantee of the Federal Government.

3.26. In 2010, only one external loan was concluded to fund the Nigerian electricity and gas. The loan was granted by the International Development Association (IDA) direct to the FGN. No sub-national Government obtained external loan. There was therefore no problem of loan guarantee in the external loan sector.

3.27. With regard to domestic loans, the

3.27. With regard to domestic loans, the Federal Government borrowed from the capital market in the form of bonds and bills. There is an allegation that the House of Representatives borrowed the sum of N10billion or N40billion from the money market contrary to the provisions of the FRA, 2007. The FRC has decided to investigate the alleged loans taken by the House of Representatives.

3.28. Sub-national Governments, even though they have no complete debt records, borrowed from both the capital and money markets in 2010. In many cases, the State Governments issued irrevocable Letters of Payment Order to pay from their statutory revenue in favour of lenders to the Accountant-General of the Federation (AGF) as counter- guarantee. Did this amount to proper guarantee by the Minister? Were the letters issued after obtaining the approval of the FEC?

The FRC will embark on the investigati these guarantees and counter-guaran to ensure that they complied with the la

Nigerian Debt Su ainability

3.29. There is on-going contro over debt sustaina ity in the medium t and long term p ds in Nigeria. S authorities, p icularly the D Management ice (DMO) of Federation, hold e view that Nige debt is sustainable in the medium and term periods. Their opinion is based on result of debt sustainability anal contained in the DMO's Report of Annual National Debt Sustainab Analysis (DSA) 2010. According to DMO:

> Solvency indicators in the baseline scenario show that Nigeria's total public de would remain withinthe sustainability thresholds throughout the projectionper (2010-2029). The net present value (NPV) of total debt is 16.2 percent of the G in 2010; this would fall to 2.2 percent in 2020 and 0.9 percent in 2029, and still remaining well below the indicative threshold of 40 percent.

3.30. The DMO represented its view in Table 3.1 below.

Table 3.1: Debt Sustainability Indicators

	Threshold	DSA Result				
		2010	2011	2015	2020	2029
NPV Debt-to-GDP	40	16.2	12.4	5.5	2.2	0.9
NPV Debt-to-Revenue	250	129.4	134.9	90.8	85.4	109.6
Debt Service-to-Revenue	30	11.7	13.7	8.6	8.0	16.0

Source: DMO, Report of the Annual National Debt Sustainability Analysis (DSA), 2010, page 26.

3.31. On the other hand, public commentators have expressed the view, particularly in the mass media, that Nigeria's total debt was not sustainable. They argued that the prevailing growth rate of debt was higher than the growth rates of revenue and the GDP. They also cited the cases of failed loans, stressing that loan proceeds were not often utilized for the purposes for which they were intended. In brief, they hold the opinion that Nigerian loans do not generate growth, most of the loan proceeds being used for non-capital expenditure.

3.32. A report on Government debt operations in 2010 is contained in the 4th Quarter of 2010 and Consolidated Budget Implementation Report, by the BOF at pages 27-29. Revenue and debt servicing figures for 2009 and 2010 are also at pages 21 and 28 of the same BIR. At page 8 of the FMF's 2010-2012 Medium Term Expenditure Framework (MTEF) are GDP figures for 2009 and 2010. The DMO, at page 15 of its DSA 2010, gave the growth rates of GDP as 6.5% (2007), 6.4% (2008) and 6.9% (2009). These figures will be used to examine the perspectives of debt sustainability in Nigeria. First, some statements on the relationship of debt to revenue and GDP.

3.33. Debt has some relationship with GDP and revenue. If the growth rate of debt is higher than the growth rates of the GDP and revenue, debt is unsubtainable. Similarly, if debt servicing grows at faster rate than GDP and revenue, debt is not sustainable.

3.34. Generally, un-sustainable debt leads to national bankruptcy, high price inflation, crowding out and other economic stresses. Now, to the size and comparative figures of debt, GDP and revenue.

Size and Characteristics of Nigeria Debt

3.35. As at 31 December, 2010 the Nigerian external debt stock stood at $4,578,769,657.60million, reflecting an increase of 16 over the stock $3,947,301,295.90 lion on 31 Dece 2009. The Size nd trend of Nige external debt are sl vn in Table 3.2.

Table 3.2: Size and Trend of Nigerian's External Debt

	In US Dollars		
Government	2008	2009	2010
FGN	2,059,862,223.65	2,126,588,563.86	2,578,064,841.6
States andFCT	1,660,498,176.35	1,820,712,732.04	2,000,704,815.9
Total	3,720,160,400.00	3,947,301,295.90	4,578,769,657.60
Percentage increase %	-	6.00%	16.00%

3.36. The domestic debt of the Federal Government alone increased from N3,764,108,000.00 in June, 2010 to N4,551,822,388,000.00 in December, 2010, recording a rise of 21% in six months. Total recorded national debt, both external and domestic, stood at N4,444,891,718,250.00 at the end of June, 2010. By the end of December, 2010, total national debt had risen to N5,238,637,836,639.00, displaying an increase of 17.87% in six months.

3.37. A total debt of N5.238trillion, when compared to the GDP of N31.265trillion in 2010, gives a debt-to-GDP ratio of 16.70%. This ratio compares favourably with t DMO's projected NPV debt-to-GDP ratio 16.20% and it is also within the prescr threshold of 40%. This is good.

3.38. However, while debt-to-gross reve of N2, 958.72billion is 177.08%, debt recurrent revenue of N1, 941.51billion 269.86%. Under this scenario, it is saf say that debt was growing faster th revenue for two reasons. One, debt recurrent revenue of 269.86% was hig than the prescribed threshold of 250% (Ta 1) and the projected ratio of 129.4% (Tab by the DMO. In fact, while recurr revenue grew by 3.13% in 2010, debt gre over 17% in the last six months of 2010.

3.39. The relationship between debt servicing and revenue is crucial to debt sustainability. The comparative figures for debt servicing and revenue growths between 2009 and 2010 are shown in Table 3.3.

Table 3.3: The Comparative Figures for Debt Service and Revenue

	2010 ₦ billion	2009 ₦ billion	Growth Rate %
Domestic Debt Service	375.76	214.54	75.15
External Debt Service	39.86	37.25	7.01
Revenue	1,941.51	1,882.54	3.13

3.40. As shown in Table 3 above, debt servicing was growing faster than revenue. A further analysis of debt service-to-revenue throws up a ratio of 21.40% in 2010, that is, total domestic and external debt service-to-revenue. Although this ratio is below the prescribed threshold of 30%, it is substantially higher than the ratio of 11.7% projected for 2010 by the DMO.

3.41. Debt was growing faster than the GDP and revenue, in 2010. Therefore, there was stress in the economy as manifested by high interest rates, inflation, crowding out and mounting deficits. Although there appeared to be "debt brake" in foreign borrowing, the rate and frequency of domestic borrowing were high. Although the DMO projects that debt-to-GDP ratio will fall overtime, from 16.2% in 2010 to 0.9% in 2029, this will not happen unless policy measures are taken. Such policy actions will include increase in revenue, reduction in recurrent expenditure or both. Reliance on the debt-to-GDP ratio of 40 percent as threshold for determining debt sustainability should be used with caution because Nigeria went bankrupt in 2005 when its debt-to-GDP ratio was about 28%. What really matters is keep the growth of debt below the growth of GDP and revenue.

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 4

BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

Transparency
Integrity
Truth
Justice
Prudence

Part IV (Section 21-24) of the FRA, 007, provides for the implementation of scal responsibility by selected corporations sted in the schedule to the Act. Scheduled 'orporations, out of the numerous orporations and agencies of the Federal Government, are only thirty-one. Out of the thirty-one, seven (7) corporations have been privatized. The FRA, 2007, now applies to only the remaining twenty-four corporations. The scheduled Corporations are listed in Table 4.1.

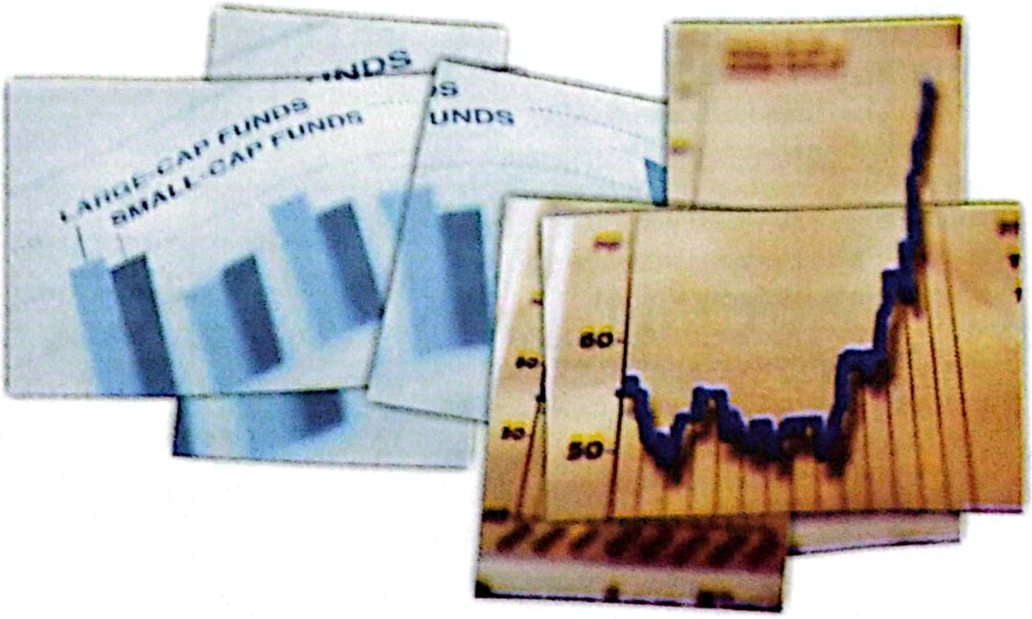


Table 4.1: Lists of Scheduled Corporations in FRA 2007

S/n	Name of Corporation	Status
1.	Nigerian National Petroleum Corporation (NNPC)	
2.	Nigerian Deposit Insurance Corporation (NDIC)	
3.	Bureau of Public Enterprises (BPE)	
4.	National Agency for Science and Engineering Infrastructure	
5.	Nigerian Social Insurance Trust Fund (NSITF)	
6.	Corporate Affairs Commission (CAC)	
7.	National Clearing and Forwarding Agency	
8.	Nigeria Unity Line	Privatized
9.	Nigerian Maritime Administration and Safety Agency (NIMASA)	Privatized Changed Na
10.	Nigerian Shippers Council (NSC)	
11.	Nigerian Maritime Authority (NMA)	
12.	Raw Marital Research and Development Council	
13.	Nigerian Civil Aviation Authority (NCAA)	
14.	National Sugar Development Council (NSDC)	
15.	Nigerian Postal Service (NPS)	
16.	Nigerian Ports Authority (NPA)	
17.	Federal Airport Authority of Nigeria (FAAN)	
18.	Nigeria Mining Corporation (NMC)	
19.	Nigeria Re Insurance	Privatized
20.	Niger Dock Nigeria PLC	Privatized
21.	Securities and Exchange Commission (SEC)	Privatized
22.	National Insurance Corporation of Nigeria (NICON)	
23.	Nigeria Re-insurance Corporation	Privatized
24.	Nigerian Telecommunication (NITEL)	
25.	National Automotive Council (NAC)	Privatized
26.	Nigerian Tourism Development Corporation (NTDC)	
27.	Nigerian Communications Commission (NCC)	
28.	National Agency for food and Drug Administration and Control (NAFDAC)	
29.	Nigeria Custom Service (NCS)	
30.	Federal Inland Revenue Service (FIRS)	
31.	Central Bank of Nigeria (CBN)	

Source: Schedule to the FRA, 2007.

