



FISCAL  
RESPONSIBILITY  
COMMISSION  
FEDERAL REPUBLIC OF NIGERIA



*...a story of transparency & accountability*

# Annual Report & Audited Accounts 2011



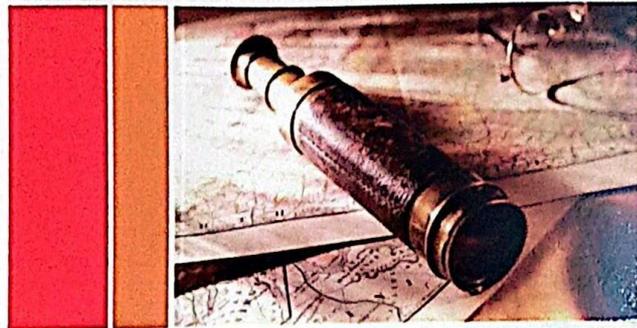
**FISCAL  
RESPONSIBILITY  
COMMISSION**  
FEDERAL REPUBLIC OF NIGERIA

# ANNUAL REPORT AND AUDITED ACCOUNTS

**Annual Report & Audited  
Accounts for the Year Ended  
31 December 2011**



## Vision, Mission and Value Statements



### Vision

“A transparent and effective Government Financial Management framework for Nigeria”

### Mission

“To reform the management of Nigeria’s public finances through regular monitoring of government financial activities, uncompromising investigation and public reporting, backed by a firm commitment to enforcement.”

### Values

“Integrity, Truth, Justice and Prudence”



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## LIST OF ACRONYMS

BIR	-	Budget Implementation Report
BOF	-	Budget Office of the Federation
BPE	-	Bureau of Public Enterprises
CBN	-	Central Bank of Nigeria
CIF	-	Cost Insurance and Freight
CSOs	-	Civil Society Organizations
DFID	-	Department for International Development
DMO	-	Debt Management Office
DSA	-	Debt Sustainability Analysis
ECA	-	Excess Crude Account
ERP	-	
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
IGR	-	Internally Generated Revenue
IMF	-	International Monetary Fund
MDAs	-	Ministries, Departments and Agencies
MDGs	-	Millennium Development Goals
MTEF	-	Medium Term Expenditure Framework
NACA	-	National Agency for the Control of AIDs
NCC	-	Nigerian Communications 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



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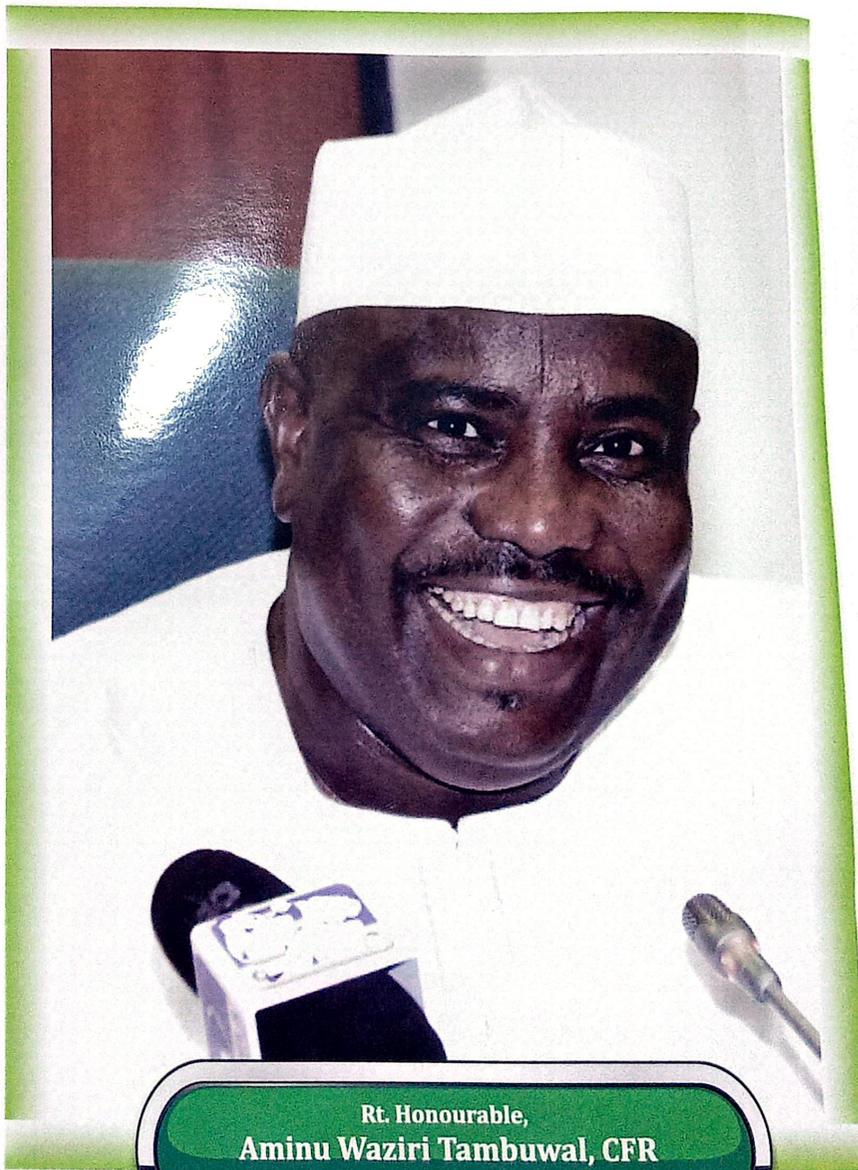
**His Excellency,  
Dr. Goodluck Ebele Jonathan, GCFR**  
President & Commander-In-Chief of  
The Armed Forces of the Federal Republic of Nigeria



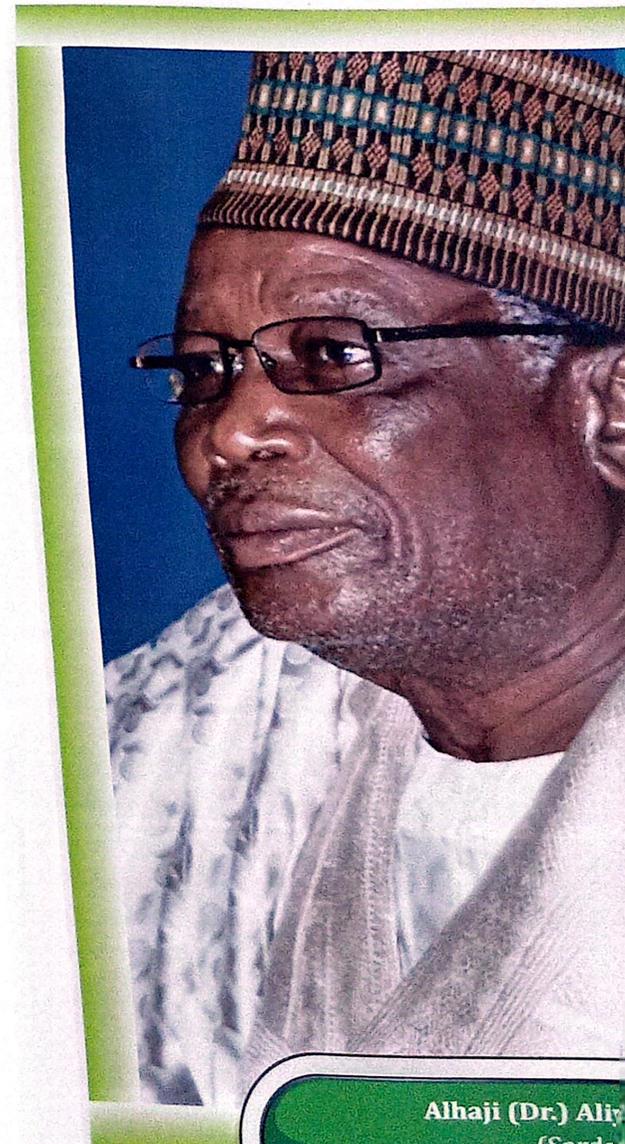
**His Excellency,  
Arc. Namadi Sambo, GCON**  
Vice President, Federal Republic of Nigeria.



His Excellency  
**Sen. David Mark, GCON**  
Senate President



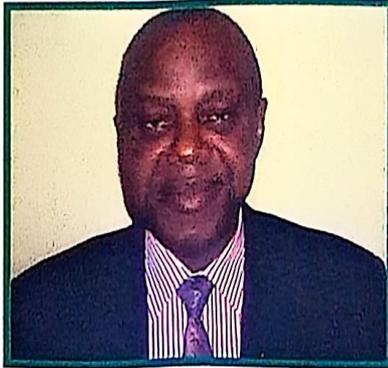
**Rt. Honourable,  
Aminu Waziri Tambuwal, CFR**  
Speaker, Federal House of Representatives



**Alhaji (Dr.) Aliyu  
(Sardauna) Abba Kyari**  
Chairman, Fiscal Responsibility Commission



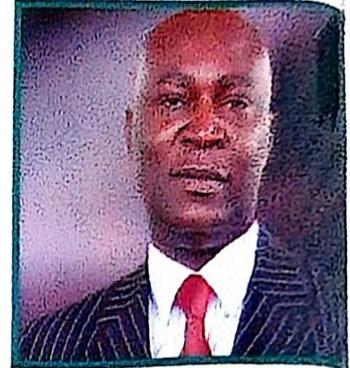
**Alhaji (Dr.) Aliyu Jibril Yelwa, OON**  
(Sardaunan Yauri)  
Chairman, Fiscal Responsibility Commission



**Chief (Dr.) Sylvanus E.O Mordi**  
FULL TIME COMMISSIONER  
(POLICY & STANDARDS)



**Alh. Shuaibu A. Kore**  
FULL TIME COMMISSIONER  
(MONITORING & EVALUATION)



**Chief Barr. Chris Okewulona**  
FULL TIME COMMISSIONER  
(LEGAL, INVESTIGATION & ENFORCEMENT)



**Dr. (Chief) Adewunmi Abitoye**  
FULL TIME COMMISSIONER  
(STRATEGIC COMMUNICATION)



**Alh. Suleiman Abubakar**  
PART TIME COMMISSIONER  
(REPRESENTING PRIVATE SECTOR)



**Alh. Zakari M. Sada**  
FULL TIME COMMISSIONER  
(PLANNING, RESEARCH & STATISTICS)



**Hajiya Amina Yusuf**  
PART TIME COMMISSIONER  
(REPRESENTING FED. MIN. OF FINANCE)



**Barr. Benson Upah**  
PART TIME COMMISSIONER  
(REPRESENTING LABOUR)



## Chairman's Statement

**I**t is my honour to present to you the Annual Report and Audited Accounts of the Fiscal Responsibility Commission for the year ended 31<sup>st</sup> December, 2011. The report is intended to provide information on the monitoring and enforcement of the Fiscal Responsibility Act, 2007 (FRA) by the Fiscal Responsibility Commission (FRC).

2. Section 10 of the FRA 2007, mandates the FRC to prepare and submit to the National Assembly (NASS) in each financial year, a report of its activities, including its audited accounts for the preceding financial year.

3. The year, 2011 was characterised by a number of challenges. The global economy was trapped in severe recession from which it was engaged in painful and sluggish recovery. Most of the Nigerian trade partners in Europe, the United States of America (USA) and Japan were not only in serious debt, but were facing declining or low growth. The global scenario had adverse effect on the demand for Nigerian export, foreign exchange rate, external reserve and foreign direct investment.

4. On the home front, Nigeria's political fragility passed through a general election after which political violence surfaced as security threat. This threat interfered with economic production in the economy. Incidents of oil theft, production shut downs, and pipeline vandalization were prevalent.

No doubt, these challenges affected oil lifting and oil revenue. In addition to the foregoing challenges, the 2011 fiscal year bore the brunt of recurrent expenditure increases arising from the upward review of salaries and wages, and the unprecedented rise in fuel subsidy.

5. Despite the hostile economic and social challenges and the global uncertainty, the Nigerian economy recorded a high growth rate of about 7.45 percent. Only China and India exceeded this rate. This growth is credited by the National Bureau of Statistics (NBS) to the performance of the non-oil sector driven by growth activities in agriculture, solid minerals, telecommunications, wholesale and retail trade, building and other construction, hospitality business, real estate and service sectors.

6. Of particular significance is the impact of the Fiscal Consolidation Policy introduced in 2011. This policy has led to reduced budget deficit, reduced borrowing, reorientation of expenditure from recurrent to capital, increased revenue, greater performance in capital budget implementation and stability in public expenditure.

7. The apparent impressive growth of 7.45 percent was however dampened by such spoilers as corruption, lack of accountability and transparency in the administration of public resources, inappropriate monetary policy, poverty and unemployment that threw spanners into the management of the national economy. Transparency and accountability in the petroleum industry were low despite the establishment of the Nigerian Extractive Industrial Transparency Initiative (NEITI). The production and financial transactions of the Nigerian National Petroleum Corporation were characterized by conflicting statistics, unverified joint venture accounts and subsidy scam. Apart from oil, the operations of pension scheme in the public service were riddled with alleged frauds. Consequent upon the incidence of corruption and low transparency Transparency International rated Nigeria very high in the league of corrupt nations in the world.

8. Monetary policy in Nigeria seemed not to be in tandem with fiscal policy which focused on the stability and growth of the national economy. Due to the weak monetary policy, the rate of the naira to the USA dollar fluctuated widely against the naira, the rates of inflation and interest on borrowing remained high and in double digits while the external reserve failed to grow. The monetary policy regime failed to reverse capital outflow nor improve the inflow of foreign direct investment.

9. The financial system, particularly the commercial banks, remained in the centre of

controversy. The commercial banks failed to engender public confidence. Public confidence in Bank bail out by the Central Bank of Nigeria and Asset Management Corporation (AMCON), had increased the national confidence. Banks were sold or nationalized, but the investor confidence in the surviving banks remained uncertain.

10. Unemployment rate was over 26 percent and poverty rate was above 60 percent in 2011. These rates compare most unfavourably with the rates of 10 percent unemployment, about 15 percent poverty rate in Singapore and Malaysia which were comparable with Nigeria in the 1960s. While the variations in unemployment and poverty between Nigeria and the two Asian countries, it goes without saying that the sharing of the fruit of development was less equitable in Nigeria.

11. Information on Excess Crude Account had improved slightly in 2011. Inflow of ₦3,068.84 billion and outflow of ₦2,048.69 billion (leading to a balance of ₦1,020.15 billion) were disclosed. However, the balance as at 31 December 2011 and how the outflow of ₦2,048.69 billion was disbursed, were not disclosed.

12. In 2007, a balance of US\$20 billion was left in the ECA. This figure dropped to US\$400 million as at December, 2010. This balance, seems to be too low to stabilize public spending in the event of oil shock.



13. There was controversy between the Federal Government and the States over the legality of the ECA and Sovereign Wealth Fund (SWF). Though the controversy is still on, both parties are trying to resolve the matter out of court.

14. The controversy over ECA and SWF is unfortunate. Stabilization policy is in the realm of fiscal federalism and seems to override political federalism. Where there is no stable economy, the political system cannot operate efficiently. Take the cases of Nigeria and Singapore. Nigeria, with a population of over 140 million and a land area of over 923,000 Square kilometres, had no more than U\$1billion in the SWF. Nigeria's rate of exchange to the dollar was N158 to US\$1 in 2011, while Singapore with a population of 5.2million in 2011 and land area of 700 square kilometres had a balance of U\$200billion in its SWF in 2011. The rate of exchange of the Singaporean dollar to the US dollar was SG\$1.26 to US\$1.

15. It seems that since the amount in the ECA and SWF were shared according to revenue allocation formula among the three tiers of Government in Nigeria, these accounts strengthened the naira, stabilized public expenditure, funds capital and human development, and saves funds for the future generation; the ECA and SWF should be allowed to operate according to their enabling laws.

16. At this point, I wish to say that I was particularly thrilled by the Coordinating Minister of the Economy and Minister of Finance when she recommended:

- (I) The beefing up of external reserves from U\$34billion to U\$50billion;
- (ii) The beefing up of ECA from U\$400million to U\$5billion; and
- (iii) The establishment of a sinking fund to service public debt.

17. I also wish to note that the Federal Government removed 50 percent fuel subsidy in January, 2012. The Trade Unions staunchly resisted further removal and organized wide-spread protests.

18. In Poland, Bolivia and Russia, the removal of fuel subsidy and establishment of currency support funds led to price stability, tolerable inflation and foreign exchange stability. The hyper inflation in Germany was similarly controlled by dismantling price controls.

19. In the circumstances, the recommendations of the Minister of Finance should be tried. Government should revisit the fuel subsidy, not necessarily through shock therapy, but by gradual approach after due consultations and dialogue with various stakeholders, and the provision of necessary palliative measures. In South Africa and Brazil,



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

fuel subsidy have been removed. Brazil is the largest economy in the world, while Nigeria is aspiring to be the 20<sup>th</sup> in 2020.

The implementation of these measures, though not without pains and pangs, will bring down inflation, reduce borrowing, free up fiscal growth expenditure, stabilize the exchange rate and improve transparency by eliminating corruption in fuel subsidy.

20. Consequent upon the privatization of seven out of the thirty-one State-Owned Enterprises, the Minister of Finance included six other corporations. Thus, 13 corporations are now covered by the FRA. With six Corporations included late in 2010 report, the report, therefore, covers only 24 Corporations that were monitored in the year.

21. Overall, the Corporations performed better in 2010 than they did in 2010. Their total payment of operating surplus was appreciably, they performed rather poorly in the production of Audited Accounts within the timeline stipulated by the FRA, 2007.

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20. Consequent upon the privatization of seven out of the thirty-one Scheduled Corporations, the Minister of Finance included six other Corporations. Thus, thirty corporations are now covered by the FRA, 2007. With six Corporations included late in 2011, this report, therefore, covers only 24 Corporations that were fully monitored in the year.

21. Overall, the Corporations performed better in 2011 than they did in 2010. Though their total payment of operating surplus went up appreciably, they performed rather poorly in the production of Audited Accounts within the timeline stipulated by the FRA, 2007.

### Membership of the Commission

22. Alh. (Dr) Aliyu Jibril Yelwa, OON, (Sardauna Yauri) Chairman and Chief Executive Officer; Chief (Dr) Sylvanus E.O. Mordi; Alh. Shuaibu A. Kore (Wambai Wamba); Alh. Zakari M.Sada; Chief (Barr.) Chris Okewulonu; and Dr (Chief) Adewumi Abitoye were Full-Time Members. Barr. Benson Uppah; Alh. Suleiman Abubakar and Hajiya Amina Yusuf were Part-Time Members. Three members, each representing the North-East Geo-political Zone (Full-Time), Federal Ministry of Finance (Part-Time) and Civil Society Organisations (Part-Time) resigned. Therefore, there are three vacancies in the Membership of the Commission in 2011.