4.2. All the remaining 24 corporations are required by FRA, 2007 to prepare:

I) and submit to the Minister, their ‚stimates of revenue and expenditure for the next hree financial years, that is, rolling plan or Iedium Term Expenditure Framework (MTEF) ot later than June every year;

(ii) annual budget derived from the ITEF; and

(iii) projected operating surplus (both ii and iii) to be submitted to the Minister not later than August every year.

.3. On his part, the Minister is required by the Act to attach the annual budgets and projected operating surplus by Corporations as part of the Appropriation Bill to be submitted to the NASS.

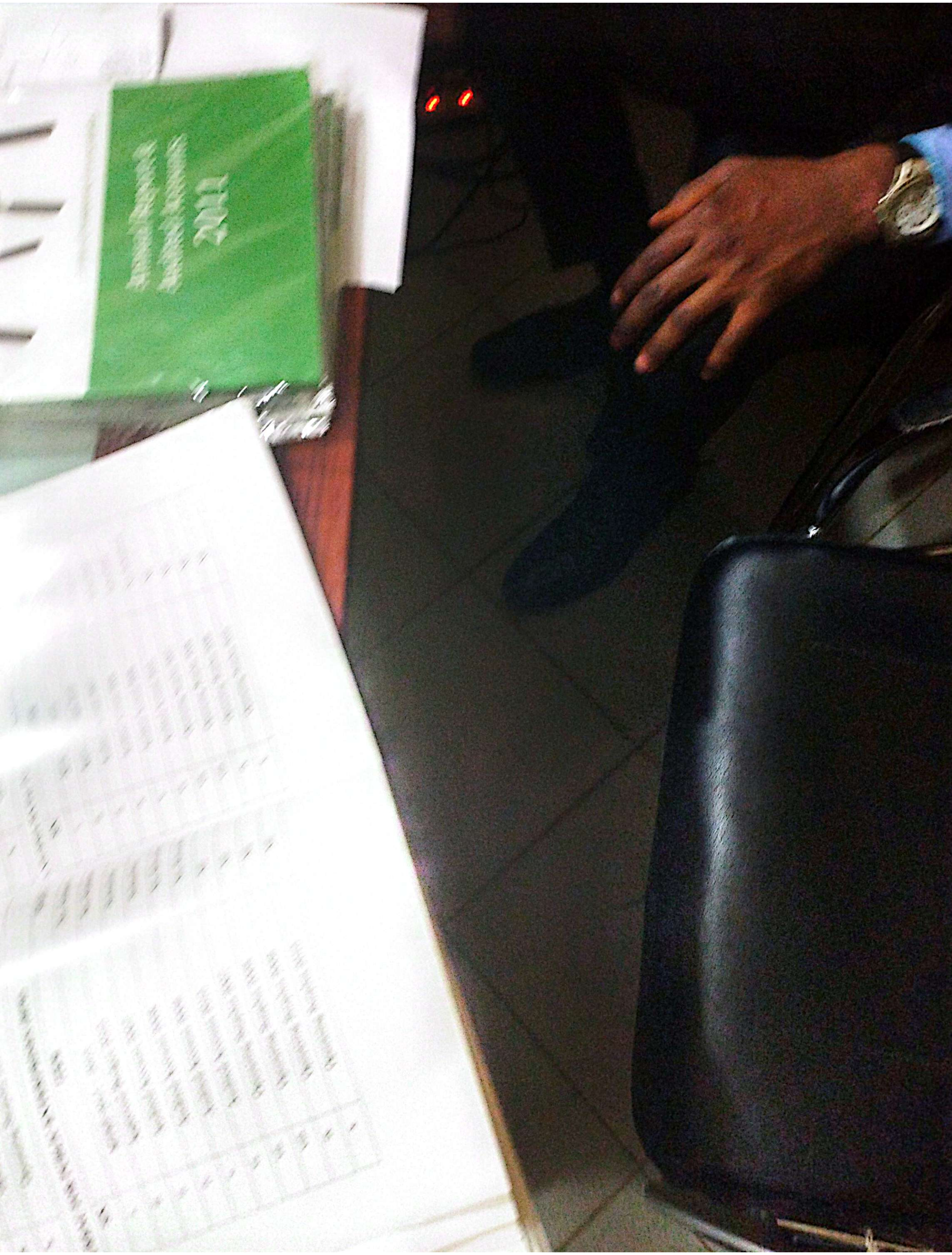
.4. Furthermore, the corporations are obliged o establish general reserve fund into which wenty percent (20%)of their operating surplus hall be paid. They should, by law, audit their ccounts not later than three months after the end of the financial year. The balance of eighty percent (80%)of the operating surplus should be paid into the Consolidated Revenue Fund (CRF) of the Federal Government not later than 30 days after the accounts have been audited.

4.5. **In 2010, the FRC, in the course of monitoring and enforcing the provisions of the FRA, 2007, wrote to, and dialogued with, the corporations. Long sessions were held with some of them to discuss and agree on what they should do. At a workshop in Kaduna with the representatives of the schedule corporations as well as other HDAs and officials of the FMF, it was resolved that once the Minister attached corporations' budgets and projected surplus to the draft Appropriation Bill submitted to the NASS, it became unnecessary for the NASS to invite the corporations to defend their budgets.**

Table 4.2: Below is a table showing level of compliance by the scheduled Corporations:

I.NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC)

S/N	ITEM	STATUS
i	MTEF 2011 – 2013	Not Submitted
ii	Approved Budget 2010	Not Submitted
ii	Audited Account 2007	Submitted
iv	Audited Account 2008	Submitted
v	Audited Account 2009	Submitted
vi	Audited Account 2010	Not Submitted
vii	Operating Surplus 2007	Nil
viii	Operating Surplus 2008	Nil
ix	Operating Surplus 2009	Nil
x	Operating Surplus 2010	Nil



2.NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Submitted
iv	Audited Account 2008	Submitted
v.	Audited Account 2009	Submitted
vi.	Audited Account 2010	Submitted
vii.	Operating Surplus 2007	N1.8 bn
viii.	Operating Surplus 2008	N4.4 bn
ix.	Operating Surplus 2009	N1.27 bn
x.	Operating Surplus 2010	Nil

3.BUREAU FOR PUBLIC ENTERPRISES (BPE)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Submitted
iv	Audited Account 2008	Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

4.NATIONAL AGENCY FOR SCIENCE ENGINEERING & INSFRASTRUCTURE (NASENI)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Submitted
iv	Audited Account 2008	Submitted
v.	Audited Account 2009	Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

5.NIGERIA SOCIAL INSURANCE TRUST FUND (NSITF)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Submitted
ii.	Approved Budget 2010	Submitted
ii.	Audited Account 2007	Submitted
iv	Audited Account 2008	Submitted
v.	Audited Account 2009	Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

6.CORPORATE AFFAIRS COMMISSION (CAC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Submitted
iv	Audited Account 2008	Submitted
v.	Audited Account 2009	Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	N826.3m
viii.	Operating Surplus 2008	N3 bn
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

7.NIGERIAN MARITIME ADMINISTRATION & SAFETY AGENCY (NIMASA)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

8.NIGERIAN SHIPPERS COUNCIL (NSC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Submitted
ii.	Approved Budget 2010	Submitted
ii.	Audited Account 2007	Submitted
iv	Audited Account 2008	Submitted
v.	Audited Account 2009	Submitted
vi.	Audited Account 2010	Submitted
vii.	Operating Surplus 2007	N30m
viii.	Operating Surplus 2008	N22m
ix.	Operating Surplus 2009	N20m
x.	Operating Surplus 2010	Paid

9.NIGERIAN MARITME AUTHORITY (NMA)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Paid

10.RAW MATERIAL RESEARCH & DEVELOPMENT COUNCIL (R[illegible]DC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

11.NIGERIAN CIVIL AVIATION AUTHORITY (NCAA)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Submitted
ii.	Approved Budget 2010	Submitted
ii.	Audited Account 2007	Submitted
iv	Audited Account 2008	Submitted
v.	Audited Account 2009	Submitted
vi.	Audited Account 2010	Submitted
vii.	Operating Surplus 2007	N95.4m
viii.	Operating Surplus 2008	N80m
ix.	Operating Surplus 2009	N80m
x.	Operating Surplus 2010	Paid

12.NATIONAL SUGAR DEVELOPMENT COUNCIL (NSDC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

13.NIGERIAN POSTAL SERVICE (NIPOST)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

14. NIGERIAN PORTS AUTHORITY (NPA)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

15. FEDERAL AIRPORT AUTHORITY OF NIGERIA (FAAN)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

16.SECURITIES AND EXCHANGE COMMISSION (SEC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

17.NIGERIAN TELECOMMUNICATION COMMISSION (NITEL)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

18.NIGERIAN AUTOMOTIVE COUNCIL (NAC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

19.NIGERIAN TOURISM DEVELOPMENT CORPORATION (NTDC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

20.NIGERIAN COMMUNICATIONS COMMISSION (NCC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

21.NATIONAL AGENCY FOR FOOD & DRUGS ADMIN. & CONTROL (NAFDAC)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

22.NIGERIA CUSTOMS SERVICE (NCS)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	Nil
viii.	Operating Surplus 2008	Nil
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

23.FEDERAL INLAND REVENUE SERVICE (FIRS)

S/N	ITEM	STATUS
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	N6.3bn
viii.	Operating Surplus 2008	N6.8bn
ix.	Operating Surplus 2009	Paid
x.	Operating Surplus 2010	Nil

24.CENTRAL BANK OF NIGERIA (CBN)

S/N	ITEM	
i.	MTEF 2011 – 2013	Not Submitted
ii.	Approved Budget 2010	Not Submitted
ii.	Audited Account 2007	Not Submitted
iv	Audited Account 2008	Not Submitted
v.	Audited Account 2009	Not Submitted
vi.	Audited Account 2010	Not Submitted
vii.	Operating Surplus 2007	N8.1m
viii.	Operating Surplus 2008	N2.1m
ix.	Operating Surplus 2009	Nil
x.	Operating Surplus 2010	Nil

Source: Returns from various Corporations

4.6. Feedbacks from the corporations, confirmed that fiscal responsibility was being adopted by a majority of the 24 scheduled agencies. The rate of compliance with the FRA, 2007 is however low. The pattern of the corporations' responses to, and compliance with, the FRA, 2007 are indicated in Table 4.2.

4.7. Based on the data in Table 4.2, 12.5% of the 24 corporations produced and submitted to the Minister and FRC their MTEF 2011-2013 in 2010. With respect to budget, 4.17% had approved budget for 2010 and draft 2011 budget. Many corporations were in arrears of audited account. In fact, 25% submitted 2007 audited accounts, 25% submitted 2008 audited accounts and 20.83% have audited accounts for 2009. According to the provisions of the FRA 2009, the audited accounts of the scheduled corporations for 2010 were not due until March 2011, they will therefore feature in the 2011 annual report.

4.8. In 2009, N21,664,624,211 was collected as operating Surplus. This figure rose to N36,766,807,439.80billion in 2010, leading to an increase of 115.04%. Based on this singular performance, it can be said that although the impact of the provisions of the FRA, 2007 was painfully slow, it has come out exceedingly fine. Table 4 shows the operating surpluses collected in 2009 and 2010.