23. The Commission is structured into six Directorates, namely:

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

24. Each Directorate is headed by a Full-Time Commissioner who reports to the Chairman. The Chairman is the Chief Executive and Accounting Officer.

- 25. The 37 Management Staff recruited late in 2010 were inducted into the service of the FRC in particular and into the public service in general in 2011.
- 26. The Commission recruited additional 51 senior and intermediate staff in 2011 to give it the fuller staff complement required for the discharge of its mandate. These new staff have been inducted into the Fiscal Responsibility Commission in particular and public service of the Federation in general. They have been assigned to the various Directorates.
- 27. Some of the 21 staff posted from the Federal Civil Service to assist the Commission at its take-off stage have returned to their mother agencies on the completion of their assignments.
- 28. Capacity building programmes were organized for the Commissioners and all cadres of staff both in and outside Nigeria.
- 29. The shortage of office accommodation experienced when the newly employed staff assumed duty was tackled through the renting and furnishing of an annex office. The Annex office currently houses three Directorates.
- 30. The tenancy of the Main office was renewed and additional furniture provided for all the Directorates.

wa, OON  
ommission





31. As I said earlier, the Commission recruited a full compliment of staff made up of professionals and support personnel. The staff contributed greatly to the operation and development of the Commission. I owe them a lot of gratitude for their dedication to duty. The Commission will continue to train, develop and effectively utilize them.
32. In the preceding year, the Nigerian economy and FRC faced unparalleled challenges. Despite the difficulties, the economy achieved positive growth largely due to diligent monitoring and enforcement of the FRA, 2007 and efforts by the Government to enthrone good governance in the administration of public resources. Accordingly, I have the pleasure and honour to acknowledge the cooperation of, and thank most sincerely, the President, Commander-In-Chief of the Armed Forces of the Federal Republic of Nigeria; President and Members of the Senate; Speaker and Members of the House of Representatives; Secretary to the Government of the Federation;

Coordinating Minister of the Economy and Minister of Finance; Heads of Ministries, Departments and Agencies (MDAs); Chief Economic Advisers to the President; State Governors and other stakeholders for their support and encouragement. My thanks also go to members of the financial system and civil society organizations for their wonderful collaboration in the monitoring and enforcement of the Fiscal Responsibility Act, 2007.



# FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

CHAPTER



Chairman FRC and 5 Full Time Commissioners in a group photograph with the outgoing Canadian High Commissioner to Nigeria, Jean Gauthier during his visit FRC

## THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

Values

Integrity  
Truth  
Justice  
Prudence

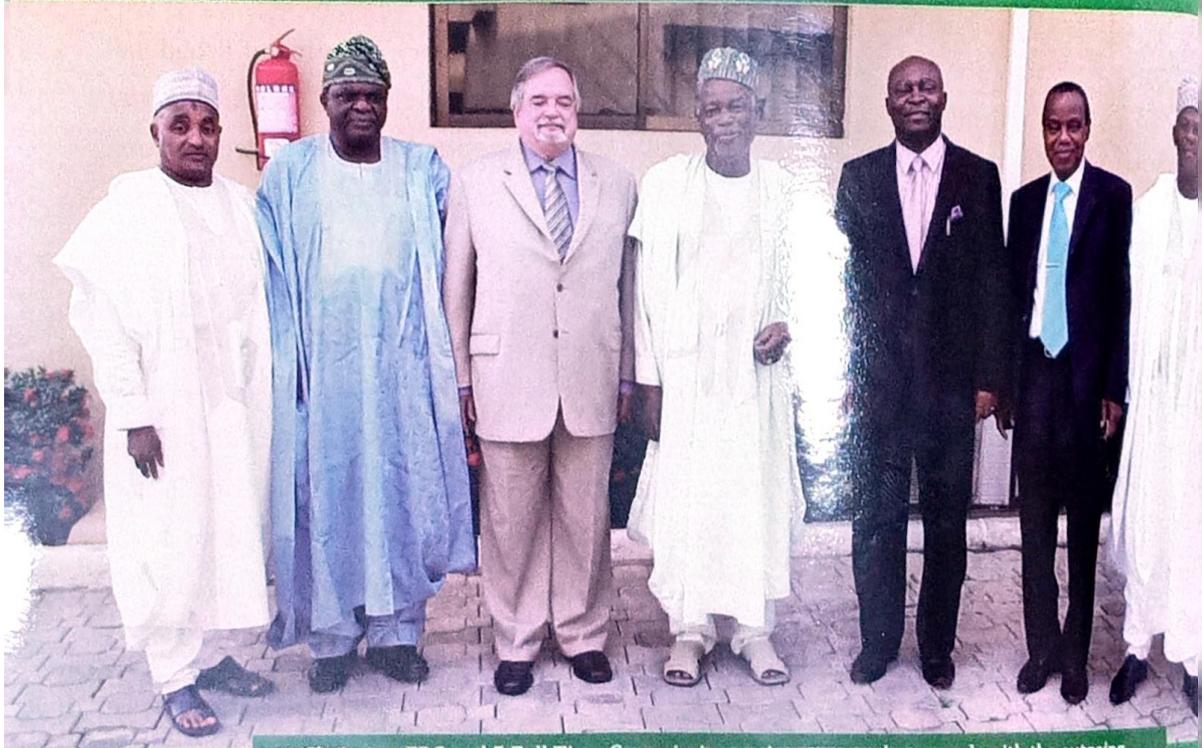




# FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

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Chairman FRC and 5 Full Time Commissioners in a group photograph with the outgoing Canadian High Commissioner to Nigeria, Jean Gauthier during his visit FRC

## THE MANDATE OF FISCAL RESPONSIBILITY COMMISSION

Values  
Integrity  
Truth  
Justice  
Prudence



## THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

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

context of the Act covers a wide spectrum of fiscal policies, processes and actions including (but not limited to) programming, planning and budgeting. Also included in the concept are public expenditure management within the medium term expenditure framework (MTEF), the Fiscal Strategy Paper, Revenue and Expenditure Estimates and Consolidated Debt Statement.

## Functions Of The Commission

1:2 The mandate of the Fiscal Responsibility Commission is encapsulated in section 3 of the FRA, 2007, which specifies the functions of the FRC thus:

**The Commission shall:**

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

1:3. A Breakdown of the economic objectives contained in section 16 of the Constitution of the Federal Republic of Nigeria which the Commission is expected to promote are as follows:

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

1:4. 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.

1:5. Section 2(2) provides that if the Commission is satisfied that such a person has committed any punishable offence under this Act or violated any provisions of this Act, the

Commission shall forward a report of its investigation to the Attorney-General of the Federation for possible prosecution.

1:6. For the purpose of exercising its investigative powers under the FRA, 2007, the Commission is collaborating with the Nigeria Police Force which has deployed, at the Commission's request, some police officers to bolster the Commission's Investigations Unit. The rest of this report is on the efforts made by the FRC to execute its mandate.



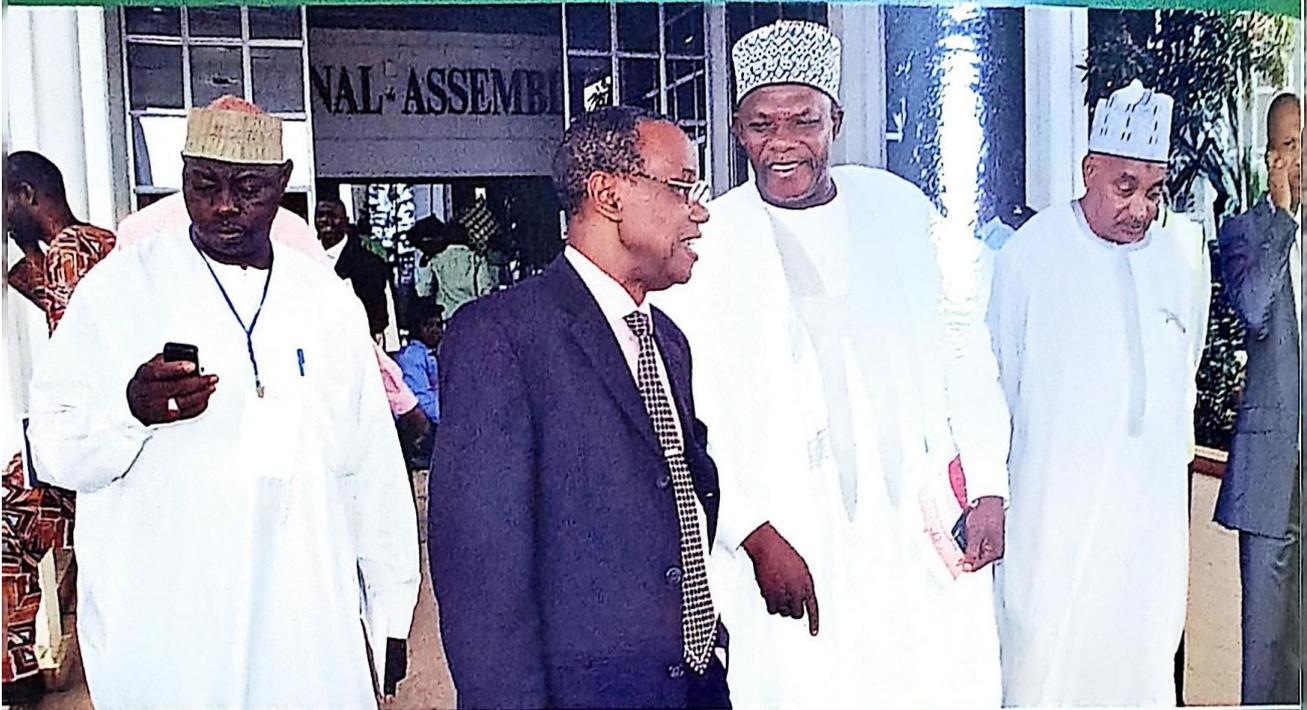
Chairman-FRC & Commissioners with visiting Chairman and Members of Ekiti Fiscal Responsibility Commission.



# FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

CHAPTER



Some Commissioners discussing after a budget defence at NASS

## MONITORING THE BUDGETARY PROCESS

Values  
Integrity  
Truth  
Justice  
Prudence





## **MONITORING THE BUDGETARY PROCESS**

The Fiscal Responsibility Commission intensified monitoring activities and enforcement of the FRA, 2007, in the course of 2011. The focus for 2011 monitoring activities centered on consolidating on the achievements of 2010 and minimizing the observed lapses in operations through constructive engagements with the relevant agencies. This Chapter largely covers the preparation and approval of the MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) and the Budget, their execution as well as the reporting.



**Commissioner M & E Alh. S.A.Kore  
in an interactive forum**



**Dr. Ngozi Okonjo-Iweala**  
Nigeria's Minister of Finance

### MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

- 2:1 As provided in Sections 11 - 14 of the FRA, 2007, "The Federal Government shall cause to be prepared, not later than four months before the commencement of the next financial year, a Medium Term Expenditure Framework for the next three financial years". As the MTEF forms the basis for the preparation of the annual budget, the Commission considered it necessary to encourage the Federal Ministry of Finance (FMF) to make it available on time so as not to delay the budget cycle.
- 2:2 The MTEF 2012-2015 was submitted to the National Assembly on 22<sup>nd</sup> September 2011 by which time it was already too late for any meaningful impact on the budget cycle. The MTEF, as noted above, is the actual beginning of the budget formulation process. It is not clear when the MTEF 2012-2015 was endorsed by the Federal Executive Council and approved by the NASS, talkless of its publication in the Federal Government Gazette.
- 2:3 It is however commendable that the production of MTEF has been sustained since 2009. Its production should, as much as possible, be in accordance within the timeline set by the FRA, 2007.
- 2:4 Unlike the past MTEFs (i.e. 2009-2011, 2010-2012 & 2011-2013) which were elegant, robust and comprehensive, the MTEF 2012-2015 was rather too short with only 15 pages.
- The brevity of the document suggests a lack of transparency and proper articulation. There is no evidence to show that consultations were held with the States, public and statutory bodies as stipulated by the FRA, 2007.
- 2:5 Furthermore, the MTEF 2012-2015 is a departure from the norm as it covered a period of 4 years instead of the prescribed period of 3 years. It is probably the understanding of the Government considered the 4-year period necessary either to coincide with the term of the current administration or a focus on the completion and exit from the on-going capital projects and programmes.
- 2:6 It is the view of the Commission that changing the MTEF planning horizon from 3 to 4 years is contrary to the provision of the FRA, 2007. There is therefore the need to remedy this and revert to the 3-year period as stipulated in the enabling Act.
- 2:7 After a careful review of the MTEF 2012-2015, the following suggestions are made in accordance with the spirit of FRA, 2007:
- MTEF should be prepared in accordance with the provisions and terms of the FRA, 2007.
  - As much as possible, subsequent MTEFs should follow the standards of comprehensiveness, standardisation and good practice of the previous ones.
  - Consultation should always be undertaken with the States, the public and statutory bodies, and their views taken into consideration in the preparation of MTEFs. Such consultations should be reported in the MTEF itself.
  - The approved MTEF should always be published in the Federal Government (FG) Gazette as required by the Act.



**Dr. Bright Okogwu**

Director General, Budget Office of the Federation

## **BUDGET PREPARATION AND APPROVAL**

2:8 Sections 18 and 19 of the FRA 2007 stipulate that the Medium Term Expenditure Framework (MTEF) shall form the basis for the preparation of the annual budget. The sectoral and compositional distributions of the estimates of expenditure are to be consistent with the medium term developmental priorities as set out in the MTEF. In preparing the budget, the Honourable Minister is expected to consult with major stakeholders to make input in the budget process. The budget is to be laid before the joint session of the National Assembly (NASS) under Section 81(1) of the 1999 Constitution for consideration and passage into Law as the Appropriation Act.

2:9 The President presented the 2011 Appropriation Bill to the National Assembly on the 15<sup>th</sup> of December 2010. The Appropriation Act did not get Presidential assent until 5 months later on the 26<sup>th</sup> of May 2011. The late approval of the budget was partly due to delayed presentation to the NASS and partly due to late submission and approval of the MTEF.

2:10 As a result of the above, budgets have consistently been delayed, with attendant consequences on the execution of Capital projects as planned in the MTEF. Table 2:1 shows the time for submission and approval of budgets for the past 10 years:



**Table 2:1 Time of Submission and Approval of Budgets**

Fiscal Year	Date Budget was Presented to NASS	Date Budget was Signed by The President	Time Lag Between Budget Presentation and Presidential Assent.
2003	20 <sup>th</sup> Nov.,2002	10 <sup>th</sup> April, 2003	4 months
2004	18 <sup>th</sup> Dec., 2003	21 <sup>st</sup> April, 2004	4 months
2005	12 <sup>th</sup> Oct., 2004	12 <sup>th</sup> April, 2005	6 months
2006	6 <sup>th</sup> Dec., 2005	22 <sup>nd</sup> April, 2006	5 months
2007	6 <sup>th</sup> Oct., 2006	22 <sup>nd</sup> Dec., 2006	2 months
2008	8 <sup>th</sup> Nov., 2007	14 <sup>th</sup> April, 2008	5 months
2009	2 <sup>nd</sup> Dec., 2008	10 <sup>th</sup> March,2009	3 months
2010	23 <sup>rd</sup> Nov.,2009	22 <sup>nd</sup> April, 2010	5 months
2011	15 <sup>th</sup> Dec., 2010	26 <sup>th</sup> May, 2011	5 months
2012	13 <sup>th</sup> Dec., 2011	13 <sup>th</sup> April, 2012	4 months

*Source: National Institute of Legislative Studies*

2:11 Other than 2007 Budget which was submitted to the NASS in October 2006 and signed by the President in December of the same year, all budgets from 2002 to 2011 were presented late in the year to the NASS. The Presidential assent on the average came four months into the target financial year.

2:12 A good budget cycle is one that allow for enough time for the entire cycle of budget activities and actions to be completed ahead of the target fiscal year. Many suggestions have been made by various stakeholders on how to improve the Nigerian budget cycle. International good practices require that budgets should be signed into law before the commencement of the target fiscal year.



2:13 In the United States of America (USA) the budget cycle starts early and the budget is signed into law well enough before the commencement of the target fiscal year. In Canada and the United Kingdom, the budget is approved and signed into law between January and March, while the target budget year commences in April. Switzerland approves and signs its budget into law in November and December while the target fiscal year commences in January.

2:14 In the prevailing circumstances, the earlier recommendation in the FRC's 2010 Annual Report that the Nigerian budget preparation should begin in July and be signed into law as the Appropriation Act in December is hereby reiterated.

The Appropriation Bill should be presented to the NASS in September each year and approved in early December to enable the President sign the budget in same December.

2:15 It is encouraging to note that the Honourable Minister of Finance had promised that the 2013 Budget would be presented to the NASS in September, 2012. With this, it is hoped that the Nigerian budget process will experience a change for good and pave the way for effective and efficient budget implementation, provided that the approved MTEF precedes the Budget.



## 2:16 THE 2011 BUDGET

## 2:17 ASSUMPTIONS

The following are the basic assumptions for the 2011 budget as stipulated in the MTEF 2011-2013:

### Oil Revenue

Benchmark oil price ...		US\$75per barrel
Oil production ...		2.3mbpd
Naira/US\$ Exchange rate ...		₦150

### Non-oil Revenue

Company income tax ...		30%
VAT ...		5%
Customs duty		based on CIF value of imports

## 2:18 EXPENDITURE

On this component, the Commission noted that Government embarked on a number of cost saving measures designed to keep expenditure within control. Such measures include government integrated financial management information system (GIFMIS), restriction of the purchase of motor cars, reduction of the personnel and overhead costs. If the measures were faithfully implemented, the economy and the country would be better off.

## HIGHLIGHTS

2:19 Based on the budget assumptions stated above, a summary of highlights of the approved 2011 Budget of ₦4.485trillion presented in Table 2:2 compared with the 2011-2013 MTEF projections:

Table 2:2 Highlights of 2011 Budget and MTEF

Item	MTEF	Budget	Deviation	
	₦bn	₦bn	₦bn	%
Recurrent (non-debt) expenditure	2,482	2,425	-57	-2.30%
Debt servicing	542	495	-47	-8.67%
Statutory transfer	196	418	222	113.27%
Capital expenditure	1,006	1,147	141	14.02%
<b>Aggregate Expenditure</b>	<b>4,226</b>	<b>4,485</b>	<b>259</b>	<b>6.13%</b>

Source: MTEF 2012-2015

2:20 The approved budget had a deficit of ₦1.137trillion as against ₦1.390trillion projected in the MTEF. The deficits as percentage of the GDP work out 2.96% and 3.62% respectively calculated as shown in Table 2:3.

**Table 2:3 Budget Deficit Calculation as % of GDP**

Item	MTEF	Budget	Deviation	%
	Nbn	Nbn	Nbn	Deviation
Total expenditure	4,226	4,485	259	6.13%
Total revenue	2,836	3,348	512	18.05%
Budget deficit	1,390	1,137	-253	-0.18%
GDP	38,427	38,427	38427	
<b>Deficit as % of GDP</b>	<b>3.62%</b>	<b>2.96%</b>	<b>0.66%</b>	

Source: MTEF 2012-2015

2:21. Tables 2:2 and 2:3 above, show concerted efforts by the Government to keep the budget within the limits of approved MTEF except in statutory transfers where the budgeted amount of ₦418bn far exceeded the ₦196bn in the approved MTEF because of the reclassification of the NASS from recurrent (non-debt) expenditure to statutory transfer.

2:22. The deficit of 2.96% budgeted was within the 3% limit fixed by the FRA, 2007. This underscores the efforts of Government at implementing the FRA, 2007, though the MTEF had a deficit projection of 3.62%.



2:31. The implications of non-compliance with sections 25 and 26 of FRA, 2007, apart from contravening the FRA provisions, is that the disbursement of funds for the implementation of the Appropriation Act, 2011 was not based on the Annual Cash Plan and Disbursement Schedule. It therefore, means that the release of funds to the Government and its MDAs is, at best, discretionary. Hence, we hear of “cash backed releases”.

Responsibility Commission and the Joint Finance Committee of the National Assembly not later than 30 days after the end of each quarter. Similarly, section 50 requires a consolidated budget execution report to be prepared for the entire budget year not later than six months after the end of the financial year. These reports are also required to be published in the print and electronic media and on the Ministry of Finance Website.

#### BUDGET IMPLEMENTATION REPORTING

2:32. Section 30 (1) & (2) of FRA, 2007 provides that the Minister of Finance, through the Budget Office of the Federation, shall prepare and submit Quarterly Budget Implementation Reports (BIR) to the Fiscal

2:33. The Commission has observed that the reports for 2010 and 2011 were submitted out of time as shown in Table 2:5.

**Table 2:5 Budget Implementation Reports Submission Dates**

Year	BIR	Due Date	Date Submitted	Behind Time
<b>2010</b>	1 <sup>st</sup> Quarter	30 <sup>th</sup> Apr, 2010	4 <sup>th</sup> Sep, 2010	4 months
	2 <sup>nd</sup> Quarter	31 <sup>st</sup> Jul, 2010	7 <sup>th</sup> Oct, 2010	2 months
	3 <sup>rd</sup> Quarter	31 <sup>st</sup> Oct, 2010	28 <sup>th</sup> Jan, 2011	3 months
	4 <sup>th</sup> Quarter	31 <sup>st</sup> Jan, 2011	6 <sup>th</sup> Jun, 2011	4 months
	Consolidated	30 <sup>th</sup> Jun, 2011	6 <sup>th</sup> Jun, 2011	-
<b>2011</b>	1 <sup>st</sup> Quarter	30 <sup>th</sup> Apr, 2011	27 <sup>th</sup> Oct, 2011	6 months
	2 <sup>nd</sup> Quarter	31 <sup>st</sup> Jul, 2011	27 <sup>th</sup> Oct, 2011	3 months
	3 <sup>rd</sup> Quarter	31 <sup>st</sup> Oct, 2011	4 <sup>th</sup> Mar, 2012	3 months
	4 <sup>th</sup> Quarter	31 <sup>st</sup> Jan, 2012	3 <sup>rd</sup> Aug, 2012	5 months
	Consolidated	30 <sup>th</sup> Jun, 2012	3 <sup>rd</sup> Aug, 2012	1 month
<b>2012</b>	1 <sup>st</sup> Quarter	30 <sup>th</sup> Apr, 2012	Not Submitted	
	2 <sup>nd</sup> Quarter	31 <sup>st</sup> Jul, 2012	Not Submitted	

Source: FRC



2:34. The Commission routinely commented on these reports and sent its comments to the President, NASS, FMF and others. It is pertinent to note that the implementation reports were sent too late to make any impact in the immediate subsequent budget implementation.

2:35. In the same vein, the publications of the reports in the print and electronic media as well as on the Ministry of Finance's website were, if done, behind schedule. In the current situation, the reports would only be useful for research purposes; certainly not for improving the implementation of subsequent quarterly budget.

2:36. Contrary to Sections 30 and 50 of the FRA, 2007, that provide for the preparation of separate BIR for each quarter, the BIRs for the 4<sup>th</sup> Quarter and the Consolidated Budget Execution Reports for 2010 and 2011 were combined. Both 1<sup>st</sup> and 2<sup>nd</sup> Quarters of 2011 BIRs were also combined. The Budget Office of the Federation should keep to the strict requirements of the FRA, 2007, in subsequent reports.

#### HIGHLIGHTS OF THE 2011 BUDGET PERFORMANCE

2:37. The analysis of 2011 budget performance, based on the Quarterly Budget Implementation Reports and the Consolidated Budget Execution Report, is presented below. Though there were delays in the submission of the reports, it is nevertheless commendable that the Budget Office of the Federation was able to sustain the production and publication of the reports in spite of the challenges associated with the budget process.

#### REVENUE PERFORMANCE

2:38. The total revenue accruing to the nation in the 2011 fiscal year stood at ₦10.637trillion against a budget of ₦8.737trillion. This was a favourable variance of ₦1.900trillion representing 21.74%. Oil revenue of ₦8.849trillion accounted for 83.19% of the total revenue. This is 29.83% higher than the budgeted oil revenue of ₦6.815trillion. Non-oil revenue, on the other hand, generated ₦1.789trillion or 16.81% of the total revenue. The non-oil revenue fell by 6.96% below the budget of ₦1.922trillion.



2:39. A summary of the oil and non-oil revenue performances for 2011 fiscal year is shown in Table 2:6.

Table 2:6 Performances of Oil and Non-oil Revenue for 2011

DESCRIPTION	2011 FULL YEAR BUDGET		2011 FULL YEAR ACTUAL		2011 ACTUAL VS 2011 BUDGET Deviation	
	Nbn	% TOTAL	Nbn	%TOTAL	Nbn	%
<b>Oil Revenue:</b>						
Crude Oil Sales	4,607.24	43.31%	3,819.87	43.72%	787.37	20.61%
Gas Sales	258.85	2.43%	352.62	4.03%	-93.77	-39%
Royalties: Oil	1,061.36	9.98%	634.54	7.26%	426.82	43.5%
Rents	0.37	0.00%	0.50	0.01%	-0.13	-33%
Gas Flared Penalty	3.44	0.03%	4.31	0.05%	-0.87	-25%
Misc Oil Revenue	2.11	0.02%	2.00	0.02%	0.11	5.2%
Petroleum Profit Tax (PPT)	2,915.24	27.41%	1,927.55	22.06%	987.69	34.2%
Gas Tax	-	-	74.24	0.85%	-74.24	-100%
<b>Sub-Total</b>	<b>8,848.61</b>	<b>83.18%</b>	<b>6,815.63</b>	<b>78.00%</b>	<b>2,032.98</b>	<b>23.3%</b>
<b>Non-Oil Revenue:</b>						
Value Added Tax (VAT)	649.50	6.11%	770.09	8.81%	-120.59	-18.66%
Company Income Tax (CIT)	716.92	6.74%	702.24	8.04%	14.68	2.09%
Customs & Excess Duties	422.09	3.97%	450.00	5.15%	-27.91	-6.20%
<b>Sub-total</b>	<b>1,788.51</b>	<b>16.82%</b>	<b>1,922.33</b>	<b>22.00%</b>	<b>-133.82</b>	<b>-6.96%</b>
<b>Total</b>	<b>10,637.12</b>	<b>100.00%</b>	<b>8,737.96</b>	<b>100.00%</b>	<b>1,899.16</b>	<b>21.74%</b>

Source: OAGF and BOF

2:40. From Table 2:6, all the three major components of oil revenue, i.e. crude oil sales, royalties and petroleum profit tax recorded positive variances of 20.61%, 67.26% and 51.24% respectively when compared with the budgeted figures.

43.31% almost as projected in the budget of 43.72%. Royalties and petroleum profit tax on the other hand were better than budget at 9.98% and 27.41% respectively as against 7.26% and 22.06%.

2:41. However, in terms of contribution to total gross revenue, crude oil sales contributed



2:42. Analysis of non-oil revenue sources indicated that with the exception of company income tax which recorded a marginal positive variance of 2.09% compared to the budgeted figure, the value added tax and customs & excise duties were 15.66% and 6.20%% below budget respectively. In terms of contribution to total revenue, all non-oil revenue items performed below target.

2:43. According to the combined 2011 1<sup>st</sup> and 2<sup>nd</sup> Quarter Budget Implementation Report (BIR), the low performance of non-oil revenue was largely due to the continued diversion of Nigerian bound cargoes to neighbouring countries for the purpose of avoiding higher duty payments. Also, the crisis in the banking sector, with its attendant credit squeeze, contributed to the negative performance.

2:44. According to the 2011 4<sup>th</sup> Quarter BIR and the Consolidated Budget Execution Report, the Federal Government has embarked upon a number of measures to improve revenue generation from the non-oil sector. Such measures include job creation, power reforms, online tax collection and the implementation of Government Integrated Financial Management Information System (GIFMIS). On its part, the Commission will intensify efforts to block revenue leakages through effective and efficient revenue monitoring.



## DISTRIBUTABLE REVENUE

2:45. The total net distributable revenue available for distribution among the three tiers of Government in 2011 amounted to ₦4.574trillion after the transfer of ₦623.52bn to the VAT Pool Account.

Table 2:7 shows a summary of the composition of the net distributable revenue in 2011 compared with 2011 budget and 2010 actual revenue.

Table 2:7 Summary of Total Net Distributable Revenue

ITEM	Budget 2011 (₦bn)	Actual 2011 (₦bn)	Actual 2010 (₦bn)
<b>Gross Oil Revenue</b>	<b>8,848.61</b>	<b>6,815.42</b>	<b>5,296.09</b>
Less: (i) Joint Venture Cash Calls	1,008.81	1,008.02	962.87
(i) Excess Oil Revenue (ECA)	3,068.84	0	1,014.32
(iii) Domestic Oil Subsidy	755.43	245.97	416.46
(iv) 13% Derivation	522.02	723.01	390.32
<b>Net Oil Revenue</b>	<b>3,493.51</b>	<b>4,838.63</b>	<b>2,612.12</b>
<b>Net Non-Oil Revenue</b>	<b>1,704.32</b>	<b>1,843.22</b>	<b>1,403.78</b>
<b>Distributable Revenue</b>	<b>5,197.83</b>	<b>6,681.85</b>	<b>4,015.90</b>
<b>Distribution:</b>			
To Federation Account	4,574.31	5,942.57	3,475.56
To VAT Pool Account	623.52	739.28	540.34

Source: OAGF and BOF

2:46. From Table 2:7, the net revenue available for distribution to the three tiers of government which stood at ₦4.574trillion was ₦1.096trillion or 31.53% more than ₦3.475trillion in 2010 but ₦1.368trillion or 23.02% lower than the 2011 budget. The transfer of ₦3.068trillion to the Excess Crude Account in 2011 is a welcome development because it is the highest amount in the past three years. However, there is a need to incorporate the Excess Crude Transfers in the annual budgets to provide a basis for monitoring this major budget item.

The payments of domestic oil subsidy of ₦755.43billion; far in excess of the budgeted ₦245.97billion in 2011 deserve close scrutiny as currently being handled by the Federal Government. All proven cases of overpayments or short deliveries of oil products on which subsidies were paid should be recovered.

## **FEDERAL GOVERNMENT REVENUE**

2:47. The total share of revenue from the distributable account available to the FGN in 2011 was ₦2.567trillion compared to the budget of ₦3.348 trillion and actual of ₦2.989trillion received in 2010. This showed an overall reduction in revenue of 23.33% and 14.12% against the 2011 budget and 2010 actual revenue respectively. A lower share of oil revenue and drastic reduction in unspent balances from the previous year and other financing sources accounted for the lower total revenue available in the year.

2:48. Analysis of other financing sources indicated that only ₦50.36billion was realized. This is lower than the ₦802.66billion recorded in the corresponding period of 2010 by ₦752.3billion or 93.73%. It should be noted that only two items, External Creditor Financing and Plea Bargain, accounted for the ₦50.36bn in 2011.

2:49. The highlight of FGN revenue in 2011 fiscal year is presented in Table 2:8.



H.E The Senate President and Former Chairman, Senate Committee on Finance



**Table 2:8 FGN Revenue for 2011 Fiscal Year**

DESCRIPTION	2011 Budget	% of Total	2011 Actual	% of Total	2010 Actual	% of Total	2010 VS 2011 ACTUAL	
	N bns		N bns		N bns		N bns	%
Revenue:								
Share of Oil Revenue	1,694.35	66.01%	2,346.66	70.09%	1,266.88	42.82%	427.47	33.74%
Share of Value Added Tax	87.29	3.40%	103.50	3.09%	75.65	2.56%	11.64	15.39%
Share of Company Income Tax	333.80	13.01%	324.87	9.70%	306.03	10.34%	27.77	9.07%
Share of Customs Duties	190.39	7.42%	202.97	6.06%	139.40	4.71%	50.99	36.58%
Independent Revenue	182.49	7.11%	228.93	6.84%	153.55	5.19%	28.94	18.85%
Share of Actual Balances in Special Accounts	-	-	7.57	0.23%	-	-	-	-
Balance of Special Acct.	8.23	0.32%	13.61	0.41%	11.05	0.37%	(2.82)	(25.52)%
Unspent balance from previous year	19.76	0.77%	120.00	3.58%	203.51	6.88%	(183.75)	(90.29)%
Other Financing Sources	50.36	1.96%	-	-	802.66	27.13%	(752.30)	(93.73)%
<b>Total</b>	<b>2,566.67</b>	<b>100%</b>	<b>3,348.11</b>	<b>100%</b>	<b>2,958.73</b>	<b>100%</b>		

Source: OAGF and BOF

2:50. Breakdown of the 'Other Financing Sources' is presented in Table 2:9.

**Table 2:9 FGN Other Revenue Sources**

S/N	ITEM	2011	2010
		Nbn	Nbn
i	External Creditor Funding	41.66	-
ii	Plea Bargaining	8.70	-
iii	Distribution of Excess Crude savings	-	447.28
iv	Excess Crude Proceeds (Excess gain)	-	16.82
V	Other Revenue	-	338.56
<b>Vi</b>	<b>Total</b>	<b>50.36</b>	<b>802.66</b>

Source: FRC



2:51. Efforts should be intensified by MDAs at increasing independent revenue, particularly operating surplus from corporations, agencies and government-owned companies. Detailed analysis of other revenue sources should be carried out to determine the nature and type of revenue and the problems hindering collection with a view to maximizing collection.

2:52. Total FGN expenditure in 2011 fiscal year amounted to ₦4.302trillion as against the budget of ₦4.485trillion and actual expenditure of ₦4.047trillion in 2010. There was a marginal positive variance of 4.08% compared to budget and 6.30% more than the expenditure level in 2010.

2:53. A summary of the components of FGN expenditure is provided in *Table 2:10*.

Some measures were adopted to control expenditure in 2011.

## **Federal Government Expenditure**

Table 2:10 FGN Expenditure for 2011

DESCRIPTION	2011 Actual ₦ bn	% of Total	2011 Budget ₦ bn	% of Total	2010 Actual ₦ bn	% of Total
<b><u>Expenditure:</u></b>						
Personnel Costs	1,853.96	43.09%	1,948.91	43.46%	1,563.90	38.64%
Overheads	673.30	15.65%	476.16	10.62%	982.26	24.27%
Debt Service	527.07	12.25%	495.10	11.03%	415.62	10.28%
Statutory Transfer	329.18	7.66%	417.83	9.32%	201.33	4.97%
Capital Expenditure	918.55	21.35%	1,146.75	25.57%	883.87	21.84%
<b>Total Expenditure</b>	<b>4,302.06</b>	<b>100%</b>	<b>4,484.75</b>	<b>100%</b>	<b>4,046.98</b>	<b>100%</b>

**Source: OAGF and BOF**

2:54. Such measures included government integrated financial management information system (GIFMIS), restriction on the purchase of motor vehicles, prioritization of on-going capital projects, restriction on the construction of new office buildings, placing a lid on personnel and overhead costs and mopping up of unspent balances at the end of the financial year.

2:55. In Table 2:10, the actual personnel costs of ₦1,853.96 billion fell slightly below the budgeted figure of ₦1,948.91 billion by 4.87 percent. Similarly, actual statutory transfers and capital expenditure fell below their budgets by 21.21 percent and 19.89 percent

respectively. The achievement of the capital expenditure of 80.11 percent must have been due to the extension of the capital budget year from 12 months to 15 months. Unlike personnel cost, statutory transfer and capital expenditure, overhead costs and debt service shot ahead of their budgeted figures by 41.40 percent and 6.45 percent respectively. Any actual expenditure that deviates from the budgeted figure by minus or plus ten percent cannot be excellent.



Commissioner Strategic Communication, Dr. A. Abitoye with the Deputy Canadian High Commissioner, Jean Gauthier

## CAPITAL BUDGET EXECUTION



Commissioner M&E Alh. S.A. Kore  
Exchanging pleasantries with a member of NASS

2:56. According to the 2011 4<sup>th</sup> Quarter BIR and the Consolidated Budget Execution Report, the 2011 budget focused more on the completion of ongoing projects that would provide immense benefits to the people. More than 80% of the total capital expenditure in the 2011 Appropriation Act was allocated to the Government's Priority Sectors of Critical Infrastructure Development, Human Capital Development, Land Reform and Food Security, Physical Security, Law & Order and the Niger Delta.

2:57. As at 31<sup>st</sup> December, 2011 an aggregate of ₦864.32 billion was released for the implementation of MDA's capital budgets. Out of this amount, a total of ₦811.31 billion or 93.87% was cash backed.

As at 31<sup>st</sup> March, 2012 (the implementation of the 2011 budget was extended to 31<sup>st</sup> March, 2012), the sum of ₦713.14 billion or 87.90% of the total amount cash-backed was utilized by the MDAs.

2:58. The Commission, in earlier reports, had emphasized the need for the overall capital budget performance to be properly assessed by measuring actual cash utilization against the original budget; and not "cash-backed" or released as currently being reported in the determination of capital expenditure budget performance. On the basis of actual capital expenditure of ₦713.14 billion and capital budget of ₦1,146.75 billion, capital budget performance is 62.18 percent.



## EXCESS CRUDE ACCOUNT

2:59. Section 35 of FRA 2007 provides for the creation and maintenance of Excess Crude Account (ECA). This is an account for the excess oil revenue arising from the difference between the world market price for oil and the benchmark price. The fund is used to augment budget shortfall due to the volatility of the international oil market, or in the absence of a shortfall, to fund human capital development.

2:60. There has not been concerted effort made for the proper management of this account. Withdrawals have continuously been made without regard to the conditions precedent as stipulated in the Section 35 of the FRA, 2007.

In 2010, the Commission had engaged a

Consultant to carry out a comprehensive study on the management of the ECA from 2007 to March 2010. The Commission has considered the draft report and is now expecting the final submission.