Table 4.3: Operating Surpluses Collected in 2009 and 2010

(In Naira)			
s/n	Name of Corporation	2009	2010
1.	Nigerian National Petroleum Corporation (NNPC)	Nil	Nil
2.	Nigerian Deposit Insurance Corporation (NDIC)	6,207,192,000	1,270,876,000
3.	Bureau of Public Enterprises (BPE)	Nil	Nil
4.	National Agency for Science and Engineering Infrastructure	Nil	Nil
5.	Nigerian Social Insurance Trust Fund (NSITF)	Nil	Nil
6.	Corporate Affairs Commission (CAC)	4,255,246,608	Nil
7.	Nigerian Maritime Administration and Safety Agency (NIMASA)	Nil	Nil
8	Nigerian Shippers Council (NSC)	52,050,910	74,000,000
9	Nigerian Airspace Management Agency (NAMA)	Nil	40,000,000
10.	Raw Marital Research and Development Council	6,339,502.40	Nil
11.	Nigerian Civil Aviation Authority (NCAA)	80,000,000	255,436,000
12.	National Sugar Development Council (NSDC)	Nil	Nil
13.	Nigerian Postal Service (NIPOST)	32,459,200	109,157,600
14.	Nigerian Ports Authority (NPA)	2,890,000,000	Nil
15.	Federal Airport Authority of Nigeria (FAAN)	Nil	Nil
16.	Securities and Exchange Commission (SEC)	1,929,651,319.40	Nil
17.	Nigerian Telecommunication (NITEL)	Nil	Nil
18.	National Automotive Council (NAC)	44,922,671.20	17,317,839.80
19.	Nigerian Tourism Development Corporation (NTDC)	Nil	Nil
20.	Nigerian Communications Commission (NCC)	1,600,000,000	4,000,000,000
21	National Agency for food and Drug Administration and Control (NAFDAC)	Nil	Nil
22	Nigeria Custom Service (NCS)	Nil	Nil
23	Federal Inland Revenue Service (FIRS)	Nil	Nil
24.	Central Bank of Nigeria (CBN)	Nil	31,000,000,000
	Total:	N21,664,624,211.00	36,766,807,43[illegible]

Source: Returns from various Corporations

4.8. There are challenges confronting the implementation of the FRA, 2007 in the corporations. The agencies are slow in complying with the Act and adopting fiscal responsibility. For five decades, since 1960, they were used to the indulgency pattern of discretionary financial management. There is, therefore, no doubt that the corporations require time and coaching to adopt and implement fiscal rules. The FRC is aware of this and is tackling the problem through seminars, workshops, dialogues and, in some cases, by showing "red eyes" to the very weak agencies.

4.9. The problem of the acceptable accounting practice to be adopted for determining the operating surplus is still a topical issue. Though this problem holds some corporations from paying true level of operating surplus to the FGN, its amicable solution is reasonably in sight.

4.10. Many Corporations, obviously rich ones, like the NNPC, were making losses year by year even if fuel subsidy was fully discounted. Such agency as the Nigeria Custom Service is falling behind in revenue collection. Apart from efficiency problem, it seems that the performances of some agencies are being hampered by weak transparency and accountability.

4.11. Despite repeated demands and reminders, the Ministry of Finance has not been forthcoming in two things. One, the Minister has not added to the list of Scheduled Corporations since seven (7) of them were lost to the private sector through the process of privatization. Two, even though the FRA, 2007 clearly provides that the budgets and MTEF of the corporations should be part of the attachment to the Appropriation Bill to be submitted to the NASS, the Minister has not done so once since 2007. Consequently, the corporations deal directly with the NASS. In fact, Members of the NASS have been signing the approved budgets of these agencies. The FRC will continue to mount pressure on the Ministry of Finance until it complies with the law; otherwise the legal process will be invoked against the Ministry.

From right Commissioner Monitoring and Evaluation, Alhaji Shuaibu A Kore, Commissioner Strategic Communication, Dr. Adewumi Abitoye and Commissioner Representing Private Sector, Alhaji Suleiman Abubakar Standing for the National Anthem

FISCAL
RESPONSIBILITY
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CHAPTER 5

IMPLEMENTING FISCAL RESPONSIBILITY IN THE STATES

Transparency
Integrity
Truth
Justice
Prudence

In Nigeria, the Federation Account is shared almost on 50:50 basis between the States, including Local Governments, and the Federal Government. The relationship between the Federal and subnational Governments can be likened to the two sides of a pair of scissors. When one side of the scissors stops working, the entire scissors stops cutting. Similarly, if the Federal and State Governments make and implement common fiscal policy, the national economy would move in the same direction. When, however the two tiers have and implement different fiscal policies, the national economy drifts in different directions.

5.2. Hence, when the Fiscal Responsibility Bill was originally drafted, it was intended to cover the federal, State and Local Governments. The States resisted the original bill on constitutional ground. The States' resistance relied on the constitutional provision which gave them the freedom to manage the state resources in their own way. When finally, the fiscal Responsibility Act was enacted in 2007, it was made to be applicable to only the Federal Government, except in the areas of Public debt, Banking, Currency, Savings and Assets management.

5.3. Despite the recognition of the constitutional freedom of the State and Local Governments, the FRA, 2007, for the purpose of fiscal policy [illegible] in a federation, makes provis[illegible] sections 17, 20, 31, 41 and 54 that [illegible] and persuasive to the [illegible] Local Governments.

5.4. These sections provide that:

(i) State and Local Governments that desire shall be assisted by the Federal Government to manage their fiscal affairs within the medium-term expenditure framework;

(ii) In preparing their annual budget, State and Local Governments may adopt Part II - Annual Budget with modification as may be necessary

(iii) Implementing their annual budget, State and Local Governments may adopt the provisions in Part IV – Budgetary Planning of Corporations and other Related Agencies with such modifications as may be necessary and appropriate;

(iv) In incurring public expenditures, State and Local Governments may adopt the provisions on public expenditure with modifications as may be appropriate; and

(v) The Federal Government may

provide technical and financial assistance to State and Local Governments that adopt similar fiscal responsibility legislation along the same lines as this Act for the modernization of their respective tax, financial and assets administration.

5.5. In comparison the Commission looked at the practice of Fiscal Responsibility Brazil and India. In Brazil, the Fiscal Responsibility Law (FRL) applies to Central, State and Municipal Governments.

In India, separate FRLs apply to Central and State Government. W... two years of the adoption ... implementation of the FRLs, the two ... and over 92% of the States ... implemented the laws.

The Situation in the States.

5.6. The Commission conducted a su... of the status of Fiscal Responsi... Legislation in all the States in ... Federation. The results of the sur... showed that the States, based on ... performances, were categorized into ... following 5 groups.

From right Commissioner Strategic Communication, Dr. Adewumi Abitoye, Commissioner Monitoring and Evaluation, Alhaji Shuaibu Kore, and Commission... Representing Private Sector, Alhaji Suleiman Abubakar Standing for the natio... anthem.

Table 5.1: Status of Implementation of Fiscal Responsibility in the States

s/n	Category	States	Number of State	Percentage of States
1	States that have passed the Fiscal Responsibility Law and their governor have given assent	Bauchi	4 State	11.11
		Delta		
		Ebonyi		
		Kwara		
2	State that has passed the Fiscal Responsibility Law and their **GOVERNOR(s) ARE YET TO GIVE ASSENT**	Ogun	2 States	5.3
		Ondo		
3	States that have drafted the Fiscal Responsibility Bill and **PRESENTED IT TO THE STATE LEGISLATURE**	Abia	13 States	36.11
		Akwa-Ibom		
		Anambra		
		Benue		
		Ekiti		
		Enugu		
		Imo		
		Kogi		
		Niger		
		Osun		
		Oyo		
		Yobe		

s/n	Category	States	Number of State	Percentage of States
4	States that have drafted the Fiscal Responsibility Law and NOT YET PRESENTED IT TO THE STATE LEGISLATURE	Cross River	8 States	22.22
		Edo		
		Gombe		
		Kaduna		
		Katsina		
		Kebbi		
		Rivers		
		Taraba		
5	States where the Fiscal Responsibility Law is YET TO BE DRAFTED	Adamawa	10 States	27.78
		Bayelsa		
		Borno		
		Jigawa		
		Kano		
		Lagos		
		Nassarawa		
		Plateau		
		Sokoto		
		Zamfara		
	Total		36 States	100

Source: Consultants Reports 20..

5.7. In Nigeria, only 4 States or 11.11% passed their own FRL after three years of the commencement of the FRA, 2007 in Nigeria. This is a very low adoption when compared to the Brazilian and Indian cases where over 92% of the States passed their own FRLs or adopted the Central law within two years of the commencement of such laws. In Brazil, the Central Government made the law for the three tiers of Government while in India, the Central Government made its own law and draft model law for the States to adopt or modify. Efforts are on by the FRC to assist other 32 States to get their FRLs enacted.

Members of the Commission in a group photograph with officials of Nigerian Embassy in Ottawa- Canada when they went for Capacity-building mission

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 6

TRANSPARENCY AND ACCOUNTABILITY

Transparency
Integrity
Truth
Justice
Prudence

Sections 48-50 of the Fiscal Responsibility Commission, 2007 provide for transparency and accountability in fiscal transactions. These sections provide among other things that the:

(i) Federal Government shall ensure that it's 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 and their implications for its finances;

(ii) NASS should ensure transparency during the preparation and discussion of the MTEF, Annual Budget and Appropriation Bill;

(iii) Federal Government shall publish their audited accounts not later than six months following the end of the financial year and in the mass media not later than 7months following the end of the financial year;

(iv) Publication of General Standards for the consolidation of public accounts shall be the responsibility of the OAGF;

(v) Federal Government through the BOF shall within 30days after the end of each quarter publish a summarized report on budget execution as may be prescribed by the FRC

(vi) Minister of Finance shall publish, not later than 6months 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 Federal Government had been substantially transparent in its Fiscal transactions in 2010. However, there were topics such as:

(I) Non-consultation with the states before preparing the MTEF 2010-2012 and non-consultation with the CSOs and NGOs during the preparation of the MTEF 2010-2012;

(ii) Lack of transparency in the preparation and publication of two supplementary budgets;

(iii) Setting aside the provisions of the Fiscal Responsibility Commission, 2007 on savings and asset management in favor of an MOU with the States in the operation of the ECA without amending the law;

(iv) Borrowing from the capital market in the form of bond without specifying the purpose of borrowing or doing cost/benefit analysis and feasibility study as required by the Fiscal Responsibility Commission, 2007

6.3. The NASS, although it debated the MTEF 2010-2012, the annual budget, it did not organize public hearings for them. The consideration of the two supplementary budgets appeared to be done in a hurry.

6.4. Despite promptings from the Fiscal Responsibility Commission, the Federal Government did not publish its audited accounts for 2009 or publish it in the mass media. Up till now, the Fiscal Responsibility Commission has not sighted any copy of the 2009 audited accounts of the Federal Government.

Meanwhile, the production of the audited accounts for 2010 and its publication are due in June and July, 2011. The Fiscal Responsibility Commission hopes to receive the reports in good time.

6.5. With regard to the quarterly budget implementation report and consolidated budget execution report, the Federal Government through the BOF and Minister of Finance had done relatively well. Unfortunately, however, the report reached the Fiscal Responsibility Commission dead on arrival. Some came about 5months behind time. Worse still, the report did not, in some cases, comply with the format prescribed by the FRC. The FRA

2007 authorize the FRC to prescribe the report formats.

6.6. In the circumstances, it is observed that the issues of transparency and accountability have to be taken more seriously. Future delayed compliance with the Act and its provisions on transparency and accountability will attract investigations and reports to the Attorney-General of the Federation for possible prosecution.

The Emir of Yauri, Dr. Zayyanu Abdullahi [CON] [in Agbada] in a snapshot with the Chairman and other Commissioners during a courtesy call on Him. Commission member in Birnin Kebbi - Kebbi State for a Retreat

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 7

RESEARCH AND DISSEMINATION OF STANDARDS

Transparency
Integrity
Truth
Justice
Prudence

As required by Section 3 and subsections 1(b) and 1(c) of the FRA, 2007, the FRC disseminated some standard practices including international good practices that would result in greater efficiency in the allocation and management of public expenditure, revenue collection, debt control and transparency in Fiscal matters. Such Standards were incorporated in the numerous comments and reports forwarded to the FRC stakeholders.