2:61. According to the 4th Quarter Budget Implementation Report (BIR) and the 2011 Consolidated Budget Execution Report, the total inflow into the Excess Crude Account (ECA) for 2011 amounted to ₦3.069 billion out of which a total of ₦2.049 billion was withdrawn as shown in Table 2:11.

Table 2:11 Summary of Excess Crude Account – 2011

Description	1 <sup>st</sup> Qtr. (N/billion)	2 <sup>nd</sup> Qtr. N/ billion)	3 <sup>rd</sup> Qtr. (N/ billion)	4 <sup>th</sup> Qtr. (N/ billion)	2011 Total (N/ billion)
<b><u>Inflow:</u></b>					
Transfer. to Excess Crude Account (ECA)	739.40	628.71	911.41	789.32	<b>3,068.84</b>
<b><u>Outflows:</u></b>					
Payment for Petroleum Products Subsidy	41.40	35.10	150.82	42.00	<b>269.32</b>
Augmentation for the 3 tiers of Govt.	8.01	265.99	793.67	707.07	<b>1,774.74</b>
Trans. To Petroleum Equalization Fund Mgt.	-	4.50	-	-	<b>4.50</b>
Trans. To SWF	-	-	-	0.14	<b>0.14</b>
<b>Total Outflow</b>	<b>49.41</b>	<b>305.59</b>	<b>944.49</b>	<b>749.21</b>	<b>2,048.70</b>

Source: OAGF



2:62. The quarterly inflows into the Excess Crude Account reflect the fluctuations in the international price of oil in relation to the benchmark price.

2:63. The withdrawals from the Excess Crude Account to pay Petroleum Products Subsidy in addition to the augmentation of the revenue shared by the 3 tiers of Government were not in accordance with the provisions of section 35 (5) & (7) of FRA, 2007, reproduced below:

**Sub-Section 35 (5)**

*No Government in the Federation shall have access to the savings made in pursuance to subsection (2) of this section, unless the reference commodity price falls below the pre-determined level for a period of 3 consecutive months.*

**Sub-Section (7)**

*Notwithstanding the provisions of subsections (5) and (6) of this section and subject to agreement by Federal and State Governments in the Federation, a proportion of the savings may be appropriated in the following year for the capital projects and programmes.*

2:64 With the international price of crude oil oscillating between US\$93.70 and US\$126.64 per barrel and oil lifting averaging between 2.33mbpd and 2.36mbpd during the year, it is not really clear why withdrawals for budget augmentation had to be made as these figures were above the benchmark oil price of US\$75 and 2.3mbpd oil production. Similarly, direct payments of oil subsidy from the Excess Crude Account and transfers to the Petroleum Equalization Fund are not covered by the provisions of FRA, 2007. Also the transfer of ₦140m into the Sovereign Wealth Fund in the 4<sup>th</sup> Quarter being the only transfer of such beclouds the relationship between ECA and SWF.

## REVENUE MONITORING OF FGN'S IGR

- 2:65. The Commission, in 2011, continued to exercise its mandate on revenue monitoring by contacting all public revenue generating agencies responsible for FGN's IGR to obtain quarterly revenue returns in order to monitor collections and ensure prompt remittances to the treasury. Actual revenue collections were also measured against approved targets to determine performance.
- 2:66. Revenue monitoring peaked during the year as more MDAs contacted responded to revenue returns requests. A summary of the MDAs' 2011 Quarterly Revenue Returns submissions is displayed in Table 2:12.

Table 2:12 MDAs' Revenue Returns Submissions for 2011

S/N	Period of Return	No of MDAs	% Total
I	1 <sup>st</sup> Quarter only	4	8.33
Ii	1 <sup>st</sup> & 2 <sup>nd</sup> Quarters only	2	4.17
Iii	1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Quarters only	6	12.50
Iv	1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> & 4 <sup>th</sup> Quarters only	23	47.92
V	No submissions at all	13	27.08
<b>Vi</b>	<b>Total MDAs</b>	<b>48</b>	<b>100.00</b>

*Source: MDAs Quarterly Returns*

- 2:67. Total independent revenues remitted to the treasury by the MDAs that responded in 2011 amounted to ₦11,816,307,500 as against ₦6,971,660,682.12 remitted in 2010. MDAs in setting revenue targets to elicit the MDAs' support and commitment in the achievement of the set targets.
- 2:68. In the course of monitoring, most MDAs claimed not to be aware of the revenue targets set by the Ministry of Finance. Even those that were aware of their targets claimed they were not involved in setting those targets. There is therefore, the need for the Federal Ministry of Finance to involve the
- 2:69. From the analysis of revenue returns, the Commission discovered that the revenue targets were unrealistic; leading to wide variances. These can be seen in the 2011 Revenue Performance by the MDAs in Table 2:13(a) – 2:13(d):



**Table 2:13(a) MDAs THAT SUBMITTED REVENUE RETURNS FOR 4 QUARTERS OF 2011**

S/NO	MDAS	ACTUAL (2011)	TARGET (2011)	TARGET FOR 4 QTRS	SHORT FALL	% SHORTFALL	SURPLUS	% SURPLUS
1	Fed. Min. of Solid Mineral Devt.	1,314,679,319.82	5,004,580,690.91	5,004,580,690.91	3,689,901,371.09	73.73%		0.00%
2	Court of Appeal	70,627,192.53					70,627,192.53	
3	Federal Ministry of Education	66,981,058.14	401,874,256.24	401,874,256.24	334,893,198.10	83.33%		0.00%
4	Federal Ministry of Interior	317,328,717.45	209,609,335.28	209,609,335.28		0.00%	107,719,382.17	51.39%
5	Federal Ministry of Justice	295,463,083.45	9,445,288,086.42	9,445,288,086.42	9,149,825,002.97	96.87%		0.00%
6	Fed. Min. of Housing & Urban Devt.	987,517,827.42	6,798,162,131.35	6,798,162,131.35	5,810,644,303.93	85.47%		0.00%
7	Federal Min. of Niger Delta Affairs	42,360,667.18	205,493,113.85	205,493,113.85	163,132,446.67	79.39%		0.00%
8	Federal Ministry of Police Affairs	2,843,920.00	49,576,212.71	49,576,212.71	46,732,292.71	94.26%		0.00%
9	Federal Ministry of Transport	12,142,428.50	5,798,293,937.59	5,798,293,937.59	5,786,151,509.09	99.79%		0.00%
10	Federal Ministry of Water Resources	3,748,000.00		0			3,748,000.00	
11	Federal Ministry of Works	894,511,073.28	967,007,703.62	967,007,703.62	72,496,630.34	7.50%		0.00%
12	Federal Road Safety Corps	1,328,603,831.99	3,354,150,585.83	3,354,150,585.83	2,025,546,753.84	60.39%		0.00%
13	National Youth Service Corps	10,303,750.00					10,303,750.00	
14	Off. of the Auditor-Gen. of the Nig. Investment Promotion Council	17,282,500.00	1,568,714.07	1,568,714.07		0.00%	15,713,785.93	1001.70%
15	Federation	60,385,903.14	66,093,761.17	66,093,761.17	5,707,858.03	8.64%		0.00%
16	Office of the Head of Service Office of the Secretary to Federal	266,768,795.54	58,152,375.63	58,152,375.63		0.00%	208,616,419.91	358.74%
17	Government	826,924,468.60	143,133,243.90	143,133,243.90		0.00%	683,791,224.70	477.73%
18	Fed. Min. of Inf. & Communication Federal Ministry of Labour and	731,449,565.11	1,341,492,707.13	1,341,492,707.13	610,043,142.02	45.47%		0.00%
19	Productivity	5,008,085.19	47,211,993.34	47,211,993.34	42,203,908.15	89.39%		0.00%
20	Federal Ministry of Women Affairs	743,824.99	354,589,861.49	354,589,861.49	353,846,036.50	99.79%		0.00%
21	National Emergency Mgt. Agency	6,414,000.00	21,980,500.08	21,980,500.08	15,566,500.08	70.82%		0.00%
22	Rev. Mob., Alloc. & Fiscal Comm.	98,142,725.25	126,164,160.44	126,164,160.44	28,021,435.19	22.21		0.00%
23	Supreme Court Of Nigeria	3,592,961.00						
	<b>TOTAL</b>	<b>7,363,823,698.58</b>	<b>34,394,423,371.05</b>	<b>34,394,423,371.05</b>	<b>28,134,712,388.71</b>		<b>1,100,519,755.24</b>	



**MDAs THAT SUBMITTED REVENUE RETURNS FOR 3 QUARTERS OF 2011**

Table 2:13(b)

S/NO	MDAS	ACTUAL (2011)	TARGET (2011)	APPROVED TARGET FOR 3 QTRS	SHORT FALL	% SHORTFALL	SURPLUS	% SURPLUS
1	Federal Min. of Agric. & Rural Devt.	613,244,690.29	411,317,948.45	308,488,461.34		0.00%	201,926,741.84	65.46%
2	Federal Ministry of Defence	345,617,445.50	61,881,677.64	46,411,258.23		0.00%	283,735,767.86	611.35%
3	Indept. Natl. Electoral Commission	28,673,614.00	823,264,504.08	617,448,378.06	794,590,890.08	128.69%		0.00%
4	National Judicial Council	633,268,165.84	22,979,658.84	17,234,744.13		0.00%	610,288,507.00	3541.04%
5	National Sports Commission	4,300,000.00	206,536,861.52	154,902,646.14	202,236,861.52	130.56%		0.00%
6	Nigerian Copyright Commission	14,735,440.00	46,285,684.57	34,714,263.43	31,550,244.57	90.89%		0.00%
	<b>TOTAL</b>	<b>1,639,839,355.63</b>	<b>1,572,266,335.10</b>	<b>1,179,199,751.33</b>	<b>1,028,377,996.17</b>		<b>1,095,951,016.70</b>	

**MDAs THAT SUBMITTED REVENUE RETURNS FOR 2 QUARTERS OF 2011**

Table 2:13(c)

S/NO	MDAS	ACTUAL (2011)	TARGET (2011)	APPROVED TARGET FOR 2 QTRS	SHORT FALL	% SHORTFALL	SURPLUS	% SURPLUS
1	Nigeria Television Authority	2,395,556,211.24	43,262,310.31	21,631,155.16			2,352,293,900.93	10874.56%
2	Federal Ministry of Environment	60,897,200.00	127,079,693.09	63,539,846.55	66,182,493.09	104.16%		0%
	<b>TOTAL</b>	<b>2,456,453,411.24</b>	<b>170,342,003.40</b>	<b>85,171,001.70</b>	<b>66,182,493.09</b>		<b>2,352,293,900.93</b>	

**MDAs THAT SUBMITTED REVENUE RETURNS FOR ONLY 1 QUARTER OF 2011**

Table 2:13(d)

S/NO	MDAS	ACTUAL (2011)	TARGET (2011)	APPROVED TARGET FOR ONE QTR	SHORT FALL	% SHORTFALL	SURPLUS	% SURPLUS
1	Federal Ministry of Special Duties	257,272,540.31		0			257,272,540.31	
2	National Board for Technical Education	511,500.00	796,063.85	199015.9625	284,563.85	142.99%		0.00
3	Raw Material Research & Devt. Council	27,494,014.00	58,743,897.33	14685974.33	31,249,883.33	212.79%		0.00
4	Federal Min. of Commerce & Industry	70,912,980.00	466,537,275.20	116634318.8	395,624,295.20	339.20%		0.00
	<b>TOTAL</b>	<b>356,191,034.31</b>	<b>526,077,236.38</b>	<b>131,519,309.10</b>	<b>427,158,742.38</b>		<b>257,272,540.31</b>	



2:70. The FRC discovered that almost all the MDAs reported figures for only the main ministries while no returns were made for their agencies, although they were included in the targets. It is important to note that revenue targets should be reviewed from year to year based on observed performance and capacity to generate independent revenue.

2:71. Despite repeated reminders, the MDAs as shown in *Table 2.14* did not submit revenue returns to the Commission in 2011. The Commission will, in the course of 2012, invite these agencies for discussion, failing to comply, the Commission will invoke its powers of investigation under section 2 of the FRA, 2007.

Table 2:14 MDAS with no submission of revenue returns for 2011

S/N	MDAs
1	Accountant General of the Federation
2	Federal Capital Territory Administration
3	Federal Ministry of Aviation
4	Federal Ministry of Culture & Tourism
5	Federal Ministry of Power
6	Federal Ministry of Youth Development
7	Federal Ministry of Foreign Affairs
8	Federal Ministry of Health
9	National Environmental Standards & Regulations Enforcement Agency
10	National Planning Commission
11	Public Complaints Commission
12	Salaries & Wages Commission

Source: FRC



# FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

## CHAPTER 3



Some Commissioners with ICAN President, Prof. Ojaide and some Members of his Executive during a courtesy visit to FRC

## DEBT, INDEBTEDNESS AND BORROWING

Values

Integrity

Truth

Justice

Prudence





## DEBT, INDEBTEDNESS AND BORROWING

3:1. Parts IX and X (Sections 41-47) of the Fiscal Responsibility Act, (FRA) 2007 provide for the:

- (i) framework for debt management;
- (ii) limits on consolidated debt of the Federal, State and Local Governments;
- (iii) servicing of public 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) from lending to Governments, their Agencies and Parastatals; and
- (vii) the power of the Minister to guarantee loans.

3:2. The 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

sustainability. Debt transactions in 2011 are reported upon below, indicating what transpired and, whether or not, the prevailing debt was sustainable.

### **Framework for Debt Management**

3:3. The FRA, 2007 empowers all tiers of Government to borrow for only capital expenditure and human development at not more than 3% interest rate with long amortization period and on approval of the appropriate legislative body.

3:4. All the outstanding external debts of the Federal and State Governments as at 31<sup>st</sup> December, 2011 were for capital expenditure and human development. They were on reasonably long amortization periods of not less than 10 years. However, there was no clear evidence to show that the loans were obtained on concessional interest rate of 3% or less.



3:5. 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 long amortization period and the approvals of the appropriate legislative body. The outstanding Federal domestic debts as at December 31, 2011 as reported by DMO was ₦5,622,843,712,000.00 made up of:

- (i) Federal Government Bonds - 62.98%;
- (ii) Nigerian Treasury Bills - 30.73%; and
- (iii) Treasury Bonds - 6.29%.

3:6. Most of these domestic loans which would mature in 5-20 years had no specified purpose for which the loans were meant.



Commissioner Benson Upah with a Facilitator from Howard University during FRC overseas study visit to the United States

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

- 3:7. Section 42(1) of the FRA, 2007 requires the President and National Assembly (NASS) to fix limits of consolidated debt for the three tiers of Government. This was to be done 90 days after 30 July, 2007. 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 the Ministry 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. No further correspondence from the Minister on limits on consolidated debt ever reached the FRC.
- (i) specify the purpose of the loan; and
  - (ii) present cost/benefit analysis of the loan purpose.
- 3:10 (a). 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.
- (b). The proceed of the loan must also be utilized for the intended purpose only.
- 3:11. 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.

### **Servicing of External Debt**

- 3:8. According to Section 43(1), "Servicing of external debt shall be the responsibility of the Government that incurred the debt." So far, each tier of Government has been servicing debts incurred by it. Cases of wrong debiting or charging of debt servicing by the Federal Government to States where this occurred have been resolved.
- 3:12. The Federal Government rarely specified the purposes for which the internal loans were meant. The cost/benefit analyses as well as the feasibility study for loans were hardly done. If done at all, they were perfunctorily carried out, merely by listing or enumerating some benefits of the loans. Although, the NASS approved loans, such loans were scarcely authorised in the Appropriation Act.

### **Conditions of Borrowing and Verification of Compliance with Limits**

- 3:9. Under Section 44(1) of the FRA, 2007, any Government of the Federation or any of its agencies or corporations that wants to borrow must:

- 3:13. At the sub-national level, debts were treated in the same way as the Federal loans. Although legislative approvals were retrospectively obtained, the loan projects were hardly reflected in the Appropriation Laws. They were not subjected to cost/benefit analysis or feasibility studies.
- 3:14. In 2011, 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 market (commercial banks). The Local Governments borrowed from the money market (commercial banks). No tier of Government complied fully with the conditions for borrowing in the money market as stipulated by the FRA, 2007.
- 3:15. Since 2009, many requests have been placed on the DMO by the FRC to provide her with the database on the external and domestic debts of the Federal, State and Local Governments. As usual, the DMO, on 18 March, 2011, 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.*
- 3:16. Not satisfied with the responses from the DMO, the FRC, in 2010, addressed letters to the 36 States and FCT requesting them to furnish the Commission with information on the consolidated debt by stating their outstanding external and domestic debt stocks as at 30<sup>th</sup> June, 2010 and 31<sup>st</sup> December, 2010, respectively. Early in 2011, officials of the FRC went round the States and FCT to obtain the same data earlier called for. As at the time of this report, only 6 States responded, out of which 2 States disclosed their domestic debts. The other 4 States reported nil domestic debt. The remaining 30 States and FCT did not respond.
- 3:17. In the course of the said data collection visits, the Commission learnt that some of the sub-nationals were either querying the constitutional power of the FRC to pry into their financial administration or seeking their Governors' approvals before they could release such data. The Commission also discovered that only 6 States had formal Debt Management Department.



## Size and Trend of Public Debt

3:18. Since 2006 when Nigeria exited from the Paris and London Clubs debt overhang, Government has been contracting more debt at an increasing rate every year. As shown in Table 3.1, external debt increased from US\$3.72billion in 2008 to US\$3.95billion in 2009.

This increased to US\$4.58billion in 2010. From 2010, the debt increased further to US\$5.67billion. In percentage terms, the increases recorded 6.00 percent in 2009, 16.00 percent in 2010 and 23.75 percent in 2011.

**Table 3.1: Trend of Nigeria's External Debt**

Amount in US Dollar (\$)				
Government	2008	2009	2010	2011
FGN	2,059,862,223.65	2,126,588,563.86	2,578,064,841.63	3,501,276,725.58
States and FCT	1,660,498,176.35	1,820,712,732.04	2,000,704,815.97	2,165,303,174.42
Total	3,720,160,400.00	3,947,301,295.90	4,578,769,657.60	5,666,579,900.00
Growth Rate (%)		6.00%	16.00%	23.75%

### Source: FRC

3:19. As if in sympathy with external debt, domestic debt also rose from 2007 to 2011.

The following figures for the domestic debt of the Federal Government rose by 23.52 percent from 2010 to 2011:

	2010	2011	Increase	Percentage Rise
	Nbn	Nbn	Nbn	%
FGN	4,551,822,388,000.00	5,622,843,712,000.00	1,071,021,324,000.00	23.52



3:20. Despite all efforts made to obtain data on domestic debt of State Governments from the DMO, and domestic debt and internally generated revenue (IGR) data from the States themselves, an approach was made to the financial institutions to obtain information on money and capital market loans. For the purpose of analysing the relationship between debt and revenue, the figures for statutory revenue due to Governments in 2011 were obtained from the Office of the Accountant-General of the Federation (OAGF).

3:21. Combining the figures from the DMO, OAGF, Money and Capital Markets, Tables 3.2, 3.3 and 3.4 were compiled to show the levels of indebtedness of States and Federal Government. A **CAVEAT** is necessary here. Only statutory revenue is used in the analysis because States refused to supply data on their IGR. In any case, the IGR is not more than 8.00 percent of State's total revenue except Lagos State which also refused to furnish its IGR. In essence, the omission of the IGR may not distort the result of the analysis.

It is also pertinent to observe that the non-inclusion of the outstanding debt owed to contractors and contingent liabilities may more than offset the omission of IGR.

3:22. As contained in Table 3.2, the FG and States domestic debt stock as at 31<sup>st</sup> December, 2011 amount to ₦6.187trillion. Of this amount, States owed ₦0.547trillion or 8.85 percent while the FG owed ₦5.640trillion or 91.15 percent. The excessive imbalance of domestic loans in favour of the FG portrays a clear case of crowding the States out of the domestic loans market. The Federal Government's figure of ₦5.640trillion is slightly higher than the DMO's figure of ₦5.623trillion because the loans owed to the money market by the FG and its MDAs were not included in DMO's figure.

TABLE 3:2 – Consolidated Debt Stock Of FGN And States Plus Revenue As At 31<sup>st</sup> December, 2011.

S/N	States	Total Domestic Debt	External Debt	Consolidated Debt	Statutory Revenue	Consolidated Debt as % of Revenue
		Nbn	Nbn	Nbn	Nbn	
1	Abia	6,591.16	5,212.62	11,803.78	53,507.54	22.06%
2	Adamawa	81.91	4,561.13	4,643.05	53,216.05	8.72%
3	Akwa-Ibom	-	9,816.95	9,816.95	253,138.49	3.88%
4	Anambra	1,000.00	3,830.76	4,830.76	54,440.50	8.87%
5	Bauchi	16,133.27	9,939.17	26,072.44	62,119.69	41.97%
6	Bayelsa	103,838.06	4,301.00	108,139.06	198,418.81	54.50%
7	Benue	14,259.04	4,165.17	18,424.21	57,666.74	31.95%
8	Borno	28.94	2,030.40	2,059.34	62,783.67	3.28%
9	Cross River	18,115.81	16,850.38	34,966.19	56,915.41	61.44%
10	Delta	59,641.99	2,413.94	62,055.94	229,016.84	27.10%
11	Ebonyi	16,699.61	6,455.08	23,154.69	44,653.03	51.85%
12	Edo	30,370.46	6,662.05	37,032.50	66,089.04	56.03%
13	Ekiti	30,588.34	5,390.33	35,978.67	44,972.29	80.00%
14	Enugu	2,607.27	7,035.10	9,642.38	49,732.50	19.39%
15	Gombe	4,400.92	4,446.00	8,846.92	47,645.95	18.57%
16	Imo	23,392.77	7,878.44	31,271.21	63,298.82	49.40%
17	Jigawa	3,869.53	4,348.79	8,218.31	54,909.13	14.97%
18	Kaduna	11,516.96	28,560.34	40,077.30	63,941.26	62.68%
19	Kano	154.13	9,367.18	9,521.31	85,162.67	11.18%
20	Katsina	16.43	11,617.52	11,633.95	64,411.08	18.06%
21	Kebbi	-	7,569.99	7,569.99	53,518.42	14.14%
22	Kogi	17.02	5,375.33	5,392.36	53,544.31	10.07%
23	Kwara	17,036.24	6,893.13	23,929.36	46,240.86	51.75%
24	Lagos	116,370.77	77,072.47	193,443.24	124,483.35	155.40%
25	Nasarawa	3,139.41	5,807.73	8,947.15	45,473.91	19.68%
26	Niger	15,423.78	4,409.93	19,833.71	61,594.46	32.20%
27	Ogun	9,081.99	14,819.92	23,901.91	52,588.78	45.45%
28	Ondo	30,151.64	7,838.47	37,990.11	68,917.31	55.12%
29	Osun	8,613.67	9,635.42	18,249.08	49,968.23	36.52%
30	Oyo	76.51	12,235.98	12,312.49	62,924.57	19.57%
31	Plateau	999.33	3,202.00	4,201.33	52,375.20	8.02%
32	Rivers	4.89	5,305.80	5,310.69	262,733.10	2.02%
33	Sokoto	2,350.41	6,282.70	8,633.11	55,534.00	15.55%
34	Taraba	332.66	3,196.12	3,528.78	51,948.63	6.79%
35	Yobe	45.64	4,880.39	4,926.03	51,573.09	9.55%
36	Zamfara	724.16	4,122.02	4,846.18	48,101.85	10.07%
37	Abuja FCT	173.99	5,773.25	5,947.24	39,149.73	15.19%
	<b>Sub-Total: States &amp; FCT</b>	<b>547,848.70</b>	<b>339,303.01</b>	<b>887,151.71</b>	<b>2,743,468.67</b>	<b>32.34%</b>
	<b>FGN &amp; Agencies</b>	<b>5,640,029.77</b>	<b>548,650.06</b>	<b>6,188,679.84</b>	<b>5,544,092.93</b>	<b>111.63%</b>
	<b>GRAND TOTAL</b>	<b>6,187,878.48</b>	<b>887,953.07</b>	<b>7,075,831.55</b>	<b>8,287,561.60</b>	<b>85.38%</b>

Sources: Debt Mgt. Office (DMO), Banks, Securities & Exchange Commission (SEC) and OAGF



3:23. In table 3.2 the consolidated debt is matched with statutory revenue. The idea is to identify which Governments are heavily indebted and which ones have space to accommodate more loan. According to the DMO, Government has a subsisting loan policy which requires States not to owe more than 50.00percent of their statutory revenue for the past 12 months and the FG not to owe more than 40.00 percent of its GDP. Column 7 of Table 3.2 measures the performance of the States, FCT and FGN. As can be seen in

column 7, 9 States exceeded the loan limit of 50.00percent while 4 other States exceeded the States' average debt of 36.36 percent. Twenty-seven (27) of the States and FCT fell below States' average debt of 36.36percent.

3.24. The Federal Government owed 111.63% of its statutory revenue. In terms of debt to GDP ratio, the FG debt stock is about 14.50percent. The national debt of ₦8.29trillion is however about 22.10 percent of the GDP. This is higher than the publicised figure of 17.50 percent.

### **Borrowing Operations in 2011**

3:25. In 2011 Government planned to borrow the sum of ₦852.27billion as domestic loan alone. In effect, there would be no external loan. At the end of 2011, the consolidated budget implementation report for the year at pages 25 and 26 shows the following:

	2010	2011	Borrowing
(i) Stock of Domestic Debt (₦billion)	4,551.82	5,622.84	1,071.02
(ii) Stock of External Debt (USD.\$ million)	5,633.71	5,666.58	32.87

3:26. At page 27 of the same report, Government stated that it borrowed.

- (I) Domestic Loan ₦827.27billion
- (ii) International Bond ₦73.33billion

3:27. Based on the foregoing data, it is clear that Government borrowed more than it planned to borrow. In future loan commitments to be drawn down should be taken into account before determining the extra loan to contract. Otherwise, public debt will remain intractable and uncontrollable.

3:28. Apart from the absolute relationship between debt and revenue, cognizance should be taken of the relationship between the growth rates of debt, debt service and the growth rates of revenue and GDP. The Federal Ministry of Finance stated the growth rates of non-oil revenue at page 13 of 2011 Consolidated Budget Implementation Report thus:

Year	2006	2007	2008	2009	2010	2011	Average
Growth Rate	32.41%	52.02%	23.84%	0.73%	17.3%	17.12%	23.67



3:29. At present, Nigeria's GDP is growing at 7.45 percent. The stock of debt is growing at approximately 23.75 percent while debt service is growing at 26.81 percent. In a situation in which the growth rates of debt

and debt service outstrip the growth rates of revenue and GDP, it is safe to say that debt is hardly sustainable, unless the rates of growth of revenue and GDP are stepped up and rate of borrowing is reduced or held constant.

### **Prohibitions Against the CBN from Lending to Governments, Agencies and Parastatals**

3:30. 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.

3:31. 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.

3:32. In order to monitor and enforce these provisions, the Commission called for full report from the Central Bank of Nigeria (CBN) on the implementation of the provisions of section 46 of the FRA, 2007, from 30 July, 2007 to 31 December, 2011. The CBN responded accordingly and informed the Commission that based on the FRA, 2007, it did not participate in the purchase of Government securities at the primary market during public auction or exchange on temporary basis, the debt security of any Government in the Federation. The CBN's response is taken as the true position.



# FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

## CHAPTER 4



A cross session of Members of FRC at a meeting with the management of a corporation

### BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

Values

Integrity

Truth

Justice

Prudence



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

**P**art IV (Sections 21-24) of the FRA, 2007, provides for the implementation of Fiscal Responsibility Act by selected corporations listed in the schedule to the Act. The scheduled Corporations, out of the numerous corporations and agencies of the Federal Government, as listed in the

FRA 2007, are only thirty-one. Out of the thirty-one, seven (7) corporations were privatized, while Six (6) new corporations were added to the schedule in 2011. The FRA, 2007, now applies to thirty corporations. The scheduled Corporations are listed in Table 4.1.



**Alh. Sada, Commissioner for PRS presenting a memorandum at EMC meeting**

**Table 4.1: List of Scheduled Corporations**

<b>S/N</b>	<b>Name of Corporation</b>	<b>Status</b>
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 (NASEI)	
5.	Nigerian Social Insurance Trust Fund (NSITF)	
6.	Corporate Affairs Commission (CAC)	
7.	National Clearing and Forwarding Agency (NCFA)	Privatized
8.	Nigeria Unity Line (NUL)	Privatized
9.	Nigerian Maritime Administration and Safety Agency (NIMASA)	
10.	Nigerian Shippers Council (NSC)	
11.	National Maritime Authority (NAMA)	
12.	Raw Material Research and Development Council (RMRDC)	
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)	Privatized
19.	Nigeria Re Insurance	Privatized
20.	Niger dock Nigeria PLC (NDN)	Privatized
21.	Securities and Exchange Commission (SEC)	
22.	National Insurance Corporation of Nigeria (NICON)	Privatized
23.	Nigeria Re-insurance Corporation (NRIC)	Privatized
24.	Nigerian Telecommunication (NITEL)	
25.	National Automotive Council (NAC)	
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)	
32.	Nigerian Immigration Service (NIS)	
33.	Nigerian Broadcasting Commission (NBC)	Ditto
34.	Nigerian Electricity Regulatory Commission (NERC)	Newly Added
35.	National Oil Spill Detection and Response Agency (NOSDRA)	Newly Added
36.	National Business and Technical Examination Board (NABTEB)	Ditto
37.	National Environmental Standards Regulatory Agency (NESRA)	Ditto

Source: Schedule to the FRA, 2007(Including Ministerial Additions).



- 4:2. The remaining Corporations are required by FRA, 2007 to prepare and submit to the Minister of Finance:
- (i) Estimates of revenue and expenditure for the next three financial years; that is, Medium Term Expenditure Framework (MTEF) not later than June every year;
  - (ii) Annual budget derived from the MTEF; and
  - (iii) Projected operating surplus (with respect to 4.2 (i) and (ii), the submission to the Minister of Finance should not be later than August every year).
- 4:3. The Minister is required by the Act to attach the annual budgets (estimates of revenue and expenditure) and projected operating surplus by Corporations as part of the Appropriation Bill to be submitted to the NASS.
- 4:4. Furthermore, the corporations are obliged to establish general reserve fund into which twenty percent (20%) of their operating surplus shall be paid. They should, by law, audit their accounts 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 2011, 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 scheduled corporations and other MDAs, it was resolved, among other things, 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 on the understanding that the controlling Ministries of these corporations, and the Ministry of Finance must have vetted the budgets of the corporations in line with the FRA.
- 4:6. The feedbacks from the Corporations, confirmed that FRA, 2007, was being implemented by a majority of the Scheduled Agencies. However, the rate of compliance with the FRA, 2007 is rather low. The pattern of the corporations' responses to and compliance with the FRA, 2007 is indicated in Table 4:2.

Table 4.2: Compliance with FRA, 2007 by Scheduled Corporation

S/N	Name of Corporation	Medium Term Expenditure Framework			Approved Budget		Audited Accounts					Operating Surplus					Total Score 100 Max.	Percentage Performance %
		2011-2013	2014	2012	2010	2011	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011		
1	NNPC	-	-	-	-	-	9	9	9	-	-	-	-	-	-	27	27.00	
2	NDIC	-	-	-	-	-	9	9	9	-	-	-	-	-	-	72	72.00	
3	BPE	-	-	-	-	-	9	9	-	-	-	-	-	-	-	18	18.00	
4	NASEI	-	-	-	2.5	-	9	9	9	-	-	-	-	-	-	36	36.00	
5	NSITF	2.5	2.5	-	2.5	-	9	9	9	-	-	-	-	-	-	34.5	34.50	
6	CAC	-	-	-	-	-	9	9	-	-	-	-	-	-	-	45	45.00	
7	NIMASA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9.00	
8	NSC	2.5	2.5	2.5	2.5	2.5	9	9	9	-	-	-	-	-	-	82	82.00	
9	NAMA	2.5	2.5	2.5	2.5	2.5	9	9	9	-	-	-	-	-	-	82	82.00	
10	RMRD C	2.5	2.5	2.5	2.5	2.5	9	9	9	9	9	9	9	9	9	100	100.00	
11	NCAA	2.5	2.5	2.5	2.5	2.5	9	9	9	9	9	9	9	9	9	91	91.00	
12	NSDC	2.5	2.5	2.5	2.5	2.5	-	-	-	-	-	-	-	-	-	14	14.00	
13	NIPOST	-	-	-	-	-	9	9	9	-	-	-	-	-	-	63	63.00	
14	NPA	-	-	-	-	-	9	9	-	-	-	-	-	-	-	36	36.00	
15	FAAN	-	-	-	-	-	9	-	-	-	-	-	-	-	-	18	18.00	
16	SEC	2.5	2.5	-	-	-	9	9	-	-	-	-	-	-	-	32	32.00	
17	NITEL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18	NAC	-	-	-	-	-	9	9	9	-	-	-	-	-	-	72	72.00	
19	NTDC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20	NCC	-	-	-	-	-	9	9	9	-	-	-	-	-	-	36	36.00	
21	NAFDAC	-	-	-	-	-	9	9	9	-	-	-	-	-	-	36	36.00	
22	NGS	-	-	-	-	-	9	9	9	-	-	-	-	-	-	27	27.00	
23	FIRS	-	-	-	-	-	9	9	9	-	-	-	-	-	-	63	63.00	
24	CBN	-	-	-	-	2.5	9	9	9	9	-	-	-	-	-	83.5	83.50	
25	NABTFR	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
26	NIS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
27	NBC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
28	NERC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
29	NOSDRA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
30	NESRA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
																Average	44.88	

Source: Fiscal Responsibility Commission

Source: Compiled by FRC from returns of Corporations

Note: (1) NITEL is undergoing privatization.

(2) NIMASA is under investigation for non-compliance

(3) NTDC refused to comply and is under investigation.

**Keys:**

NCS	-	Nigeria Customs Service
FIRS	-	Federal Inland Revenue Service
CBN	-	Central Bank of Nigeria
NABTEB	-	National Business and Technical Education Board
NIS	-	Nigeria Immigration Service
NBC	-	Nigerian Broadcasting Commission
NERC	-	National Economic Reconstruction Fund
NOSDRA	-	National Oil Spill , Detection and Repair Agency
NESRA	-	Nigerian Environment Standards Regulatory Agency



Table

- 4:7. As contained in the last column of Table 4.2, the overall compliance of the corporations is 44.88 percent. Nine of the corporations have achieved high compliance of 63.00 to 100.00 percent. In the area of planning, namely preparing the Medium Term Expenditure Framework (MTEF) and budget, only 7 out of 24 corporations or 29.16 percent made their MTEF and approved budget available to the Commission. The corporations that did not submit theirs were marked zero on the score sheet.
- 4:8. With respect to the production of audited accounts and payment of operating surplus, the corporations performed as follows:
- (a) **Audited Accounts**
- | Year:                | 2007  | 2008  | 2009  | 2010  |
|----------------------|-------|-------|-------|-------|
| No. of Corporations: | 19    | 19    | 16    | 12    |
| Percentage (%):      | 79.16 | 79.16 | 66.66 | 50.00 |
- (b) **Operating Surplus**
- | Year:                | 2007  | 2008  | 2009  | 2010  |
|----------------------|-------|-------|-------|-------|
| No. of Corporations: | 11    | 12    | 10    | 9     |
| Percentage (%):      | 45.83 | 50.00 | 41.66 | 35.50 |
- 4:9. Eleven Corporations, that is 48.83 percent of them, declared losses every year. These agencies include the NNPC, Bureau of Public Enterprises (BPE), National Agency for Science and Engineering Infrastructure (NASEI), Nigerian Social Insurance Trust Fund (NSITF), National Sugar Development Council (NSDC), Nigerian Tourism Development Council (NTDC), National Communications Commission (NCC), NAFDAC and Nigerian Custom Service. Even, apparently bouyant agencies such as SEC, and NPA have declared operating profit only once or twice in four years.
- 4:10. Seven (7) corporations were privatised before 2008 while 6 new ones were included in the list of scheduled corporations at the tail end of last year, 2011. With the exclusion of 7 privatized agencies and 6 corporations excluded late in 2011, only 24 corporations were available for assessment. Out of the 24, one corporation namely; NITEL is as good as dead.
- 4:11. Other problems of the corporations include secrecy such as the refusal of the NIMASA and NTDC to comply entirely with the FRA, 2007, and the CBN's claim that its enabling law allowed it to operate budget approved by its Governing Board. Virtually all the corporations indulged in creative accounting by inflating their costs and thereby reducing their operating profit. Some corporations, such as the NCC, engaged two accounting practices of accrual accounting and cash basis accounting and used the accounting basis that reported loss or low profit to determine the operating profit.



4.12. In reaction to low compliance with the FRA 2007, by the scheduled corporations, particularly their failure to declare realistic operating profit, Government through the Ministry of Finance, has decided to impose the payment of 25 percent of the gross income of all corporations, including non-scheduled corporations, into the Consolidated Revenue Fund (CFR) of the Federal Government. The Commission is examining the legal effect of this policy on the corporations and the FRA, 2007.

4:13. The challenges facing the corporations and outright refusal to comply with the FRA, 2007, notwithstanding, the overall operating surplus paid into the CFR has been increasing from year to year since 2009 when the FRC started enforcing and monitoring the FRA, 2007. Table 4.3 below shows the individual payments and total payments of operating surplus into the CRF in 2009, 2010 and 2011.