7.2. Furthermore, the FRC embarked on two major studies on budgeting and management of the ECA. Minor studies were carried out on the MTEF 2010-2012 and the Appropriation Act 2010 to show how much they agreed with each other or complied with the FRA, 2007.

Study on the Management of the Excess Crude Account (ECA) July 2007 to March 2010.

7.3. Owing to the spate of complaints in both the electronic and print media to the effect that the ECA was being accessed at will by the Governments even when the price of oil was clearly above the budgeted price, the Commission obtained from the CBN the statement of the account from which it was evident that the ECA had been accessed several times for unspecified purposes. Since the condition precedent to the accessing of the Account is clearly spelt out in the FRA 2007, the Commission saw the need to undertake a study on how this account was being managed. The study team had made a reconnaissance survey of the management of the ECA and made preliminary recommendations which include:-

(i) Maintaining balances in the ECA to provide measurably high degree of confidence in the availability of sufficient resources in case of negative oil price shocks.

(ii) Designing and implementing a transition accumulation path to build up a targeted level of savings to avoid an abrupt adjustment of spending.

(iii) Updating the targeted level of savings regularly in consonance with MTEF, where price shocks affect the planned positions.

(iv) Framing a savings objective in addition to the stabilization objective to give a more robust Fiscal policy outlook to the ECA.

The study is at the verge of completion and thereafter, the Commission will invite stakeholders to deliberate on the report before dissemination to the public.

Analysis of the 2011-2013 MTEF, 2011 Budget and Operating Surplus of Corporations

7.4. The study of the 2011-2013 MTEF and the 2011 budget highlighted the macroeconomic variables on which the framework was hinged. The projections of the macroeconomic variables are listed below:

(I)	Project GDP	-	7%
(ii)	Inflation rate	-	less than 10%
(iii)	Exchange rate to 1US$	-	N150
(iv)	Benchmark oil price	-	$65 per barrel
(v)	Budget deficit	-	5% of GDP

7.5. The study observed that there were variations in the projections vis-a-vis the NE document, all of which should form the basis of the MTEF.

Table 7.1: Variations in projected Macroeconomic Variables in MTEF vis-a-vis 2011 Budget/Vision 20:2020

S/N	Variable	MTEF	2011 Budget	Vision 20:2020
1	Inflation rate	Single digit	13.4%	Single digit
2	Borrowing (External & Domestic)	Projected $12.1 Billion	$7.1 Billion (DSA recommendation)	60:40
3	Benchmark oil price	$58	$65	NA
4	GDP Growth rate	7%	NA search & insert by CPRS	13.8%
5	Revenue Estimates	N2.47 Trillion	N2.83 Trillion	NA
6	Projected Expenditure	N4.63 Trillion	N4.22 Trillion	NA
7	Budget deficit	3.2%	3.62%	3%

7.6. From the foregoing, the study's findings suggest that:

(i) There was no synergy in the use of the various documents that should form the basis of the MTEF;

(ii) Ceilings on expenditure in MTEF were placed on capital expenditure, which was too low and not in line with the 60:40 ratio envisaged in vision 20:20 and NEEDS. This would not be in line with anticipated growth in the economy;

(iii) The budget deficit of over 3% of GDP as projected in the 2011 budget implied that to finance the budget a projected domestic borrowing of $12.1Billion was required which surpassed the recommended total borrowing of $7.1Billion in the ratio of 60:40 for capital and recurrent expenditures respectively.

7.7. The study recommended that:

(a) Early preparation of MTEF, fusing all necessary variables from the relevant documents so as to have a solid foundation for annual budget.

(b) Assumptions and macroeconomic variables should cover the next three financial years, while actual for the preceding three financial years be shown in compliance with the requirements of the FRA.

(c) Capital expenditure should increase to 40% of the budget in order to drive and sustain economic growth as envisaged in the Vision 20:2020.

Collection and Collation of Approved Budgetary Estimates, Final Accounts and Internally Generated Revenue from States

7.8. It is imperative to collect data of critical fiscal variables pursuant to the preamble to the FRA 2007 which requires "...prudent management of national resources, ensuring long term macroeconomic stability of the national economy..."

During the year, staff of the Commission visited all the thirty-six States of the Federation and collected approved budgets, final accounts and internally generated revenue from all the States. The cooperation from all the States is commendable as all of them obliged the Commission with the relevant data.

7.9. The data are being collated and will be used to study, among others, the following:-

(i) Comprehensive aggregate revenue and expenditure of the States and Federal Government to give a clear position of financial relations and transactions between them.

(ii) Study of policy thrusts of State budgets with a view to ascertaining the synergy in the direction of policy priorities of States, Federal and Local Governments.

Federal Government Budget Implementation Study For The Five Years Period 2005-2009

7.10. Low capital budget implementation as signified by general public outcry, especially open complaints of the National Assembly, and Budget Implementation Reports made it imperative to study budget implementation. The Commission, therefore, instituted a 5-year study of budget implementation (2005-2009) to establish the extent of budget implementation. A draft report has been submitted and preliminary finding showed that:-

(i) Lateness in the submission/ passage of the appropriation bill was largely responsible for the poor implementation of the budgets.

(ii) Impact of the annual capital budget was low because of the distortion in the structure of expenditure which is largely on recurrent items rather than capital projects.

7.10A The view of the draft study report on budget implemantation is that capital budget performance did not translate into the stated priorities of Government [illegible] the aspirations of the Nigerian p[illegible]le.

7.11. As par[illegible] f the preliminary recommendations, t[illegible] study suggested that there was the need to improve the budget cycle by securing prior approval of the legislature based on full presentation and established feasibility before being admitted into the budget. The study is being reviewed in-house and its final recommendations will be circulated to stakeholders before dissemination to the general public.

Dissemination of Standards and International Good Practices

7.12. As part of its effort to improve standards and imbibe the best international good practices, the Commission undertook study visits to some countries with effective budget laws and others with successful Fiscal Responsibility and Fiscal stability.

7.13. Visits were made to Brazil, India and the United States of America. Brazil and India are among the world's growing and developing economies popularly known as BRICS (Brazil, Russia, India, China and South Africa). Their growth has been closely related to their effective implementation of Fiscal Responsibility Legislations. The United States of America on the other hand, has strong and effective budget legislations and procedure.

7.14. Brazil, India and Nigeria are in the league of developing countries and have similar administrative setups; all are Federations with States and Municipalities. The interesting aspect is that while the Fiscal Responsibility Legislation in Brazil covers all the three tiers of Government, those in India and Nigeria do not. Indian legislation is only for the Central Government while Nigeria has a hybrid; with 'Debt and Borrowing' and 'Savings and Assets Management' cutting across all tiers of Government. A graphical Comparison of the three Countries is shown in Table 7.2.

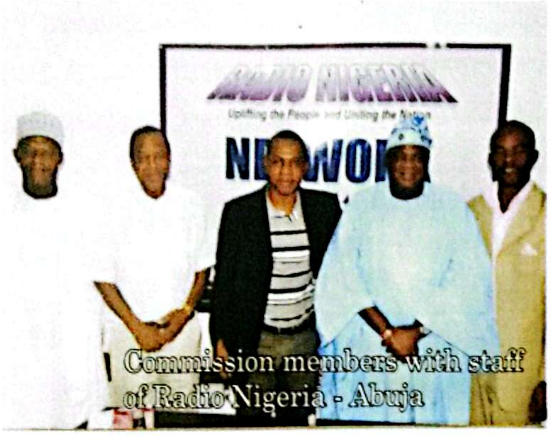
Table 7.2: Application of FRA in Brazil, India and Nigeria

Basis / Country	Form of Govt.	No of States	No of States Implemented	Admin. Structure	Coverage of Laws	Control Instrument
Brazil	Presidential	26	26	Federation	All tiers	Sanction and Deviation Correction Mechanisms
India	Parliamentary	28	26	Federation	Centre only	Carrot and Stick with inbuilt measures
Nigeria	Presidential	36	5	Federation	Hybrid	Not specific

7.15. In both India and Brazil, the emphasis has been on Debt reduction and enhanced revenue generation while remaining within the approved budgetary projections. Over the years since commencement of the implementation of the Fiscal Responsibility legislations, the level of Debts in both countries has been on the decline while economic growth indicators are on the rise

7.16. The United States exhibits sound checks and balances in their budgeting and expenditure processes in order to provide for prudent Fiscal Management. A Study of the US system has enriched the Commission's overall view of prudent and transparent Public Sector Financial System.

7.17. The Commission's team also interacted with some IMF officials, Congressional Budget Office and the Chairman, Ways and Means Committee of the United States House of Representative, among others.



Commission members with staff of Radio Nigeria - Abuja

7.17.a. The study tours had expanded the views and perceptions of the Commission and led to the following findings:-

a. Real Independence of the regulatory agency or commission is fundamental.

b. Well financed operations and budget predictability are imperative.

c. Key complementary institutions work relatively well, for example, a workable justice system requires good courts, good police and prisons.

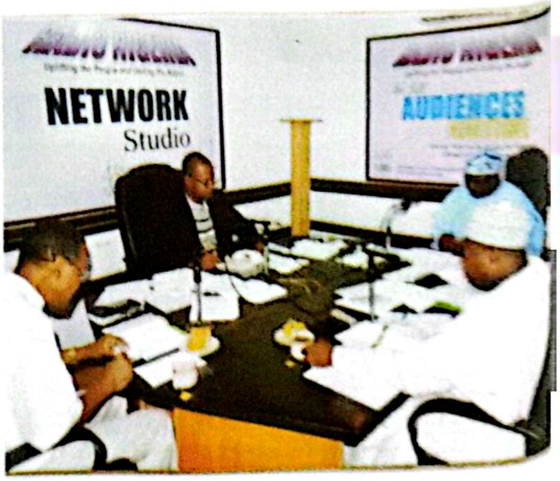
d. The mass media play a critical role in raising awareness of the citizenry as well as reporting fairly and objectively.