Table 4.3: Operating Surpluses Collected in 2009-2011

S/N	Name of Corporation	2009 (₦)	2010 (₦)	2011 (₦)
1.	Nigerian National Petroleum Corporation (NNPC)	Nil	Nil	Nil
2.	Nigerian Deposit Insurance Corporation (NDIC)	6,207,192,000	1,270,876,000	4,934,556,095
3.	Bureau of Public Enterprises (BPE)	Nil	Nil	Nil
4.	National Agency for Science and Engineering Infrastructure (NASEI)	Nil	Nil	Nil
5.	Nigerian Social Insurance Trust Fund (NSITF)	Nil	Nil	Nil
6.	Corporate Affairs Commission (CAC)	4,255,246,608	Nil	Nil
7.	Nigerian Maritime Administration and Safety Agency (NIMASA)	Nil	Nil	Nil
8.	Nigerian Shippers Council (NSC)	52,050,910	74,000,000	Nil
9.	Nigerian Airspace Management Agency (NAMA)	Nil	40,000,000	Nil
10.	Raw Material Research and Development Council (RMRDC)	6,339,502.40	Nil	6,441,755.28
11.	Nigerian Civil Aviation Authority (NCAA)	80,000,000	255,436,000	Nil
12.	National Sugar Development Council (NSDC)	Nil	Nil	Nil
13.	Nigerian Postal Service (NIPOST)	32,459,200	109,157,600	Nil
14.	Nigerian Ports Authority (NPA)	2,890,000,000	Nil	Nil

\* includes N1,903,002,400 for 2010



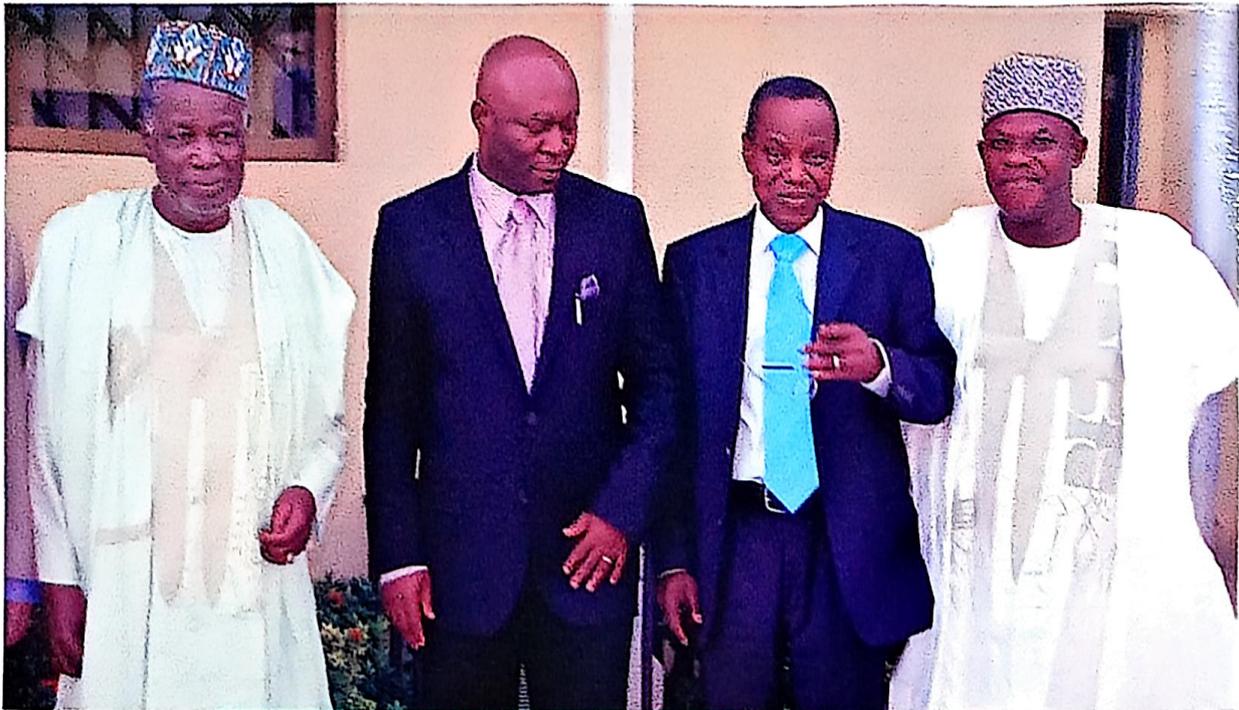
15.	Federal Airport Authority of Nigeria (FAAN)	Nil	Nil	Nil
16.	Securities and Exchange Commission (SEC)	1,929,651,319.40	Nil	Nil
17.	Nigerian Telecommunication (NITEL)	Nil	Nil	Nil
18.	National Automotive Council (NAC)	44,922,671.20	17,317,839.80	Nil
19.	Nigerian Tourism Development Corporation (NTDC)	Nil	Nil	Nil
20.	Nigerian Communications Commission (NCC)	1,600,000,000	4,000,000,000	2,000,000,000
21.	National Agency for food and Drug Administration and Control (NAFDAC)	Nil	Nil	Nil
22.	Nigeria Custom Service (NCS)	Nil	Nil	Nil
23.	Federal Inland Revenue Service (FIRS)*	Nil	Nil	Nil
24.	Central Bank of Nigeria (CBN)	Nil	31,000,000,000	64,120,000,000
25.	National Business and Technical Examination Board (NABTEB)	N/A	N/A	N/A
26.	Nigerian Immigration Service (NIS)	N/A	N/A	N/A
27.	Nigerian Broadcasting Commission (NBC)	Nil	Nil	N/A
28.	Nigerian Electricity Regulatory Commission (NERC)	N/A	N/A	N/A
29.	National Oil Spill Detection and Response Agency (NOSDRA)	N/A	N/A	N/A
30.	National Environmental Standards Regulatory Agency (NESRA)	N/A	N/A	N/A
	<b>TOTAL</b>	<b>17,097,862,211.10</b>	<b>36,766,807,439.80</b>	<b>71,060,997,850.28</b>

Source: FRC. \*NB: The FIRS paid its Operating Surplus into the Federation Account for some years, instead of the Consolidated Revenue Fund (CRF).



4:14. In brief, the total payment due to the prodding and prompting of the FRC, rose from ₦17,097,862,211.10 in 2009, to ₦36,766,807,043.80 in 2010, and increased further in 2011 to ₦71,060,997,850.28. It is hoped that with further improvement in the

enforcement and monitoring of the FRA, 2007, and the addition of 6 new agencies to our scheduled corporations, payment of operating surplus will increase in the coming years.

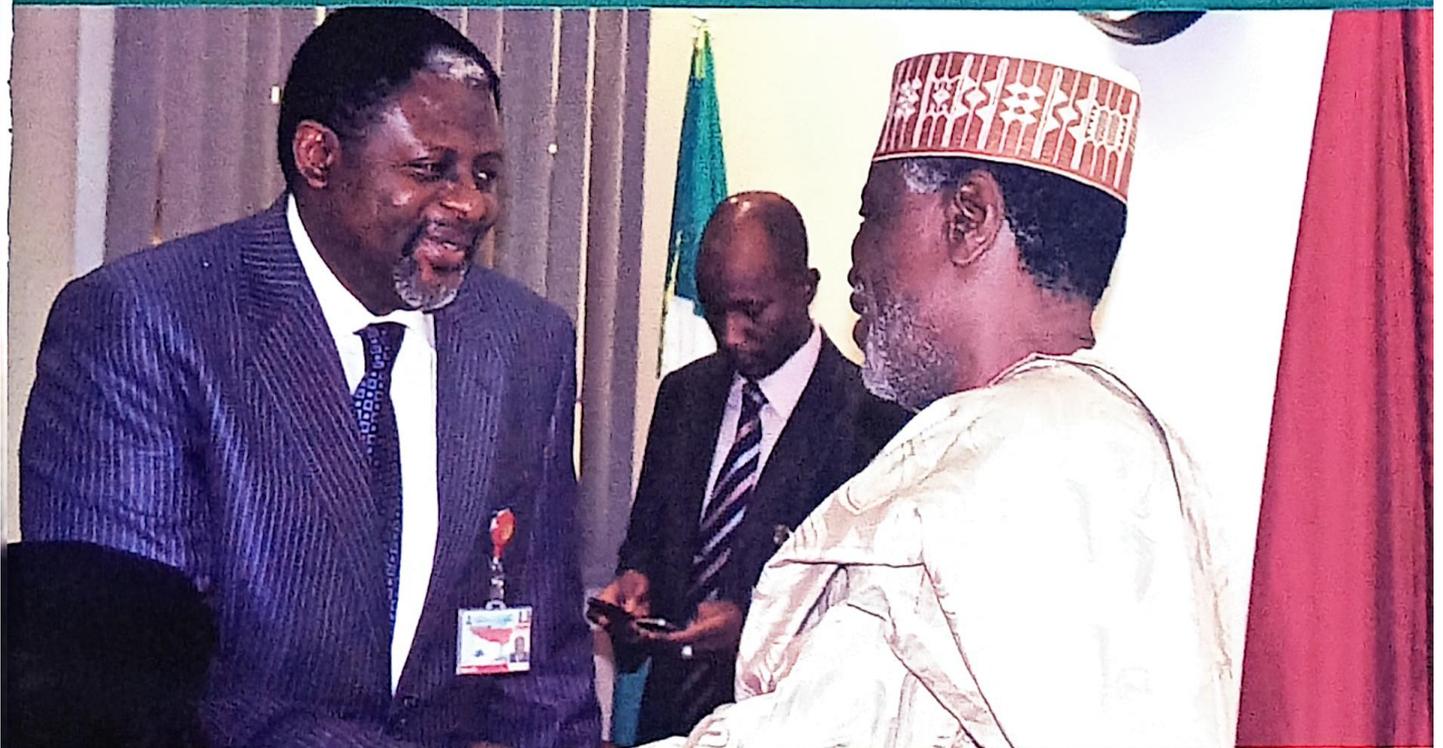


The Chairman FRC with some Commission members after an EMC meeting



**FISCAL  
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**CHAPTER 5**



Former Senate Committee on Finance Chairman, Senator ... discussing with FRC Chairman during a visit to NASS

**IMPLEMENTING FISCAL RESPONSIBILITY IN THE STATES**

Values

Integrity

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## **Implementing Fiscal Responsibility In The States**

### **5:1 Efforts To Support The Enactment Of Fiscal Responsibility Laws At Sub-National Levels.**

Sections 17, 20, 31, 40 and 51 of the Fiscal Responsibility Act enjoin the Federal Government to provide technical and financial assistance to States and Local Governments that adopt fiscal responsibility legislations along the same lines as the FRA, 2007. The FRC, Federal Ministry of Finance, DMO and Nigeria's development partners (World Bank, IMF, DFID etc) are working on assisting the States.

5:2. Records available to the Fiscal Responsibility Commission indicate that the status of Fiscal Responsibility Legislations in the States of the Federation as at 31 December, 2011 is as shown in Table 5.1 below.



Table 5.1: Level of Enactment of Fiscal Responsibility Laws in States

S/N	Category	States	Number of States	Percentage of States
1	States that have passed the Fiscal Responsibility Law and their Governors have given assent	Bauchi	7 States	19.5
		Delta		
		Ebonvi		
		Kwara		
		Ekiti		
		Kogi		
		Taraba		
2	States that have passed the Fiscal Responsibility Law and their GOVERNORS HAVE YET TO GIVE ASSENT	Ogun	2 States	5.6
		Ondo		
3	States that have drafted the Fiscal Responsibility Bill and have PRESENTED IT TO THE STATE LEGISLATURE	Abia	12 States	33.3
		Akwa-Ibom		
		Anambra		
		Benue		
		Nassarawa		
		Enugu		
		Imo		
		Sokoto		
		Niger		
		Osun		
		Oyo		
		Yobe		
4	States that have drafted the Fiscal Responsibility Law but NOT YET PRESENTED IT TO THE STATE LEGISLATURE	Cross River	7 States	19.5
		Edo		
		Gombe		
		Kaduna		
		Katsina		
		Kebbi		
		Rivers		



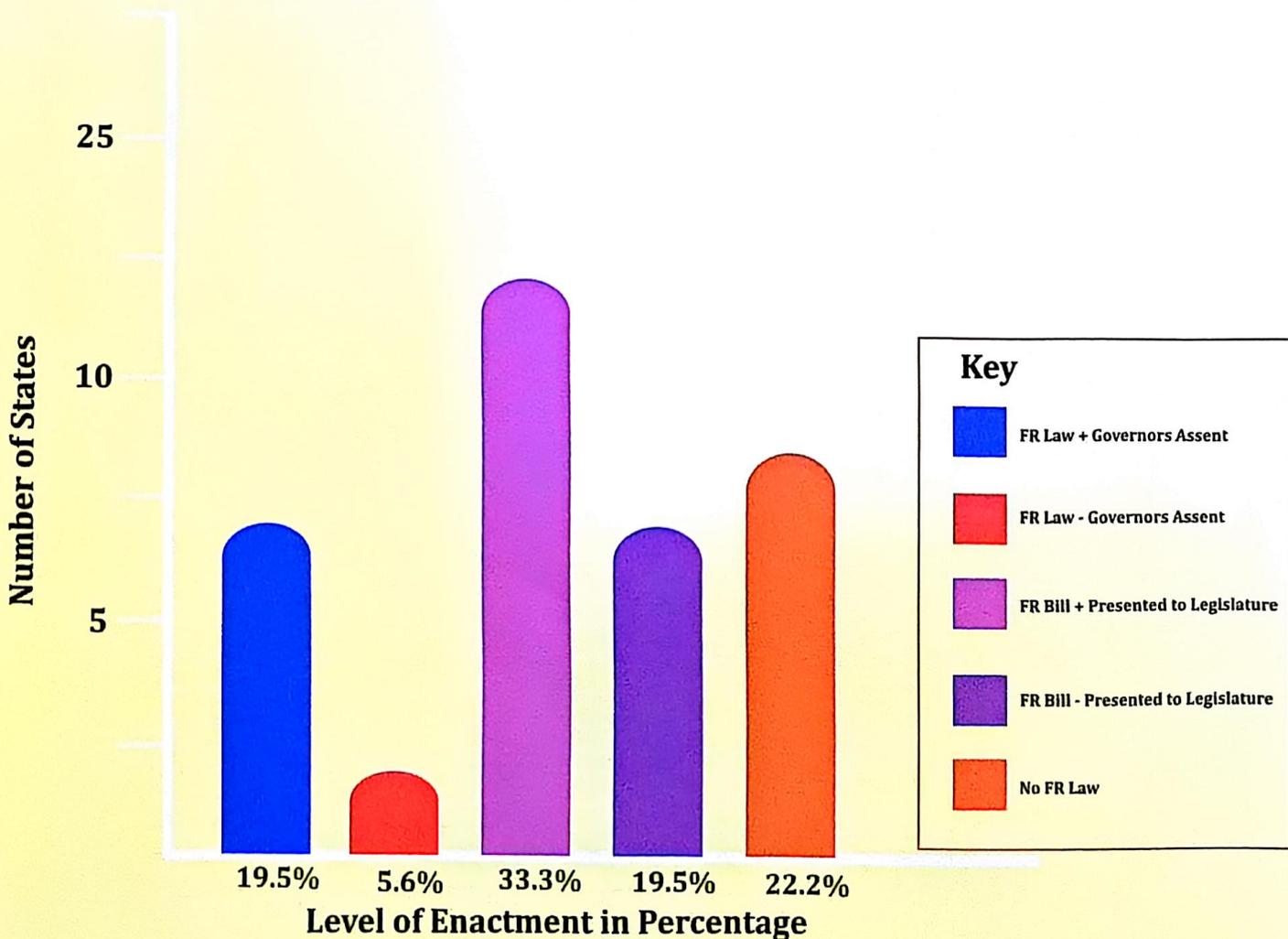
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5	States where the Fiscal Responsibility Law is YET TO BE DRAFTED	Adamawa	8 States	22.2
		Bayelsa		
		Borno		
		Jigawa		
		Kano		
		Lagos		
		Plateau		
		Zamfara		
<b>Total</b>			<b>36 States</b>	<b>100</b>

Source: FRC, Abuja.

Note: FIVE States have established and inaugurated their Commissions.

**Figure 5:1. Graphical Illustration of Adoption status by States of the Federation**



- 5:3. The Commission has been working towards supporting the promulgation and operationalization of Fiscal Responsibility Laws (FRLs) in all the States listed above. The project includes organizing advocacy and enlightenment programmes as well as mobilizing citizens and Civil Society Organisations in the target States. The legislatures and executives of benefiting States are offered legal/technical support towards the drafting, promulgation and implementation of their FRLs, as are necessary.
- 5:4. During the year under review, the Fiscal Responsibility Commission, Abuja hosted some States including Kwara and Ekiti which undertook study visits during which they interacted with various Directorates on our operations and other technical issues about the activities of the Commission to improve their operational capacity. The process of technical and financial assistance to the States continues.



**Dr. Mordi, Commissioner for Policy and Standards, discussing with the visiting ICAN President, Prof. Ojaide on behalf of FRC Chairman**



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**CHAPTER 6**



**TRANSPARENCY AND ACCOUNTABILITY**

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## TRANSPARENCY AND ACCOUNTABILITY

**S**ections 48-50 of the Fiscal Responsibility Act, 2007 provide for transparency and accountability in fiscal transactions.

These sections provide, among other things, that the:

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

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

6:2. In 2011, the Federal Government attempted to be transparent in its Fiscal transactions, except the following areas:

- (I) Non-consultation with the States before preparing the MTEF 2011-2013 and non-consultation with the CSOs and NGOs during the preparation of the same MTEF;
- (ii) Lack of transparency in the preparation and publication of two supplementary budgets in 2011;
- (iii) Setting aside the provisions of Section 35 of the Fiscal Responsibility Act, 2007 on savings and asset management in favour of an MOU with the States in the operation of the ECA without amending the law;
- (iv) Borrowing from the Nigerian capital market in the form of bonds without specifying the purpose of borrowing or not carrying out cost/benefit analysis and feasibility study as required by the Fiscal Responsibility Act, 2007.