e. Effective anti-corruption agencies are themselves

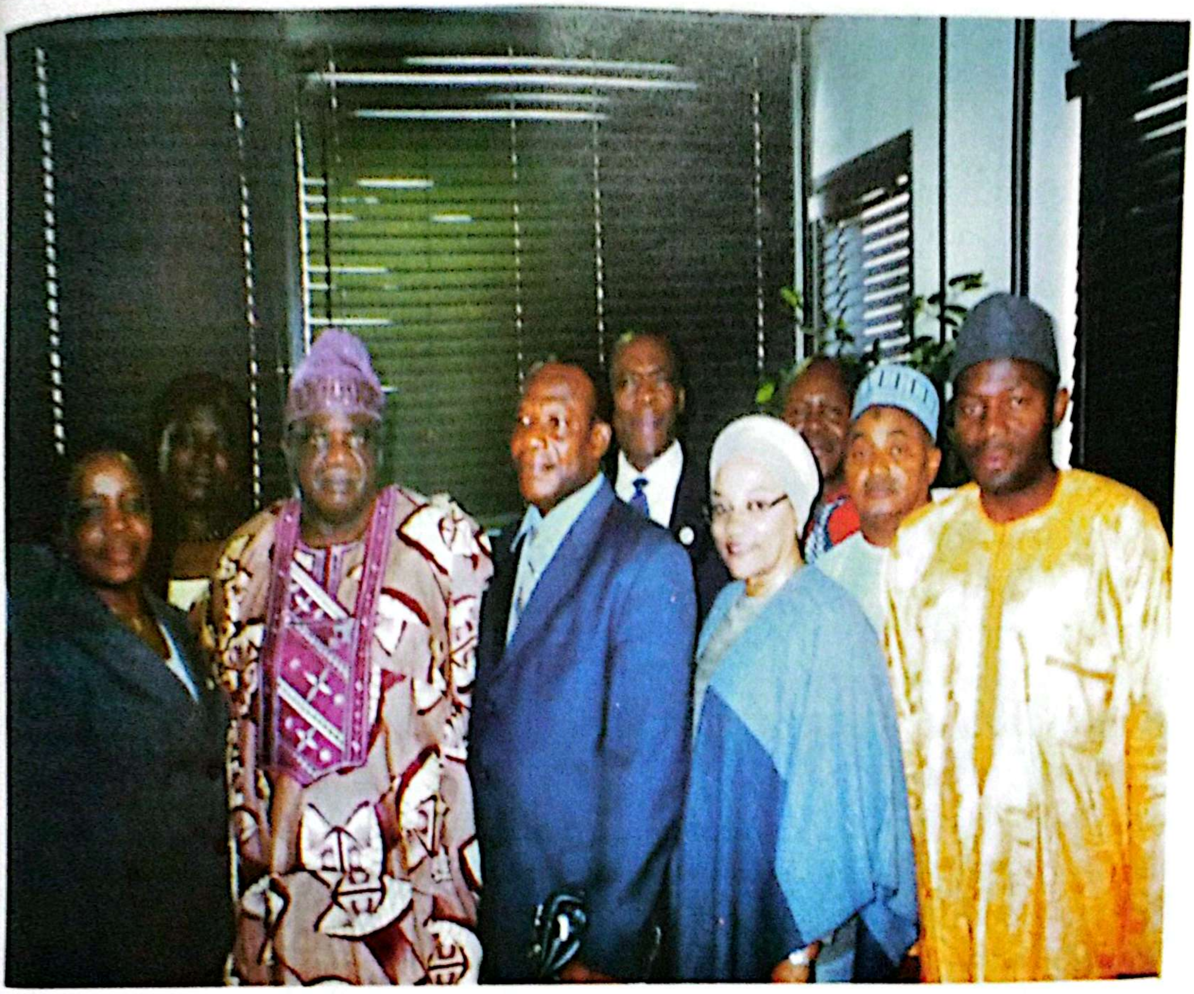
accountable for performance.

7.18. The implementation of Fi Responsibility does not rely on the us force in its infancy. Even at rela maturity in Brazil deviation correc mechanisms a institutional sanctions t precedence over individ penalty rules. The Fis Responsibility is theref part of the country's politi culture.

7.19. Global coverag Fiscal Responsibil facilitates strong econo growth as in Brazil. situation where States a free to enact their own versions of Fis Responsibility Laws without subjecti them to the authority of FRA will lead to s optimal growth and stability, as t experiences of Brazil and India shows Bra is growing faster than India.



Commission members in the studio of Radio N in a Phone-in-Programme in Abuja



Commission members with Officials of Nigerian Embassy in Ottawa Canada on a capacity building mission in may 2011

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 8

ENFORCEMENT OF THE FISCAL RESPONSIBILITY ACT, 2007

Transparency
Integrity
Truth
Justice
Prudence

The enforcement of the provisions of the FRA, 2007 is difficult. It is true that the Act provides for offences and empowers the FRC to compel persons and Government institutions to produce information on public revenue and expenditure, investigate contraventions of the Act and report offenders to the Attorney-General of the Federation for **possible prosecution**. The punishment or sanction for the offences or violation of the provisions are not specified or written in the Act.

8.2. In the prevailing situation, the FRC is like a policeman without gun and the provision for **possible prosecution** by the AGF is like a black hole. The apparent lack of sanction make persons and Government institutions treat compliance with the Act with levity.

8.2.a. For the purpose of enforcement, the Commission request for, and the Inspector-General of Police (IGP) posted some police personnel to the Commission.

Investigation

8.3. In 2010, the Commission embarked on the investigation of observed breaches of the provisions of the FRA, 2007, in the following organizations:

(a) Bureau of Public Enterprises (BPE)

(b) Nigerian Communications Commission (NCC)

(c) Nigerian Tourism Development Corporation (NTDC) and

(d) National Sugar Development Council (NSDC)

Bureau Of Public Enterprises (BPE)

8.4. From the onset, the management of BPE has been cooperating. This was exhibited by the prompt response of the Management to all letters sent to the Bureau. On 2nd August, 2010 an invitation letter was dispatched requesting the attendance of the Management with some vital documents. On 12th August, 2010, the representatives of the Director General, BPE, reported as summoned and volunteered their cautionary written statements and sought for more time to source for some vital documents as requested, and as guide to his detailed statement. They were obliged and on 25th November, 2010 they reported back with details of all sales made by the Bureau for a specified period of time in respect of Federal government properties and assets. Expert scrutiny of transactions in respect of about eight (8) establishments concerned and proceeds of their sale said to have been paid through about eleven (11) commercial banks is being carried out discretely with a view to verifying/ascertaining the veracity of the claims and thereafter, determine the next line of action to take.

Nigerian Communications Commission (NCC)

8.5. After series of correspondence between this commission and NCC, an invitation was sent to the Executive Vice Chairman NCC requesting his appearance with relevant information regarding how NCC operates with regards to FRA, 2007.

8.6. The invitation was initially honoured through one of the Permanent Commissioners and later by the Executive Vice Chairman himself who led a team from his Commission. An interaction session was held whereby some requests were made and consequently the meeting was rescheduled for the required documents to be sourced by relevant officials. These were later fulfilled and are now being scrutinized. Investigation is ongoing and a lot has so far been achieved, including ensuring that the NCC made remittance into the Consolidated Revenue Fund as operating surplus pursuant to the FRA.

Nigerian Tourism Development Corporation (NTDC)

8.7. Series of correspondences were exchanged between this Commission and NTDC in an effort to intimate the later on the establishment of the Commission and also to determine the extent to which Fiscal Responsibility Act, 2007, is being adhered to. NTDC has been uncooperative until recently when the Director of Finance and Accounts NTDC reported. He brought along some documents which include his corporation's 2007 & 2008 approved budgets, 2007, 2008 and 2009 Audited Account as well as a copy of the law establishing it. While the documents are being scrutinized with a view to determining the extent of the Corporation's compliance with the Act, other investigation into the financial activities of the Corporation are ongoing.

National Sugar Development Council

8.8. As one of the scheduled under the fiscal Responsibility Act 2007, our invitation was extended to the Council which was honoured through the Executive Secretary of the Council, who was accompanied by the Director of Finance of the Council.

8.9. They brought along some documents earlier requested for investigation. The Director of Finance later volunteered his cautionary statement highlighting NSDC's predicaments which militated against its' readiness to comply with the provisions of the Fiscal Responsibility Act, 2007. He further stated that, the National Sugar Development Council was established following the promulgation of Decree No. 88 of 1993. The Decree spelt out in section 6(2) (a) that, 10% surcharge on Sugar imports collection would be maintained by the Sugar Council and shall be applied towards the promotion of the objectives for which the Council was established. He concluded that all the revenue generated from the 10% Sugar import levy is not presently under NSDC's custody as the account is being maintained by the Custom Service. This has therefore, made it impossible for NSDC to comply with FRA 2007, provisions on operating surplus and maintaining General Reserve Fund (GRF). Both the Accountant General of the Federation's Office and the Nigeria Customs Service would be contacted on these claims before further necessary action can be taken by the Commission.

Defences And Monitoring Of Law Suit

8.10. A case in court which was closely followed by the Commission is Suit No FHC/L/CS/1069/09 (Malachy Ugwummadu Vs The President of the Federal Republic of Nigeria & Ors). The Suit bordered on the implementation of the 2009 Budget of the Federal Republic of Nigeria wherein the Federal High court was called upon to compel the President to execute the Budget strictly on its terms.

8.11. Though the Fiscal Responsibility Commission was not joined as a party in the said unit, the Commission's interest in monitoring same lay in the fact that a judicial pronouncement on the merits of the Suit could complement the efforts and powers of the Commission to monitor and enforce the provisions of the Fiscal Responsibility Act as provided for under Section 3(1)(a). However, the honourable Court declined jurisdiction to entertain the matter, holding that it was academic and moot as constituted.

The Case Of Charles Musa & Co. Vs Fiscal Responsibility Commission Suit No. FHC/ABJ/CS/671/09.....

8.12. The case of Charles Musa & co Vs Fiscal Responsibility Commission, suit No. FHC/ABJ/CS/671/09 before the Federal High Court sitting in Abuja wherein the Plaintiff is asking the Court for an order of perpetual injunction restraining the Defendant from demanding from legal Practitioners or persons under any guise – any sum of money whatsoever as a prerequisite for considering the said legal practitioners – for enlistment as consultants and or engagement of their services. The Legal Unit put up a defence to the suit and at present, the case is at adoption of addressed stage and comes up for hearing on the 4th July, 2011.

The Commissioner of Monitoring and Evaluation, Alhaji Shuaibu Kore welcoming Mr. John Litwack of the World Bank

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 9

ADMINISTRATION AND FINANCE

Transparency
Integrity
Truth
Justice
Prudence

At the apex of the FRC are the Commissioners who sort of constitute the Board or Council of the Commission. The Full-Time Chairman and Six Full-Time members make up the Executive Management Committee (EMC). The Chairman, Commissioners and the EMC are responsible for the governance of the Commission. The Chairman doubles as the Chief Executive and Accounting Officer.

The Commission is structured into six Directorates of:

(i) Finance and Administration;
(ii) Legal, Investigation and Enforcement;
(iii) Policy and Standards;
(iv) Strategic Communications;
(v) Planning, Research and Statistics; and
(vi) Monitoring and Evaluation.

9.2. Each Directorate is headed by a Full-Time Commissioner who reports to the Chairman who coordinates the governance of the Commission.

Personnel and Capacity Building

9.3. In the greater part of 2010, the Commission operated with twenty staff of various cadres drawn from relevant MDAs, pending the engagement of its own permanent staff. Later in the year, the FRC employed 37 staff ranging from Grade Level 12 to Grade Level 15.

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9.3. In the greater part of 2010, the Commission operated with twenty staff of various cadres drawn from relevant MDAs, pending the engagement of its own permanent staff. Later in the year, the FRC employed 37 staff ranging from Grade Level 12 to Grade Level 15.

Training programmes and capacity development were organized for the Commissioners and staff both in and outside Nigeria.

9.4. The shortage of office accommodation was a problem. This became more serious when 37 new staff were employed. Consequently, the Commission leased a building in Asokoro District to serve as Office Annexe. The Annexe was furnished. It is expected to ease remarkably the problem of office accommodation.

ICT Projects Undertaken in 2010

9.5. In setting out to execute its mandate as stipulated by the Fiscal Responsibility Act, FRA, 2007, the Commission developed an ICT blueprint that would facilitate seamless operations and ensure efficient service delivery by its workforce.

Information and Communication Technology (ICT) projects embarked upon in 2010 are tabulated below:

Table 9.1 Work Done on ICT for the FRC

s/n	Project	Purpose	Status	% Completion
1	Wireless Local Area Network (WLAN) Project	To set up an infrastructure that would allow for seamless operations, resource sharing and integration.	Completed	100
2	Data Centre Project	i) To provide a warehouse for data obtained from MDAs and Stakeholders. ii) To have a reference centre for information on Government fiscal policies implementation.	Completed	100
3	Online Linkage Project	To establish real -time connection with stakeholders and MDAs for purposes of collaboration, monitoring and information interchange	Ongoing	95
4	Capacity Building/ Training	To prepare its workforce to embrace modern ICT tools in daily routines.	Ongoing	50
5	ICT Consultancy	Engaged an independent consultant to develop and and drive the Commission's ICT roadmap	Completed	100

Source: FRC File on ICT

Commission's Library

9.6. In line with the responsibility for the establishing, operating and maintaining the commission's Library and Data base, it secured a larger space in the commission's Annex office for the library. In collaboration with the National Library of Nigeria, the library set-up attained 95% completion. The Subject books, Law reports, Annual reports, Journals and Magazines etc were sorted, stamped, catalogued, classified and lettered. The set-up reached the final stage of shelving.

9.7. To operate optimally, a Library officer was employed and a Librarian was in the process of being seconded form the National Library of Nigeria to assist in the operation of the Library. The Commission procured some law books as well as books on economics, politics, managements etc. More books and publications were expected to be stocked in the future.

Public Education and Enlightenment Advocacy

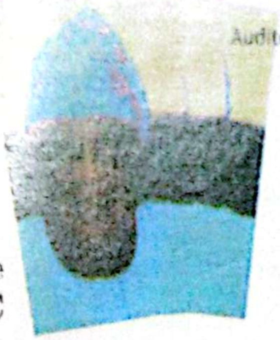
9.8. Mindful of the positive effects of publi education and enlightenment on the image and activities of the Commission, the FRC sets up an Advocacy and Sensitization Committee to work alongside the Directorate of Strategic Communication. The Committee hit the ground running. It started action with the process of branding the Commission with a beautiful logo and captivating slogan, 'FRC for Prudence and Transparency'.

9.9. Press Conferences were held in Kaduna and Kebbi States, while courtesy calls were paid to the Governors of Kaduna State, Kebbi State, the Emirs of Yauri, Birnin Kebbi and Argungu. The Commission issued press releases on its activities, workshops in Lagos, Kaduna and Retreat in Kebbi State. Radio Talks were held in Abuja on the provisions of the FRA, 2007 and activities of the Commission. The advocacy programmes made the public to be more aware of the existence of the FRC and its activities. The capacity building workshop which the commission held in Kaduna in the year under review for MDAs, dwelt on the critical role of the MDAs in the implementation of the Act. The workshop took far reaching decisions which are contained in the communique appended to this report.

Financing the Commission

9.10. Section 4 of the FRA, 2007 provides for the establishment of a fund for the Commission as follows:

> 4(1) the Commission shall establish and maintain a fund from which shall be defrayed all expenditure incurred to the fund
>
> (2) there shall be credited to the fund established pursuant to subsection (1) of this section, the budgetary allocation from the Federal Government and grants from other sources.



9.11. These express provisions notwithstanding, the Federal Government does not only default in the release of allocation to the Commission fully, but also harvests whatever balance that is in the fund at the end of December or March (if the capital expenditure budget is extended from December to March). The problems of short-releases and harvesting the balances in the funds make the management of finances and projects chaotic, uncertain and volatile. In some cases, many on-going project are delayed and/or attract upward reviews.

9.12. Again, the Federal Government subjects the Commission to annual budgeting items by item under personnel cost, overhead cost and capital expenditure like other MDAs. With the express provisions in Section 2(2), 3(2), 4(1) and 4(2) that the Commission is a body corporate with perpetual succession, independent in the performance of its functions and establishment of a fund into which allocation shall be paid (not shall be withdrawn), it would have been thought that funding of the Commission would be by statutory transfer as it is the case of the NDDC, National Judicial Council, Universal Basic Education Commission and the National Assembly.

9.13. In 2009 and 2010, the finances of the Commission moved as illustrated in Tables 9.2 and 9.3.

Table 9.2: Summary of 2009 Budget Implementation

Expenditure Head	2009 Appropriation	Releases	Expenditure	Balance
Capital	220,294,955.00	220,294,955.00	177,364,786.00	42,930,169.00
Overhead	446,050,000.00	446,050,000.00	259,578,742.08	186,471,257.55
Personnel	250,000,000.00	166,033,433.33	163,016,183.07	3,017,249.36
Total:	**916,344,955.00**	**832,378,388.33**	**599,959,712.05**	**232,418,675.91**

Table 9.3: Summary of 2010 Budget Implementation

Expenditure Head	2009 Appropriation	Releases	Expenditure	Balance (31/12/2011)
Capital	650,000,000.00	122,532,709.00	101,490,036.77	21,042,672.23
Overhead	431,255,000.00	388,129,500.00	388,056,867.35	72,632.65
Personnel	266,485,873.00	229,026,360.72	186,563,571.40	42,462,789.32
Total:	**1,347,740,873.00**	**739,688,569.72**	**676,110,475.52**	**63,578,094.20**

2010 Audited Accounts

9.14. The FRC audited its accounts as required by section 10 of the FRA, 2007. In this regard, the Financial Statements for the Year Ended 31 December, 2010 audited by Aminu Ibrahim and Co (Chartered Accountants) which is part of this annual report.


MONEY

FISCAL
RESPONSIBILITY
COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 10

CHALLENGES AND FUTURE PLAN

Transparency
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Truth
Justice
Prudence

As a new agency that started operation from the scratch, the Commission had [ch]allenges or obstacles in 2010. As an on-[goi]ng concern, the FRC made plans for a way [for]ward.

[O]bstacles

[10.]2. The challenges were many. A few will [b]e highlighted. The FRA, 2007 does not [pro]vide for written sanctions for the violation [o]f its provisions. This situation makes some [st]akeholders, persons and Government [in]stitutions too lethargic to comply with the [pro]visions of the Act. In fact, they treat the [C]ommission's monitoring and enforcement [ac]tivities with frustrating levity and as [un]wanted intrusion into their affairs.

[1]0.3. In 2010, the Commission operated, in [m]any cases, without facts. For example, the [G]overnment did not fix limits to consolidated [d]ebt for the three tiers of Government in the [F]ederation to enable the Commission verify [co]mpliance with debt limits and condition of [b]orrowing. Similarly, the DMO had no [co]mplete and reliable data on domestic loans [fo]r sub-national Governments. The States [h]ad no GDP figures and consolidated [f]inancial positions.

10.4. The corporations and related [a]gencies are not fully complying with the [F]RA, 2007. Despite repeated requests, the [M]inister did add new Corporations to the [S]cheduled Corporations to replace the ones lost to the private sector through the process of privatization.

10.5. Government doesn't seem to recognise fully that the Commission is a guardian rather than a spender of funds, hence the inappropriate funding of the Commission.

10.6. The consequence is that the Commission faces shortage of office accommodation, vehicles, equipment and inordinate delay in payment for services rendered to it.

10.7. Despite a catalogue of challenges, the Commission has a robust future outlook. In the ensuring year, that is, 2010, the Commission intends to execute the following plans:

i. Investigation of violations of the provisions of the FRA, 2007 and reporting offenders to the AGF for possible prosecution

;ii. Completion of the studies and dissemination of their results to the general public on:

a. Excess Crude Account (ECA);

b. Five-year (2005-2009) Budget Implementation;

iii. Special salary scale for the staff of the Commission;

iv. Completion of the ICT for the Commission;

v. Capacity Building and staff training;

vi. Completion of the Commission's Website;

vii. Physical verification of some of the reported Federal Government capital Projects:

viii. Consolidated Fiscal position of Governments;

ix. MTEF/budget variance;

x. Reconciliation of Monetary and Fiscal Policy;

xi. Budget deficit and Borrowing;

xii. Monitoring and Enforcement Schedule;

xiii. Review of the MDAs;

xiv. Implementing Fiscal Responsibility in the States;

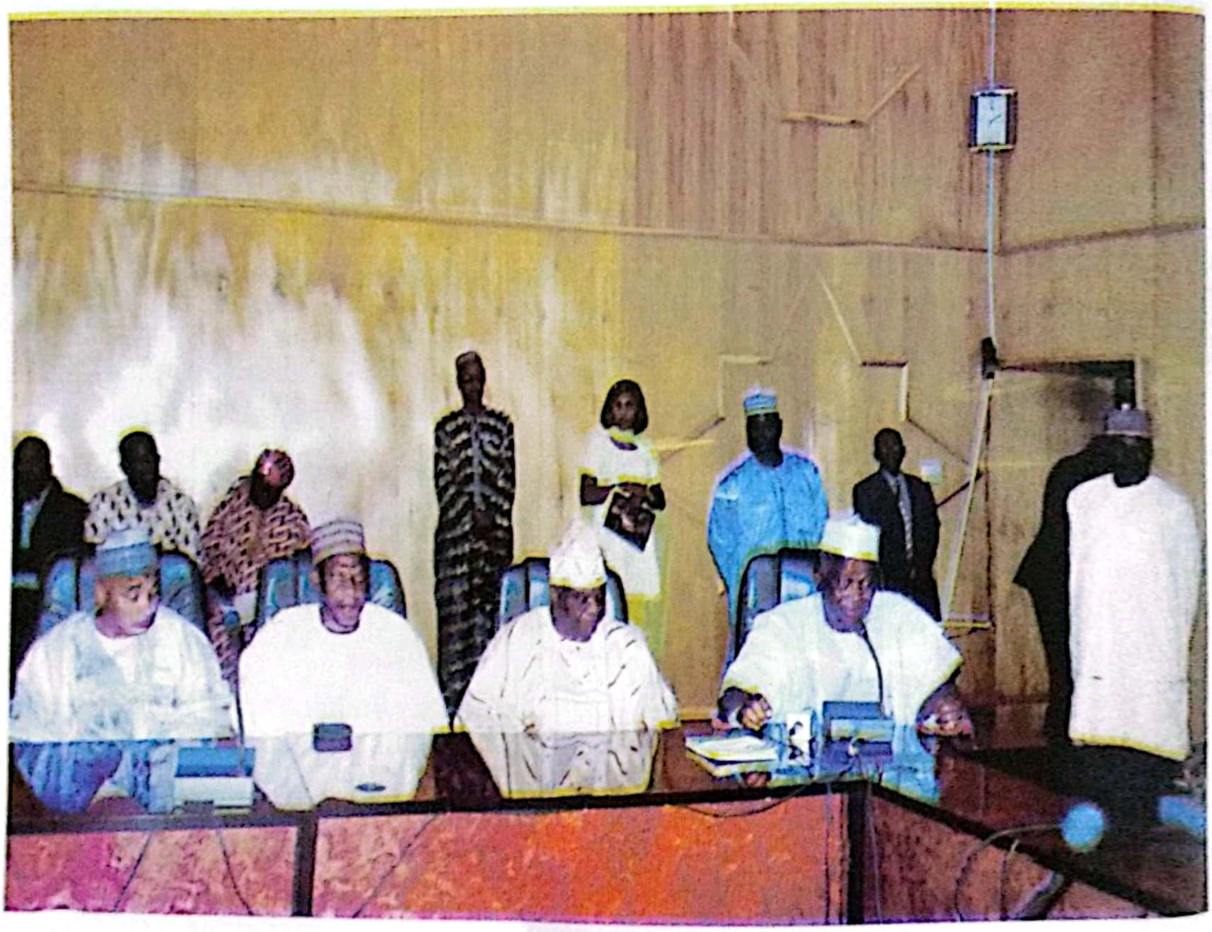
xv. Technical and Financial Assistance from Development Partners and other Donor; a

xvi. Effectively pu cising the activitie of the Commis n and its mandate;

xvii. Shore up advocacy to all commissions' stakeholders

xviii. Acquisition of public awareness equipments;

xix. Networking with all interest groups across all geo-political zones to effectively police and collaborate with the FRA in educating Nigerians for their rights as Nigerians.



Chairman of F R C, Alhaji Aliyu Jibril Yelwa speaking during the courtesy call on the Emir of Birni Kebbi.