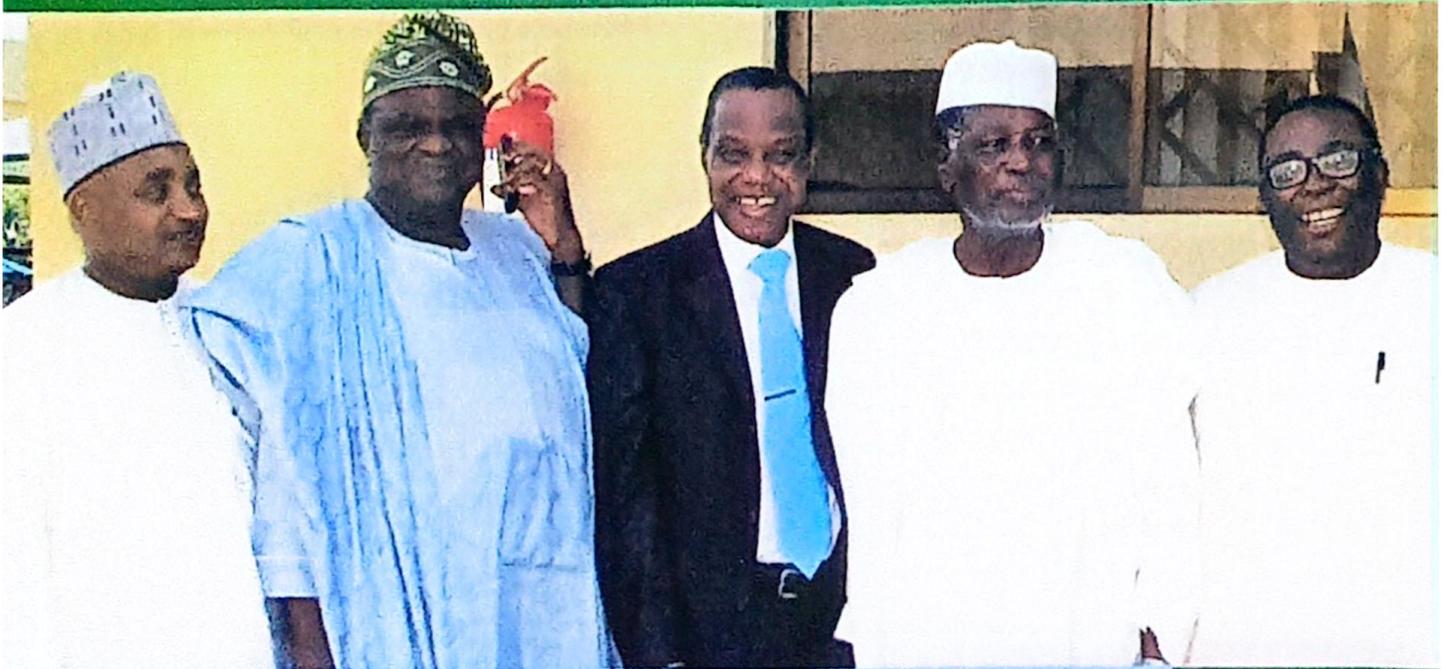


- 6:3. The NASS, although it debated the MTEF 2011-2013 and the annual budget, carried out the consideration of the two supplementary budgets without adequate debate;
- 6:4. Despite promptings from the Fiscal Responsibility Commission, the Federal Government did not publish its audited accounts for 2010 and 2011 in the mass media as and when due. Only the audited account for 2010 was submitted to the NASS in July, 2012. Generally, accountability and transparency were less than desirable.
- 6:5. With regard to the production of quarterly budget implementation reports and consolidated budget execution reports, the Federal Government, through the BOF and Minister of Finance, has done relatively well. However, most of the reports reached the Fiscal Responsibility Commission about three months behind the time-line. Even some reports came after 5 months. See Table 2:5 at pages 15.
- 6:6. The blow up of the oil fuel subsidy scam in the 2011 accounts shows that the Nigerian oil industry is a hot bed for corruption and lack of transparency. Added to subsidy scam is the problem of pension payment irregularly.
- 6:7. In the circumstances, it is observed that the issues of transparency and accountability have to be taken more seriously. Future delays in complying with the provisions of the Act, particularly on transparency and accountability will attract investigations and reports to the Attorney-General of the Federation for possible prosecution.



**FISCAL  
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## CHAPTER 7



FRC Chairman and some Commissioners with the Chairman of Ekiti State FRC

## RESEARCH AND DISSEMINATION OF STANDARDS

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## RESEARCH AND DISSEMINATION OF STANDARDS



n line with Section 3(1)(c) of the 7:3.

Fiscal Responsibility Act, 2007,

which requires the Commission to “undertake fiscal and financial

studies, analysis and diagnosis and disseminate the result to the general public”, the Commission requested for approved budgets and plans as well as expenditure patterns from all the State Governments in the Federation.

7:1. Documents on the finances, Internally

Generated Revenue and approved budgetary estimates of the States for 2008, 2009 and 2010 were collected and collated. The analysis of the data gathered in 2011 is in progress. This when completed, may reveal the pattern of expenditure and sectoral priorities of States, the levels of indebtedness as well as the variance between budget estimates and actual expenditure. There will be a look at the personnel costs, estimates and actual against the State’s IGR which will give an insight into the ability of States to shoulder the responsibility of footing their Salary and wage bills without depending on statutory allocations.

7:4.

Furthermore, studies were carried out on the relationship between the MTEF 2011-2013 and the Appropriation Act 2011 to show how much they agreed with each other or complied with the FRA, 2007. Comments on the observed divergences were conveyed to the executive and legislature.

7:2. The Commission also commenced a study on

States’ Fiscal Risks. The objective is to

evaluate the risks to the annual budget of States and advise on measures to mitigate

such risks. Factors such as weak Internally

Generated Revenue and high dependence on

Federal Allocation of funds have already been

identified as major risks.

## DISSEMINATION OF STANDARDS AND INTERNATIONAL GOOD PRACTICES

- 7:5. In line with its mandate, the Commission in 2011, undertook a number of programmes aimed at creating awareness on its roles and functions. Some of the programs were disseminated to the MDAs by correspondence and to the public through the print as well as electronic media.
- 7:6. The Commission embarked on advocacy visits to the stakeholders, with the objective of spreading the message of fiscal discipline and other sound fiscal practices such as compliance with the budget process, preparation of the MTEF, following the time lines in the Act, rendition of reports and accounts, revenue collection, expenditure control and procurement procedure.
- 7:7. The FRC disseminated its 2010 annual report to over 135 corporate organisations, MDAs (Ministries, Department and Agencies) and other individual stakeholders across the country, including State Governors, State Commissioners of Finance, Traditional Rulers, Federal Ministries, the Mass Media and others. This effort is believed to have encouraged many State Governments to accelerate the enactment of their respective Fiscal Responsibility Laws.
- 7:8. With a view to learning international good practices on fiscal responsibility and disseminating such practices to the MDAs, the Commission undertook study visits to some countries with effective budget laws and good fiscal responsibility practices. Accordingly, visits were made to Switzerland and Canada, in addition to earlier visits to places like Brazil, India, United States of America and others.
- 7:9. 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 has strong and effective budget legislations and procedure. Brazil, India and Nigeria are in the league of developing countries and have similar administrative setup; 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. The Indian legislation is only for the Central Government while the Nigerian Act is a hybrid; with only Part vii (Savings and Assets Management) and Part ix (Debt and Borrowing), cutting across all tiers of Government.



7:10. In 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 debt in both countries has been on the decline while economic growth indicators are on the rise.

7:11. 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.

7:12. 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.

7:13. 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 by the MDAs; and

(e) Effective anti-corruption agencies are themselves accountable for performance.

7:14. The implementation of Fiscal Responsibility does not rely on the use of force in its infancy. Even at relative maturity in Brazil, deviation correction and institutional sanctions take precedence over individual penalty rules. In Brazil, fiscal responsibility is a part of the country's political culture.

7:15. Global coverage of Fiscal Responsibility facilitates strong economic growth as in Brazil. On the other hand, a situation where States are free to enact their own versions of Fiscal Responsibility Laws without subjecting them to the authority of the central FRA will lead to sub-optimal growth and instability, as the experiences of Brazil and India show. Brazil is growing faster than India. The foregoing study has revealed international good practices which are being disseminated to the MDAs.



## ICT AND LIBRARY SERVICES

- 7:16. **Wireless Local Area Network (WLAN) project:** Wireless local area network was created to give intranet and internet access to the Commission. The FRC's main office has fully integrated this service, while the annex office having internet only would soon have the same service integrated for the use of it's staff..
- 7:17 **Enterprise wide internet security:** The internet security had been deployed to computers that were on the domain. Action in this regard was however constrained by unstable power source and insufficient supply of personal computers to Staff.
- 7:18. **Software configuration:** The optimization of the servers is essential if the organization is to achieve the objective of a seamless workflow. Efforts had been made to install basic softwares prelude to an ERP, which would integrate the application infrastructure of the organisation into an easy to manage web like interface.
- 7:19. **Capacity Building in ICT:** A series of training programs were structured to avail the organization's staff of recent developments in the world of ICT and to ensure work efficacy.
- 7:20. **ICT Policy:** A draft copy of the organization's ICT policy is at an advanced stage of completion.
- 7:21. **Online Linkage:** Our major stakeholders, the Ministry of Finance, Office of the Accountant-General of the Federation and National Assembly were fully linked with the online server in the Commission via microwave radio's while all our scheduled corporations and MDA's are linked by a secure web interface.

### THE COMMISSION'S LIBRARY

- 7:22. The library, which is charged with the responsibility of operating the Commission's database of books and journals, is fully set up. It has two Librarians, one of which is seconded from the National Library of Nigeria. In 2011, the library had two hundred and four (204) Titled Books comprising of three hundred and eight (308) Volumes of books and periodicals.



**FISCAL  
RESPONSIBILITY  
COMMISSION**  
FEDERAL REPUBLIC OF NIGERIA

**CHAPTER 8**



Chief (Barr.) Chris Okewulonu, Commissioner LIE in a warm hand shake with a member of NASS during the FRC visit

**ENFORCEMENT OF THE  
FISCAL RESPONSIBILITY ACT, 2007**

Values  
Integrity  
Truth  
Justice  
Prudence





## **ENFORCEMENT OF THE FISCAL RESPONSIBILITY ACT, 2007**

### Development of Citizen-Partners for Monitoring Fiscal Matters

**S**ection 51 of the Fiscal Responsibility Act 2007 empowers every citizen, corporate body, sub-national government and citizen groups such as Civil Society Organisations to enforce the provisions of the Act. Specifically, the Section states as follows:

*S.51. A person shall have legal capacity to enforce the provision of this Act by obtaining prerogative orders or other remedies at the Federal High Court, without having to show any special or particular interest.*

8:2. Recognizing the potency of this provision in the enforcement of the Act, the Commission initiated a programme to constitute community-based organisations, faith-based organisations and other CSOs into citizen-agents for the purpose of monitoring the Federal capital budget in their respective communities. When fully operational, this program will help to establish a framework for residents of respective States and Local Government Areas to see the Federal budget as their own and to monitor its implementation as it concerns them. They will also be in a position to challenge any perceived abuse of the budget process, any perceived deficit in prudence and/or any suspected case of misconduct in public expenditure management by relying on Section 51 of the FRA.



### INVESTIGATION OF BREACHES OF THE FISCAL RESPONSIBILITY ACT, 2007

- 8:3. In 2010, the Commission commenced investigations into suspected infractions of the extant provisions of the Fiscal Responsibility Act, 2007 in the following Scheduled Corporation:
- (i) Bureau of Public Enterprises (BPE);
  - (ii) Nigeria Communications Commission (NCC);
  - (iii) Nigerian Tourism Development Corporation (NTDC); and
  - (iv) National Sugar Development Council (NSDC).
- 8:4. Midway into the investigations, the authorities of the Nigeria Police Force who had been manning the Investigations Unit redeployed out of the Commission thereby causing the earlier mentioned investigations to stall for a long while.
- 8:5. However, following persistent request by the Commission for the replacement of the redeployed officers as well as the posting of additional Police Personnel to strengthen and re-invigorate the Investigation Unit, the Police High Command, several months later, posted three (3) Superior Police Officers as well as Nine (9) other ranks to the Investigations Unit. These, manpower coupled with the Commission's own Investigation staff, have taken over the said investigations.
- 8:6. In 2011, two additional organizations were added to the list of agencies being investigated for possible contravention of certain provision of the FRA 2007. They include:
- (i) The Federal Airports Authority of Nigeria (FAAN).
  - (ii) The Nigerian Maritimeitime Administrative Safety Agency (NIMASA)
- 8:7. Preliminary investigative procedure involving issuance of formal notices/correspondence to the concerned Agencies have already been undertaken and further investigative actions are in progress.



## THE COMMISSION'S INTERVENTION IN ISSUES OF NATIONAL IMPORTANCE

8:8. A national argument arose regarding the insistence of the Governor of the Central Bank of Nigeria that the bank's annual budget was not subject to the appropriating power of the National Assembly. The Commission intervened by pointing out to the CBN that it was one of the corporations listed in the schedule to the FRA, 2007, and was thus obligated to comply as provided under Section 21 of the Act:

- 21. (1) the Government corporations and agencies and government owned companies listed in the Schedule to this Act (in this Act referred to as "the Corporations") shall...not later than the end of the second quarter of every year, cause to be prepared and submitted to the Minister their Scheduled estimates of revenue and expenditure for the next three financial years.*
- (2) Each of the bodies referred to in subsection (1) of this section shall submit to the Minister, not later than the end of August in each financial year:*
- a. An annual budget derived from the estimates submitted in pursuance of subsection (1) of this section; and*
  - b. projected operating surplus which shall be prepared in line with acceptable accounting practices.*
- (3) The Minister shall cause the estimates submitted in pursuance of subsection (2) of this section to be attached as part of the Appropriation Bill to be submitted to the National Assembly.*



## EFFORTS TOWARDS THE AMENDMENT OF THE FRA, 2007.

8:9. The Commission welcomed the efforts of the National Assembly to amend the Fiscal Responsibility Act, 2007. Recognizing the need for amendments that will enhance the enforceability of the Act, the Commission carried out a detailed study of the FRA Amendment Bill that was before the House of Representatives and made inputs by which it hoped to steer the Bill towards the most appropriate direction. In addition, the Commission initiated efforts to draft a more comprehensive set of amendment to the FRA, 2007, with a view to making it a more effective tool for fiscal management.

### SUBSIDIARY LEGISLATION AND RULES

8:10. Pursuant to Section 3.1(d) of the FRA, 2007, which empowers the Commission to make rules for carrying out its functions under the Act, the Commission did preliminary work upon which subsequent efforts would be built to produce rules and subsidiary legislations to guide the Commission's stakeholders, enhance enforceability and, ultimately, help the Commission to fulfil its mandate. Action is in progress to a comprehensive regulation.

### LITIGATIONS INVOLVING THE COMMISSION

8:11. The legal firm of Charles Musa & Co sued the Commission in 2010 at the Federal High

Court sitting in Abuja wherein the Plaintiff asked 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. This case was concluded in 2011 with judgement given in favour of the Fiscal Responsibility Commission. The Plaintiff's suit was dismissed on the grounds, inter alia, that the Plaintiff has no legal competence or juristic personality to institute the action. The Plaintiff has since filed an appeal against the decision, which is now pending before the Court of Appeal, Abuja Division.

8:12. Due to unavoidable delays, the Commission did not conclude investigations into suspected contraventions in the agencies mentioned at paragraphs 8.3 and 8.6 above in 2011. As soon as these are completed, and the Commission is convinced that offences have been committed, reports will be forwarded to the Attorney-General of the Federation for possible prosecution.



**FISCAL  
RESPONSIBILITY  
COMMISSION**  
FEDERAL REPUBLIC OF NIGERIA

**CHAPTER 9**



Commissioners at a capacity building session in Howard University USA during their overseas study visit

**FINANCING THE COMMISSION**

Values

- Integrity
- Truth
- Justice
- Prudence





## FINANCING THE COMMISSION

9:1. 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 by the Commission.*

*(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.*

9:2 These express provisions notwithstanding, the Federal Government did not only default in the release of allocation to the Commission fully, but also harvested whatever balance that was in the fund at the end of December or March (if the capital expenditure budget was extended from December to March). The problems of short-releases and harvesting the balances in the Commission made the management of finances and projects chaotic, uncertain and volatile. In some cases, many on-going projects

were delayed and attracted upward review of their costs.

9:3. Again, the Federal Government subjected the Commission to annual budgeting, item by item, under personnel cost, overhead cost and capital expenditure. 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 and independent in the performance of its functions, funds ought to be released to the Commission, and not withdrawn from it. Accordingly, it is recommended that the funding of the Commission should be by statutory transfer as it is the case with the NDDC, National Judicial Council, Universal Basic Education Commission and, of recent, the National Assembly.



9:4. In 2011, the finances of the Commission were, as illustrated in Table 9.1.

**Table 9.1: Summary of 2011 Budget Implementation**

Expenditure Head	Appropriation	Releases	Expenditure	Unspent Balance	% Performance (Expenditure /Releases	Remarks
Capital	143,224,212.00	97,528,508.00	<b>96,732,282.61</b>	1,395,583.00	99.18%	Balance Rolled over to 31/3/2012
Overhead	417,860,192.88	417,860,192.88	417,823,725.43	36,467.45	99.99%	Unspent Balance Remitted to Treasury
Personnel	294,991,597.00	294,991,597.00	267,339,161.73	27,652,435.27	90.62%	Unspent Balance /Remitted to Treasury
<b>Total</b>		<b>810,380,297.88</b>	<b>781,895,169.77</b>	<b>41,822,128.14</b>	<b>94.83%</b>	

Source: FRC



# FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

## CHAPTER 10



A cross session of Commissioners at a meeting

## CHALLENGES AND THE FUTURE

Values

- Integrity
- Truth
- Justice
- Prudence



## CHALLENGES AND THE FUTURE

**N**igeria faces six main challenges. First is poverty. Over 60 percent of Nigerians are poor. The effect of poverty is that over 84 million Nigerians live on less than US\$2.00 or N300.00 per day. Second is unemployment. About 20.00 percent of the labour force is unemployed. In a country like Singapore the figure of unemployment is about 2.50 percent. Nigeria needs to reduce the levels of poverty and unemployment.

10:2. A third challenge is that Nigeria needs to extend the financial, economic and social reforms taking place in the central government to the sub national level. These include fiscal responsibility, procurement and public service reforms. Fourth is the need to invest heavily in infrastructure such as roads, ports, power, water and sanitation to reduce production costs and to deepen the integration of domestic and world markets. Fifth is that Nigeria needs to invest more in the education of its people and in health to improve the productivity of labour. Sixth, Nigeria needs to figure out how to pay for infrastructure and social investments since the Federal and State budgets are in perilous state with large deficits.

10:3. The challenges notwithstanding, Nigeria has a bright future. Despite high rating in corruption by Transparency International, fuel subsidy and pension scandals and corruptions of other forms, Nigeria's economy is growing at 7.45 percent per annum, the third highest in the world apart from China and India. Nigeria's growth is driven by agriculture, communications, wholesale and retail trade, building and construction, solid minerals and services. Of course, petroleum contributes over 60.00 percent of the national revenue. Efforts should be made to capitalize on the leading Sectors.

10:4. Although Nigeria has not matched China and India, Nigeria is an open and transparent society with growth potential. Almost on daily basis, dozens of newspapers in Nigeria carry full throated political criticisms as well as lurid crime stories. During any given month, it seems a State Government is tottering or the National Government is looking fragile. Political crisis is always at hand, yet somehow Nigeria stumbles forward. Each Government, since 1999, has endorsed and furthered the reform process. Nigerians themselves have described their country as an African elephant lumbering thunderously and ponderously through the jungles rather than an eagle, the preferred metaphor for Nigeria as a football playing nation.