FISCAL
RESPONSIBILITY
COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 11

CONCLUSION

Transparency
Integrity
Truth
Justice
Prudence

[t]he 2010 annual report on the [a]ctivities of the Fiscal Responsibility Commission and [a]udited accounts in the preceding [s]how that various economic and fiscal [measures] embarked upon by Government [since] 2004 and culminating in the [enactm]ent of the FRA, 2007 are beginning [to ha]ve the desired impact, though very [slowl]y. The management of public finance, [partic]ularly at the Federal Government [level] has changed from budgeting based on [...] discretion and automatic adjustment [to b]udgeting based on fiscal rules. Limits [an]d prohibitions are now imposed on [rev]enues, expenditures, deficits and [borr]owing. The uses of the proceeds from [th]e ECA, even though not exactly as [pla]nned, have reduced volatility in public [spe]nding and help the Government to cope [wi]th prevailing global economic crisis. [Mu]ch more importantly, it has helped the [GD]P to grow more than expected.

[11.]2. Some Governments now publish [th]eir audited accounts within 6 months [af]ter the end of the financial year. This is a [re]markable change when compared to the [p]ast practice of carrying 6 years arrears of [un]audited accounts. The sharing of FAAC [i]s announced on the day of sharing or a day [a]fter. Compared to the past practice of [s]ecrecy, the level of accountability and [t]ransparency is becoming higher.

11.3. Although prudent management, macroeconomic stability, accountability and transparency in fiscal transaction are improving, the scourges of poverty, unemployment and corruption are still with us. There is no doubt, that the anti-graft agencies, the ICPC, code of Conduct Bureau, Code of Conduct of Tribunal and particularly the EFCC are fighting corruption. Despite their efforts, serious financial scams still blow out in high places. There is therefore the need to strengthen these bodies and institutions such as the courts, police and prisons in their synergy for fighting crimes and provision of justice. Similarly, the agencies and policies such as the MDGs, NEEDS, SEEDS, and the NDE should be upgraded to effectively deal with problems of poverty and unemployment. Furthermore, strict implementation of fiscal rules will checkmate corruption and other financial scams.

11.4. Corporations and related agencies, and particularly the States are painfully slow in their adoption and implementation of the fiscal rules. In Brazil sanctions such as imprisonment, loss and denial of office and fines were imposed on persons and institutions that violated the FRL. In India, the use of carrots such as debt forgiveness, reduction of interest payment on loans and grants were used as incentives to make sub-national governments comply with the FRL. Consequently, over 92% of the State in Brazil and India compiled within two years of the commencement of the FRL.

11.5. In Nigeria, where there is neither clearly defined sanction, except reputation sanction, nor any carrot to induce compliance, not more than 5 States or 13.88% are attempting to comply, three years after the commencement of the FRA, 2007. No Local Government of the 774 LGs has attempted compliance. There is need for a policy review in the coordination of fiscal policy in Nigeria without prejudice to the efforts of World Bank, DMO and FRC to extend fiscal responsibility to the States.

11.6. The FRC is now well established on the ground and is in a position to monitor and enforce the provisions of the FRA, 2007 better. It has developed implementation template and acquired the knowledge of standard practices and international good practice in the monitoring, enforcement, fiscal and financial studies and capacity building in the course of study visits to the USA, Brazil, India, Switzerland and Canada.

11.7. All that the Commission requires to perform are more of Government's political will to implement the Act and adequate financial support to carry out its mandate.


Markets
68.90
20.48

NATIONAL WORKSHOP ON

"UNDERSTANDING THE REQUIREMENTS OF THE FISCAL RESPONSIBILITY ACT, 2007"

HELD BETWEEN MONDAY 18TH AND THURSDAY 21ST OCTOBER, 2010 AT CRYSTAL GARDEN HOTEL, ANGUWAN RIMI, KADUNA, KADUNA STATE, NIGERIA

COMMUNIQUE

INTRODUCTION

A four day workshop was organized by the ***Fiscal Responsibility Commission*** in conjunction with JK ***Consulting Co. Limited*** to sensitize stakeholders on provisions of the Fiscal Responsibility Act, 2007 (FRA).

The workshop attracted participants from Federal Ministries, Departments and Agencies (MDAs), the Judiciary, National Assembly, State Governments, Scheduled Corporations under the FRA, 2007 and the Private Sector.

At the workshop, eight papers on various aspects of the Act were presented by erudite scholars and professionals. The papers were exhaustively discussed by participants and conclusions drawn from the divergent views expressed.

2. ISSUES NOTED

The following important issues were noted:

2.1 The statutory objective of the FRA is to provide for prudent m... nation's resources, ensure long-term macro-economic stability of the ... and secure greater accountability and transparency in fiscal operatio... term fiscal framework.

2.2 the Constitution of the Federal Republic of Nigeria, 1999; the Finance (control and Management) Act, 1958 as amended to date and the Fiscal Responsibility Act, 2007 provide effective roles for the Federal Ministry of Finance (FMF), the National Planning Commission, the Budget Office of the Federation (BOF), THE Office of the Accountant-General of the Federation (OAGF) and Fiscal Responsibility Commission (FRC) in the ***budgeting process*** of the nation.

2.3 The Fiscal Responsibility Commission is mandated with the duty of ***monitoring*** and ***enforcing*** the provisions of the Fiscal Responsibility Act.

2.4 The Budget Office of the Federation (BOF) is mandated to produce and publish quarterly budget implementation reports and consolidated annual budget execution reports and send copies to the Joint Finance Committee of the National Assembly and Fiscal Responsibility Commission.

2.5 The 2010 capital budget was harmonized with the implementation of the nation's Vision 20:2020 under the aegis of the National Planning Commission.

2.6 The deficit level in the 2010 budget significantly exceeded the permitted limit of about 3% of GDP as provided by FRA in order to pull the economy out of the current economic recession.

2.7 For prudent implementation of the budget, the Federal Government of Nigeria set up in 2009 a ***Federal Cash Management Committee*** under the Chairmanship of the Hon. Minister of Finance with the Accountant- General of the Federation as Chairman of the Technical Sub-Committee.

2.8 In aligning the provisions of the Fiscal Responsibility Act with the provisions of the Debt Management Office (DMO) Act, the DMO has come up with the ***National Debt Management Framework (2008-2012)*** which has been endorsed by the Federal Government of Nigeria. In addition, Debt Management Department have been established in some of the 36 States of the Federation.

RECOMMENDATIONS

Based on the foregoing issues as noted, the workshop came up with the following recommendations:

3.1 Removal of challenges to the smooth flow of annual Budget Cycle.

The Budget Cycle flows through planning, preparation, implementation, monitoring, evaluation and reporting.

The Federal Government, the MDAs, Parastatals and National Assembly should corporate and ensure that the budget planning starts in April and the Appropriation Act is signed latest by the end of December in the year preceding the budget year so that the implementation of the budget can commence from January of the budget year.

3.2 Budget deficits in excess of 3% of GDP

Government has since 2009 not kept to the provisions of Section 12 of the FRA which puts the fiscal deficit threshold at 3% of the GDP. For instance, anticipated fiscal deficit for 2010 budget year is likely to be 6% of the GDP. This violation is a major threat to the objectives of the Act.

The Workshop recommends that Government should keep to the threshold of 3% of the GDP in accordance with the Act.

3.3 Operating Surplus and General Reserve Fund of Scheduled Corporations

Section 22 of the Act provides that one-fifth (20%) of the operating surplus is to be retained by each of the scheduled corporations at the end of each financial year, while four- fifths (80%) of the operating surplus is to be paid into the Consolidated Revenue Fund of the Federation.

The Workshop discussions disclosed that corporations used different accounting methods and practices in arriving at the operation surplus. In order to standardize the practice, the Workshop recommends that the FRC should disseminate standardized good practice and format for the calculation of operating surplus

3.4 Timely Supply of Correct Data to FRC

All MDAs and the scheduled corporations are required to supply accurate and reliable data and information to the Fiscal Responsibility Commission on request. Where an MDA or Corporation fails, the FRC is empowered by section 2(1) of the FRA to compel the defaulting person or agency to comply.

3.5 The Threshold of National Debt to GDP

The Workshop observed that the present debt portfolio is put at 16.6% of the GDP which is lower than the critical threshold of 40%.

The Workshop recommends that effort should be made to maintain the current ratio notwithstanding the pressure from the Federal and State Governments for loans. It further recommends that the FRC should implement Section 42(4) of the Act by publishing on quarterly basis, the list of governments that exceeded the limits of consolidated debt.

3.6 Need for Financial Independence of the FRC

The Workshop observed that there are sufficient provisions in the Act to guarantee the independence of the Fiscal Responsibility Commission. However, the subjection of the Commission to the annual budgetary process as applies to Ministries substantially whittles down its operations, thus reducing its independence.

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

CHAPTER 12

AUDITED REPORTS AND ACCOUNTS

Transparency
Integrity
Truth
Justice
Prudence

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

CORPORATE INFORMATION

Members of the Commission

Alhaji (Dr.) Aliyu T. Yelwa, **OON** (Sardauna Yauri)	Chairman
Chief (Dr.) S.F.O Mordi	Member
Chief (Barr.) Chris Okewulonu	Member
Alhaji Shu'aibu A. Kura (Wambai Wamba)	Member
Alhaji Umaru Ya'u Kumo	Member
Alhaji Zakari M. Sada	Member
Dr. (Chief) Adewumi Abitoye	Member
Barr. Benson Upah	Member, Rep. Labour
Alhaji Sulaiman Abubakar	Member, Rep. Organized Private Sector
Hajiya Amina S. Yusuf	Member, Rep. Federal Ministry of Finance

Management Team

Alhaji (Dr.) Aliyu T. Yelwa, **OON** (Sardauna Yauri)	Chairman
Chief (Dr.) S.F.O Mordi	Commissioner, Policy & Standard
Chief (Barr.) Chris Okewulonu	Commissioner, Legal, Investigation & Enforcement
Alhaji Shu'aibu A. Kura (Wambai Wamba)	Commissioner, Monitoring & Evaluation
Alhaji Umaru Ya'u Kumo	Commissioner, Finance & Administration
Alhaji Zakari M. Sada	Commissioner, Planning Research And Statistics
Dr. (Chief) Adewumi Abitoye	Commissioner, Strategic Communication

Headquarters

Plot 66, Samuel Ajayi Crowther Street
Asokoro District
Abuja

Bankers

Central Bank of Nigeria
United Bank for Africa Plc
Stanbic IBTC Bank Plc
Fin Bank Plc
Zenith Bank Plc

Auditors

Aminu Ibrahim & Co
(Chartered Accountants)
1st Floor City Plaza
Plot 596, Ahmadu Bello Way
Garki II, Abuja

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

Principal Activities and Operational Review
The primary activities of Fiscal Responsibility Commission, which commenced on 30 July, 2007 as provided for by the Act are amongst others to:

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

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

a. Formulate and provide general policy guidelines for the discharge of the functions of the commission.
b. Superintend the implementation of the policies of the Commission.
c. Appoint for the Commission such numbers of employees as may in the opinion of the Commission be expedient and necessary for the proper and efficient performance of the functions of the Commission.
d. Determine the terms and conditions of service in the Commission, including disciplinary measures for the employees of the Commission.
e. Fix the remuneration, allowances and benefits of the employees of the Commission as approved by Salaries and Wages Commission.
f. Do other things which in its opinion are necessary to ensure the efficient performance of the functions of the Commission.
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.

SCAL RESPONSIBILITY COMMISSION

NANCIAL STATEMENTS
OR THE YEAR ENDED 31 DECEMBER 2010

EPORT OF THE COMMISSIONERS

e Commissioners have the pleasure in presenting the report of the financial operation of the Commission for e year ended 31 December, 2010 as follows:

Summary of Income and Expenditure	₦	₦
Recurrent subventions received during the year		641,651,438
Remitted to Federal Sub-Treasury:		
Unspent recurrent grants	42,535,422	
Recovered loan(Principal sum)	9,452,682	
		(51,988,104)
		589,663,334
Internally generated revenue	3,182,103	
Remitted to the Federal Sub-Treasury - CRF	(3,182,103)	-
Personnel costs	128,536,095	
Administrative costs	394,442,045	
Depreciation	56,083,486	
		(579,061,626)
Surplus for the year		10,601,708

Capital Grants

Unutilised balance at 1 January, 2010	73,128,771
Amount received during the year	122,532,709
	195,661,480
Amount expended during the year	(131,688,639)
	63,972,841
Amount returned to Federal Sub -Treasury - CRF	(42,930,169)
Unutilised balance at 31 December,2010	21,042,672

3 **Employment of Disabled Persons**

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

4 **Health, Safety and Welfare**

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

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

REPORT OF THE COMMISSIONERS (CONT'D)

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

6. The Auditors, Messrs Aminu Ibrahim & Co. (Chartered Accountants) have indicated their willingness to continue in office.

Alhaji (Dr.) Aliyu J. Yelwa,OON, (Sardaunan Yauri)
CHAIRMAN

Aminu Ibrahim & Co
Chartered Accountants

City Plaza, 3rd Floor
Plot 596 Ahmadu Bello Way
Garki 1
P.O Box 971
Abuja, Nigeria
Tel: (09) 8706056, 8700940-1
www.aminuibrahim.com

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

We have examined the accompanying financial statements of **Fiscal Responsibility Commission**, for the year ended 31 December 2010 set out on pages 8 to 10 which have been prepared on the basis of significant accounting policies set out on page 7 and other explanatory notes on pages 11 to 15.

Commissioners' Responsibilities for the Financial Statements

The Commissioners are responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Accounting Standards issued by Nigerian Accounting Standards Board and with the requirements of Fiscal Responsibility Commission Act No 31 of 2007. This responsibility includes: designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an independent opinion these financial statements based on our audit. We conducted our audit in accordance with Nigerian Standards on Auditing issued by the Institute of Chartered Accountants of Nigeria. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Commission's financial position as at 31 December 2010 in accordance with the Statements of Accounting Standards issued by Nigerian Accounting Standards Board and the requirements of Fiscal Responsibility Commission Act No 31 of 2007.

We confirm that:

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

In our opinion, proper books of account have been kept by the Commission; and

The Commission's balance sheet and income and expenditure statement are in agreement with the books of account.

Aminu Ibrahim & Co
Chartered Accountants
Abuja, Nigeria
[illegible]

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF ACCOUNTING POLICIES

The following are the summary of the significant accounting policies adopted by the Commission in the preparation of the financial statements:

Basis of Accounting

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

Fixed Assets

Fixed are stated at cost less accumulated depreciation.

Depreciation of Fixed Assets

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

	%
Office Furniture and Equipment	20
Motor Vehicles	25
ICT Facilities & Equipment	33 1/3
Plant & Equipment	25
Library Books	33 1/3
Other Capital Items	-

Debtors

Debtors are stated at their book value.

Expenditure

Expenses are charged to the accounts in the period they are incurred.

Prepayments

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

Stocks

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

Government Grants / Subventions

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

Internally Generated Revenue

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

FISCAL RESPONSIBILITY COMMISSION

BALANCE SHEET AS AT 31 DECEMBER, 2010

	Note	2010 N	2009 N
FIXED ASSETS	1	214,018,917	156,661,651
RESEARCH STUDIES & CAPACITY BUILDING	2	-	-
CURRENT ASSETS			
Cash and Banks Balance	4	62,205,248	74,889,248
Debtors and Prepayments	3	125,045,657	101,499,902
Stocks	5	10,339,172	9,584,650
		197,590,077	185,973,800
CURRENT LIABILITIES	6	(43,071,888)	(2,120,644)
NET CURRENT ASSETS		154,518,189	183,853,156
TOTAL ASSETS LESS CURRENT LIABILITY		368,537,106	340,514,807
FINANCED BY:			
Capital Fund	7	237,715,585	220,294,995
Income and Expenditure Account	8	130,821,521	120,219,813
		368,537,106	340,514,808

The financial statement were approved by the Commission on --------- and signed on its behalf by:

.... Chairman

.... Head, Finance and Accounts

The accounting policies on pages 110 and the notes on pages 114 to 116 form an integral part of these financial statements

Audited Annual Report & Accounts I 2010

FISCAL RESPONSIBILTY COMMISSION

INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2010

	Note	2010 N	2009 N
INCOME			
Recurrent Subvention	9	589,663,334	422,366,197
LESS: ADMINISTRATIVE EXPENSES			
Personnel Cost	10	128,536,095	115,759,504
Maintenance:			
Building		5,074,419	6,499,660
Plant and Equipment		7,397,762	-
Furniture		4,270,700	-
ICT facilities		3,195,466	575,000
Motor Vehicle		13,439,376	2,495,000
Local Travels and Transport		43,808,271	29,487,900
Stationaries ,Printing and Consumables		23,665,207	8,138,504
Postages, Fax and Telephone		8,514,619	4,917,089
Office Expenses		20,401,767	6,883,104
Donation and Subscriptions		2,601,100	-
Advert and Publicity		7,866,635	3,487,103
Rent - office Building		30,838,759	9,727,922
Staff Training:			
local		48,771,798	6,907,140
Overseas		88,729,988	40,157,090
Honorarium and sitting Allowance		10,129,710	30,684,900
Legal Services		2,527,500	3,967,546
Bank Charges		1,802,663	1,013,204
Consultancy and Professional Fee		17,571,681	1,964,240
Staff Welfare		39,945,824	15,072,568
Sporting Activities		2,850,000	2,500,000
Security Services		10,038,800	1,176,400
Depreciation		56,083,486	9,732,509
Audit fee		1,000,000	1,000,000
		579,061,626	302,146,383
Surplus for the year		10,601,708	120,219,814

The accounting policies on pages 110 and the notes on pages 114 to 116 form an integral part of these financial statements

FISCAL RESPONSIBILITY COMMISSION

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER,2010

	2010 N	2009 N
CASHFLOWS FROM OPERATING ACTIVITIES		
Surplus of income over Expenditure	10,601,708	120,219,813
Adjustment for Non - Cash items:		
Depreciation	56,083,486	9,732,509
Cashflows from Operating Activities before Changes in working Capital	66,685,194	129,952,322
CHANGES IN WORKING CAPITAL		
Increase in Debtors and Prepayments	(23,545,755)	(101,499,902)
Increase in Stocks	(754,522)	(6,817,150)
Increase in creditors and accruals	40,951,244	2,120,644
Net Cashflows from Operating Activities	83,336,161	23,755,914
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(113,440,752)	(169,161,661)
CASHFLOWS FROM FINANCING ACTIVITIES		
Capital Grant received	122,532,709	220,294,995
Cost of Research and Studies	(63,181,949)	-
Returned to Federal Sub - Treasury -CRF	(42,930,169)	-
	17,420,591	220,294,995
Net Movement in Cash and Cash Equivalents	(12,684,000)	74,889,248
Cash and Cash Equivalent at 1 January,	74,889,248	-
Cash and Cash Equivalent at 31 December,	62,205,248	74,889,248
Represented by :		
Cash and Bank Balances at 31 December	62,205,248	74,889,248

FISCAL RESPONSIBILITY COMMISSION

NOTES ON THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER,2010

1 FIXED ASSETS

	Office Furniture & Equipment	Motor Vehicles	ICT FACILITIES & EQUIPMENT	PLANT AND EQUIPMENT	LIBRARY BOOKS	CAPITAL WORK IN PROGRESS	TOTAL
Cost							
As at 1 Jan, 2010	58,776,411	104,238,750	3,379,000	-	-	-	166,394,161
Additions for the year	11,629,860	15,620,000	23,055,675	7,056,000	2,729,092	50,582,625	110,673,252
Transfer	2,767,500	-	-	-	-	-	2,767,500
As at 31 Dec, 2010	73,173,771	119,858,750	26,434,675	7,056,000	2,729,092	50,582,625	279,834,913
Depreciation							
As at 1 Jan, 2010	2,938,821	6,514,922	278,767	-	-	-	9,732,510
Charge for the period	14,634,754	29,964,688	8,810,438	1,764,000	909,606	-	56,083,486
As at 31 Dec, 2010	17,573,575	36,479,610	9,089,205	1,764,000	909,606	-	65,815,996
Net book value							
As at 31 Dec, 2010	55,600,196	83,379,140	17,345,470	5,292,000	1,819,486	50,582,625	214,018,917
As at 31 Dec, 2009	55,837,590	97,723,828	3,100,233	-	-	-	156,661,651

FISCAL RESPONSIBILITY COMMISSION

NOTES ON THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER,2010

	2010	2009
	N	N
2 RESEARCH STUDIES & CAPACITY BUILDING		
Addition for the year	62,181,950	-
Amortized for the year	(62,181,950)	-
	-	-
3 DEBTORS AND PREPAYMENTS		
Advance for petty expenses	1,500,000	1,020,000
Purchase Advance	15,717,376	9,977,100
Motor Vehicle Loan	42,047,057	43,669,419
Prepayments	65,781,224	46,833,383
	125,045,657	**101,499,902**
4 CASH AND BANK BALANCES		
Central Bank of Nigeria	21,042,672	73,128,771
Stanbic IBTC	1,143,180	1,741,081
Fin Bank Plc	19,396	19,396
Zenith Bank Plc	40,000,000	-
	62,205,248	**74,889,248**
5 STOCKS		
Stationery Items	9,247,172	5,699,150
Office Equipment	-	1,118,000
Stock of Furniture	-	2,767,500
Stock of Motor Accessories	1,092,000	-
	10,339,172	**9,584,650**
6 CREDITORS AND ACCRUED CHARGES		
Due to Contractors	41,166,562	-
Value - Added tax (VAT)	-	560,322
With- Holding Tax (WHT)	-	560,322
Other creditors	905,325	-
Accrued Audit fees	1,000,000	1,000,000
	43,071,888	**2,120,644**

FISCAL RESPONSIBILITY COMMISSION
NOTES ON THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER,2010

	2010	2009
	N	N
7 CAPITAL FUND		
At 1 January,	220,294,995	-
Received during the year	122,532,709	220,294,995
	342,827,704	220,294,995
Amortised Cost of Research and Studies (note2)	(62,181,950)	-
	280,645,754	220,294,995
Returned	(42,930,169)	-
	237,715,585	**220,294,995**
8 INCOME AND EXPENDITURE		
At 1 January,	120,219,813	-
Surplus for the year	10,601,708	120,219,813
	130,821,521	**120,219,813**
9 RECURRENT SUBVENTION		
Overhead Cost	398,922,017	446,050,000
Personnel cost	242,729,421	166,112,273
	641,651,438	612,162,273
Returned to Federal Sub - Treasury -CRF	(51,988,104)	(189,796,077)
	589,663,334	**422,366,196**
10 PERSONNEL COSTS		
Salaries and Allowances	91,272,826	56,500,004
Housing Allowance	27,541,760	23,626,600
Furniture Allowance	5,872,740	35,442,900
Other allowances and incentives	3,848,769	190,000
	128,536,095	**115,759,504**
11 INTERNALLY GENERATED REVENUE		
Interest on Motor Vehicle Loans	1,712,103	763,781
Tenders Fees	1,470,000	360,000
	3,182,103	1,123,781
Remittance to Federal Sub- Treasury	(3,182,103)	(1,123,781)
	-	-

WHO WE ARE

The Fiscal Responsibility Commission seeks to monitor compliance with the provisions of the Fiscal Responsibility Act 2007 thereby promoting a regime of prudent, ethical and efficient management of public finance across all tiers of Government in Nigeria.

transparency and accountability . Assured

Protecting the wealth of the nation

FRC

Fiscal Responsibility Commission

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