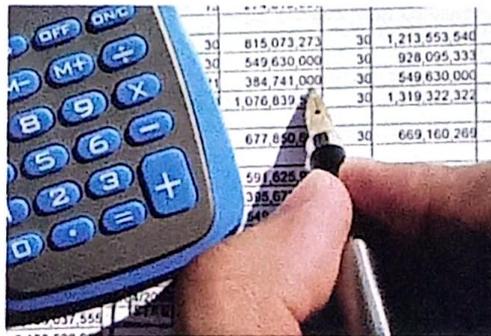
- 10:5. The FRC, like Nigeria, has challenges that constrain its operation. These include:
- (i) Outright refusal by some stakeholders to comply with some of the provisions of the FRA, 2007. For example, the Federal Government refused to fix limits to consolidated debt of the three tiers of Government. The States refused to provide information on their domestic debt and IGR. The National Tourism Board Council and NIMASA refused to comply with the Act.
  - (ii) The Nigerian Constitution and politics have set the Federal and State Governments at odd in the implementation of economic stabilization policy, section 35 of the FRA, 2007 and the Sovereign Wealth Fund Act, 2011.
  - (iii) The Government, through the Budget Office of the Federation renders budget report, on the average 5 months behind the timeline. The Auditor-General and the Schedule corporations render audited accounts, on the average, 12 months late.
  - (iv). The FRC is poorly funded. Apart from very low budgetary provisions, funds are released irregularly and harvested before they are used.
- 10:6. Without doubt, the FRC faces high future prospects. It now has full complement of staff, State of the art information, communication and technology equipment and a modern library. The Members and staff of the Commission, having undergone a number of capacity building courses are in possession of the requisite knowledge, experience and skill to monitor and enforce the FRA, 2007.
- 10:7. With the tremendous goodwill which the Commission enjoys from the Government, CSOs, mass media and general public, the implementation of the FRA, 2007, becomes easier at all levels of Government. Beside the goodwill, the Commission attracts technical and financial assistance from its development partners such as the DFID, World Bank, IMF, UNDP and so on.
- 10:8. Based on its strengths and opportunities, the FRC intends to improve on its enforcement and monitoring activities on stabilization policies such as the ECA, SWF, fiscal and monetary policy in collaboration with its stakeholders.



# FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

## CHAPTER 11



## CONCLUSION

Values  
Integrity  
Truth  
Justice  
Prudence





10:5.

## CONCLUSION

(ii)

The year, 2011 was characterised by slow global economic growth. This affected the world demand for Nigeria's exports and inflow of foreign capital. In that year, Nigeria experienced much publicised corruption and transparency problems, particularly fuel subsidy and pension scams. Obvious mistakes were made in the administration of the ECA, SWF and management of the financial system by the CBN and SEC.

(iii)

11:2. Corruption, lack of accountability and transparency notwithstanding, the Nigerian economy grew at the rate of 7.45 percent per annum. Among the major drivers of growth, were agriculture, communications, wholesale and retail trade, building and construction, solid minerals and services. Apart from the growth drivers, Government made serious efforts to improve governance, accountability and transparency.

(iv).

11:3. With respect to the preparation and execution of the national budget, the FRC strengthened the enforcement and monitoring of the FRA, 2007. In this direction, the FRC examined the revenue and expenditure policies to ensure that they complied with the provisions of the FRA, 2007, and capable of improving revenue growth and effective for achieving the objectives of public expenditure. While revenue, particularly non- oil revenue grew,

public expenditure became stable and slightly more capital oriented, thus leading to some decline in budget and fiscal deficits. The policy of fiscal consolidation introduced last year was effective.

11:4.

The monetary policy was however not completely in tandem with the fiscal policy, consequently, when the economy grew, the banks stalled. The FRC monitored the management of public debt at the Federal and the State Government levels to ensure that the activities related to debt, indebtedness and borrowing complied with the provisions of the FRA, 2007. The aim of enforcing and monitoring the Act here was to ensure that consolidated debt was sustainable at all tiers of Government. Generally, the Federal Government's domestic debt and external debt were sustainable. However their growth rates seemed to exceed the growth rates of the revenue and GDP. This situation calls for caution, particularly in contracting domestic debt in the future.



11:5. At the State level all appeared to be well with external debt. Domestic debt however, seemed to be easily contracted without compliance with the provisions of the FRA, 2007. Some States were heavily indebted, having exceeded 50.00 percent of their statutory revenue. Both the Federal and State Governments were in perilous financial position, with budget deficits in excess of 3.00 percent prescribed by the FRA, 2007.

11:6. Budgetary planning in the corporations, particularly the production of audited accounts and payment of operating surplus, was at variance with the spirit and intent of the FRA, 2007. The extension of fiscal responsibility to the States and their adoption of the same were too slow for comfort. There is need to empower the FRC with ample funding and necessary legal amendments to make the FRA, 2007, more effective.

11:7. In spite of the mantra on corruption and high ranking of Nigeria as perceived corrupt

nation by Transparency International, the nation appeared to be the third fastest growing economy in the world after China and India. Nigeria was growing faster than all African countries such as, South Africa, Ghana and Botswana which were rated lower in perceived corruption by Transparency International.

11:8. The major challenges facing Nigeria now include poverty, unemployment and funding infrastructure and human development. Nigeria needs to find the necessary funds by increasing revenue collection, reducing non-growth expenditure and continuing reforms such as removing fuel subsidy.



**FISCAL  
RESPONSIBILITY  
COMMISSION**  
FEDERAL REPUBLIC OF NIGERIA

# **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

Transparency

Integrity

Truth

Justice

Prudence





**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2011**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2011**

**CORPORATE INFORMATION**

**Members of the Commission**

Alhaji (Dr.) Aliyu J. Yelwa, OON (*Sardaunan yauri*)  
Chief (Dr.) S.E.O. Mordi  
Chief (Barr.) Chris Okewulonu  
Alhaji Shu'aibu A. Kore (*Wambai Wamba*)  
Alhaji Zakari M. Sada  
Dr. (Chief) Adewumi Abitove  
Barr. Benson Upah  
Alhaji Suleiman Abubakar  
Hajiya Amina S. Yusuf

Executive Chairman  
Member, Rep. South South Geo – Political Zone  
Member, Rep. South East Geo – Political Zone  
Member, Rep. North Central Geo – Political Zone  
Member, Rep. North West Geo – Political Zone  
Member, Rep. South West Geo – Political Zone  
Member, Rep. Labour  
Member, Rep. Organized Private Sector  
Member, Rep. Federal Ministry of Finance

**Management Team**

Alhaji (Dr.) Aliyu J. Yelwa, OON (*Sardaunan yauri*)  
Chief (Dr.) S.E.O. Mordi  
Chief (Barr.) Chris Okewulonu  
Alhaji Shu'aibu A. Kore (*Wambai Wamba*)  
  
Alhaji Zakari M. Sada  
Dr. (Chief) Adewumi Abitove

Executive Chairman  
Commissioner, Policy & Standards  
Commissioner, Legal, Investigation & Enforcement  
Commissioner, Monitoring & Evaluation & Acting  
Commissioner, Finance & Administration  
Commissioner, Planning Research And Statistics  
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)  
3<sup>rd</sup> Floor-City Plaza  
Plot 596, Ahmadu Bello Way  
Garki II- Abuja



## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011**

### **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 in December, 2008 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.



## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011**

### **REPORT OF THE COMMISSIONERS**

The Commissioners have the pleasure in presenting the report of the financial operation of the Commission for the year ended 31 December, 2011 as follows:

#### 1. Summary of Income and Expenditure

	₦	₦
Recurrent subventions received during the year	720,699,138	
Unspent balance remitted to Federal Sub-Treasury	<u>(38,384,560)</u>	
		682,314,578
Internally generated revenue	1,534,162	
Remitted to the Federal Sub-Treasury - CRF	<u>(1,478,577)</u>	
Unremitted Balance	<u>55,585</u>	
Personnel costs	(137,493,002)	
Administrative costs	(417,502,619)	
Depreciation	(79,783,859)	
		(634,779,481)
<b>Surplus for the year</b>		<u>47,535,097</u> =====

#### 2. Capital Grants

Unutilized balance at 1 January, 2011	21,042,672
Amount received during the year	<u>135,870,800</u>
	156,913,472
Amount expended during the year	<u>(142,777,616)</u>
	14,135,856
Amount returned to Federal Sub -Treasury – CRF	(2,631)
	<u>14,133,225</u> =====

#### 3. Employment of Disabled Persons

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

#### 4. Health, Safety and Welfare

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



**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2011**

**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) has indicated their willingness to continue in office.

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



**Aminu Ibrahim & Co**  
Chartered Accountants

**AMINU IBRAHIM & CO**  
(Chartered Accountants)  
Suite 11B, City Plaza  
Ahmadu Bello Way  
Garki II, Abuja

## **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 2011 set out on Pages 9 to 11 which have been prepared on the basis of significant accounting policies set out on page 7 to 8 and other explanatory notes on pages 12 to 14.

#### **Commissioners' Responsibilities for the financial statements**

The Commissioners are responsible for the preparation and fair presentation of these financial statements. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of 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 on 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, 2011 in accordance with the Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria and the requirements of Fiscal Responsibility Act No.31 of 2007. We confirm that:

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary 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  
29<sup>th</sup> June, 2012



**Chartered Accountants  
Abuja, Nigeria**

**Laz I.Iwu FCA (Senior Partner/C.E.); Musa I. Idris FCA; Kunle Lasisi FCA; Habibu Muhammed ACA.**

**KANO:** 26 Post Office Road, P. O. Box 4412, Kano Tel: (069) 633745, 208378. Fax (064) 635237

**KADUNA:** Turaki Ali House, 3 Kanta Road, P. O. Box 2896, Kaduna. Tel: (062) 246254 ext 3416.

**LAGOS:** 42 Opebi Road, P. O. Box 1955, Ikeja. Tel: (01) 4974369.



## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011**

### **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 Assets are stated at cost less accumulated depreciation.

#### **Research Studies and Capacity Building**

Research Studies and Capacity Building funded from capital grants are capitalized and fully amortized in the period they are incurred.

#### **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.



## **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER, 2011

STATEMENT OF ACCOUNTING POLICIES (CONT'D)

### **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, 2011**

	Note	2011 ₦	2010 ₦
<b>FIXED ASSETS</b>	1	<u>164,877,416</u>	<u>214,018,917</u>
<b>RESEARCH STUDIES &amp; CAPACITY BUILDING</b>	2	<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Cash and Banks Balance	4	117,256,387	62,205,248
Debtors and Prepayments	3	183,937,570	125,045,657
Stocks	5	21,754,055	10,339,172
		<u>322,948,013</u>	<u>197,590,077</u>
<b>CURRENT LIABILITIES</b>	6	<u>(8,638,739)</u>	<u>071,888</u>
<b>NET CURRENT ASSETS</b>		<u>314,309,274</u>	<u>18,189</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITY</b>		<u><u>479,186,689</u></u>	<u><u>537,106</u></u>
<b>FINANCED BY:</b>			
Capital Fund	7	300,830,071	15,585
Income and Expenditure Account	8	<u>178,356,618</u>	<u>321,521</u>
		<u><u>479,186,689</u></u>	<u><u>537,106</u></u>

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

.....  


Chairman

.....  


Head, Finance and Accounts

The accounting policies on page 87 to 88 and the notes on pages 92 to 94 form an integral part of these financial statements.



**FISCAL RESPONSIBILITY COMMISSION  
INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER, 2011**

	Note	2011 N	2010 N
<b>INCOME</b>			
Recurrent Subvention	9	682,314,578	589,663,334
<b>LESS: ADMINISTRATIVE EXPENSES</b>			
Personnel Cost	10	137,493,002	128,536,095
Maintenance:			
Building		8,028,680	5,074,419
Plant and Equipment		4,902,011	7,397,762
Furniture		2,721,520	4,270,700
ICT facilities		13,214,051	3,195,466
Motor Vehicle		24,340,574	13,439,376
Local Travels and Transport		38,864,230	43,808,271
Stationeries, Printing and Consumables		36,358,290	23,665,207
Postages, Fax and Telephone		6,401,699	8,514,619
Office Expenses		31,703,960	20,401,766
Donation and Subscriptions		2,443,250	2,601,100
Advert and Publicity		14,861,248	7,866,635
Rent - office Building		64,372,062	30,838,599
Staff Training:			
Local		32,586,174	48,771,798
Overseas		56,009,040	88,729,988
Honourarium and sitting Allowance		10,648,420	10,129,110
Bank Charges		1,625,602	1,802,663
Legal and Other Professional Charges		10,185,886	20,099,181
Staff Welfare/Recreation		50,436,558	42,795,825
Security Services		5,798,765	10,038,800
Depreciation		79,783,859	56,083,486
Audit fee		2,000,000	1,000,000

The accounting policies on page 87 to 88 and the notes on pages 92 to 94 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER, 2011**

	<b>2011</b>	<b>2010</b>
	N	N
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus of income over Expenditure	47,535,097	10,601,708
Adjustment for Non - Cash items:		
Depreciation	79,783,859	56,083,886
Cashflows from Operating Activities before Changes in working Capital	127,318,956	66,685,194
<b>CHANGES IN WORKING CAPITAL</b>		
Increase in Debtors and Prepayments	(58,891,913)	(23,545,755)
Increase in Stocks	(11,414,883)	(754,522)
Decrease/Increase in Creditors and Accruals	(34,433,149)	40,951,244
Net Cashflows from Operating Activities	22,579,011	83,336,161
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(30,642,358)	(113,440,752)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital Grant Received	135,870,800	122,532,709
Cost of Research and Studies	(72,753,683)	(62,181,949)
Returned to Federal Sub - Treasury - CRF	(2,631)	(42,930,169)
	63,114,886	17,420,591
Net Movement in Cash and Cash Equivalents	55,051,139	(12,684,000)
Cash and Cash Equivalent at 1 January	62,205,248	74,889,248
Cash and Cash Equivalent at 31 December	<b>117,256,387</b>	<b>62,205,248</b>
<b>Represented by:</b>		
Cash and Bank Balances at 31 December	<b>117,256,387</b>	<b>62,205,248</b>

## 1 FIXED ASSETS

Cost	Office						Total
	Furniture & Equipment	Motor Vehicles	ICT Facilities & Equipment	Plant & Equipment	Library Books	Capital Work In Progress	
As at 1 Jan, 2011	73,173,771	119,858,750	26,434,675	7,056,000	2,729,092	50,582,625	279,834,913
Additions for the year	24,045,656		50,582,625	4,991,000	1,605,702	(50,582,625)	30,642,358
Reclassification				-	-		
As at 31 Dec, 2011	97,219,427	119,858,750	77,017,300	12,047,000	4,334,794	-	310,477,271
<b>Depreciation</b>							
As at 1 Jan, 2011	17,573,575	36,479,610	9,089,205	1,764,000	909,606	-	65,815,996
Charge for the period	19,695,255	29,964,688	25,669,866	3,011,750	1,442,300	-	79,783,859
As at 31 Dec, 2011	37,268,830	66,444,298	34,759,071	4,775,750	2,351,906	-	145,599,855
<b>Net Book Value</b>							
As at 31 Dec, 2011	59,950,597	53,414,452	42,258,229	7,271,250	1,982,888	-	164,877,416
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



NOTES ON THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER, 2011

	2011 N	2010 N
<b>2 RESEARCH STUDIES &amp; CAPACITY BUILDING</b>		
Received during the Year	72,753,683	62,181,950
Amortized in the Year	(72,753,683 )	<u>(62,181,950)</u>
<b>3 DEBTORS AND PREPAYMENTS</b>		
Advance for petty expenses	2,560,000	1,500,000
Purchase Advance	10,442,630	15,717,376
Motor Vehicle Loan	31,351,400	42,047,057
Staff Revolving Loan	36,770,000	
Prepayments	102,813,540	65,781,224
	<b>183,937,570</b>	<b>125,045,657</b>
<b>4 CASH AND BANK BALANCES</b>		
Central Bank of Nigeria	14,133,225	21,042,672
Stanbic IBTC Plc	2,500,000	1,143,180
Fin Bank Plc	97,349,022	19,396
Zenith Bank Plc	3,274,140	40,000,000
	<b>117,256,387</b>	<b>62,205,248</b>
<b>5 STOCKS</b>		
Stationery Items	12,347,940	9,247,172
Office Equipment	2,969,115	-
Stock of Furniture	4,509,000	-
Stock of Motor Accessories	1,928,000	1,092,000
	<b>21,754,055</b>	<b>10,339,172</b>
<b>6 CREDITORS AND ACCRUED CHARGES</b>		
Due to Contractors	-	41,166,563
Value - Added tax (VAT)	946,802	-
With- Holding Tax (WHT)	4,835,691	-
Creditors - CRF	55,585	-
Other creditors	800,661	905,325
Accrued Audit fees	2,000,000	1,000,000
	<b>8,638,739</b>	<b>43,071,888</b>



## NOTES ON THE ACCOUNTS

### FOR THE YEAR ENDED 31 DECEMBER, 2011

	2011 N	2010 N
<b>7 CAPITAL FUND</b>		
As at 1 January	237,715,585	220,294,995
Received during the year	135,870,800	122,532,709
	<u>373,586,385</u>	<u>342,827,704</u>
Amortized Cost of Research and Studies (note2)	(72,753,683)	(62,181,950)
	<u>300,832,702</u>	<u>280,645,754</u>
Returned to Federal Sub - Treasury - CRF	(2,631)	(42,930,169)
As at 31 December	<u>300,830,071</u>	<u>237,715,585</u>
<b>8 INCOME AND EXPENDITURE</b>		
As at 1 January	130,821,521	120,219,813
Surplurs for the year	47,535,097	10,601,708
As at 31 December	<u>178,356,618</u>	<u>130,821,521</u>
<b>9 RECURRENT SUBVENTION</b>		
Overhead Cost	417,860,220	398,922,017
Personnel cost	302,838,918	242,729,421
	<u>720,699,138</u>	<u>641,651,438</u>
Returned to Federal Sub - Treasury -CRF	(38,384,560)	(51,988,104)
	<u>682,314,578</u>	<u>589,663,334</u>
<b>10 PERSONNEL COSTS</b>		
Salaries and Allowances	104,377,335	91,272,826
Housing Allowance	23,626,600	27,541,760
Furniture Allowance	-	5,872,740
Other Allowances and Incentives	9,489,067	3,848,769
	<u>137,493,002</u>	<u>128,536,095</u>
<b>11 INTERNALLY GENERATED REVENUE</b>		
Interest on Motor Vehicle Loans	1,478,577	1,712,103
Interest on Staff Revolving Loans	55,585	-
Tenders Fees	-	1,470,000
	<u>1,534,162</u>	<u>3,182,103</u>
Remittance to Federal Sub- Treasury	(1,478,577)	(3,182,103)
Unremitted Balance	<u>55,585</u>	<u>-</u>