FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

Annual Report and Audited Accounts

2013

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

Annual Report and Audited Accounts

for **the year ended**
31st December, 2013

FISCAL
RESPONSIBILITY
COMMISSION
FEDERAL REPUBLIC OF NIGERIA

Vision, Mission and Values of the Fiscal Responsibility Commission

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

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

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

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

His Excellency,
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Vice President, Federal Republic of Nigeria

His Excellency,
Sen. David Mark, GCON
President of the Senate of the Federal Republic of Nigeria

Rt. Honorable,
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Speaker, House of Representatives of the Federal Republic of Nigeria

Barr. Victor Chinemerem Muruako
Acting Chairman, Fiscal Responsibility Commission

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FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

Chairman's Statement

It is with great pleasure that I present to the National Assembly and our stakeholders the Annual Report and & Audited Accounts of the Fiscal Responsibility Commission for the year ended 31 December, 2013.

2. The preparation of this report fulfils the requirements of Section 10 of FRA which requires that a report of the Commission's activities be prepared and submitted to the National Assembly every year. In it, the Commission presents the highlights of its monitoring, enforcement, enlightenment, sensitization and other activities. It also communicates the Commission's views of the efforts made by the Federal Government towards the prudent management of its resources. The report also reveals, amongst other things, the efforts made in 2013 to secure greater accountability and transparency in fiscal operations within the medium term fiscal policy framework and ensure long-term macro-economic stability of the national economy.

3. The fiscal year 2013 is significant because it is the middle year of the Transformation Agenda, 2011–2015. The Commission notes Government's efforts towards aligning the annual budget with the Medium-Term Expenditure Framework (MTEF) and with the goals and strategy thrust of the Transformation Agenda.

4. The modality for achieving fiscal prudence as well as greater accountability and transparency in fiscal operations actually starts with a Nation's articulation of its Economic Vision. If you don't know where you are going, how will you know how to get there in the most cost-effective manner? The key plan of the Federal Government is the Transformation Agenda which builds on the foundations of the 1st National Implementation Plan (NIP) of the Nigeria Vision 20:2020 (NV20:2020) - the overarching economic vision.

5. While the NV20:2020 is a long-term plan to launch Nigeria onto a path of sustained social and economic progress and place the country among the top 20 economies in the world by 2020 with a minimum GDP of $900 billion and a per capita income of not less than $4000 per annum, the Transformation Agenda, as a medium term development strategy and roadmap for achieving the vision, provides a sense of direction for the government.

6. The Transformation Agenda was severally referenced in Government's policy statements in the period under review and this is considered by the Commission as subtle proof that it has not been allowed to gather dust. It also implies that Government's default mode is not the knee-jerk, whimsical

and reactive style of yore.

7. The MTEF feeds directly into the Transformation Agenda and provides an application framework for it. In recognition of this, the Fiscal Responsibility Commission examined the alignment of the MTEF 2014-2016 with the Transformation Agenda 2011-2015 to ascertain the extent to which the MTEF reinforced earlier investments made by the nation towards the attainment of the goals of the Transformation Agenda.

8. In that regard, the Commission notes that the Transformation Agenda, in its Section 2.3 under the heading PUBLIC EXPENDITURE MANAGEMENT, lamented that recurrent spending had consistently crowded out capital expenditure since 1999, thereby exacerbating the already abysmal state of infrastructure. The document declared that to remedy the situation, Government would adopt short-term policy measures that would

(i) limit total recurrent spending as a percentage of GDP to 6 per cent in the first instance, while increasing capital expenditure as a percentage of GDP from 4 to 6.5 per cent in 2011 (and rising significantly thereafter); and

(ii) Align recurrent expenditure with non-oil revenue and devote a substantial proportion of oil revenue to capital expenditure.

9. The Commission further notes the efforts of the Government with regard to reducing the percentage of the budget that goes into recurrent expenditure. In fact, the Coordinating Minister for the Economy and Minister of Finance has specifically declared that in drafting the budget each year, attempts are made to reduce recurrent spending and thus allocate more resources for capital investments in priority sectors (Okonjo-Iweala, 2014). In the 2013 Budget, the share of recurrent expenditures was 67.5 per cent, down from 71.47% in 2012. Budgets of states also featured relatively lower percentage of recurrent expenditures.

10. Furthermore, the Commission observed no immediate effort to align recurrent expenditure with non-oil revenue as intended by the Transformation Agenda. This is a formula for shock-proofing a resource-dependent economy from possible crash in resource price. It may not be easy, but the benefits are invaluable.

11. Similarly, the Transformation Agenda intends that in the medium-term Government will demonstrate adequate political will to tackle the problem of transparency and accountability in the industry, especially the JVCs and production sharing arrangement head-on, by reviewing the policy processes over the past 25 years. The Government has been true to this objective by presenting the Petroleum Industry Bill (PIB) to the National Assembly

12. The Transformation Agenda selected the key priority programmes and projects that would drive the Agenda from 2011 and sectors. A total of 685 projects were adopted and admitted into the programme

over the 2012-2015 period. The Commission is of the view that the priority sectors were factored into the MTEF 2014 – 2016 and the 2014 Appropriations Bill.

13. The fact that an MTEF is aligned to the overarching economic vision is however not enough. What makes the MTEF one of the keys to fiscal prudence is the transparent and inclusive process of producing it as outlined in Sections 11- 17 of FRA . The process in question affords the nation, as well as stakeholders in general, the opportunity to both assess and influence the assumptions and development thrust of the Government. Where the economic priorities reflected in a draft MTEF are considered not good enough, for example, stakeholders make recommendations for redress. The safest guarantee against imprudence in the management of national affairs, especially fiscal affairs, remains openness and inclusion, which FRC is established to encourage.

14. The Commission is of the view that involvement of the relevant publics in the MTEF and budget preparation processes should be improved beyond the level witnessed in 2013.

15. The issue of timeliness of budget preparation has remained a recurring theme. The Transformation Agenda, recognizing the burden that poor budget cycles impose on development efforts, stated that the Government would adopt a whole-life approach to budgeting for assets that would engage stakeholders early in budget preparation processes in order to reduce the current delays in budgeting and approval processes.

16. In the course of the year, the Executive and the National Assembly argued over the benchmark price of crude oil to be used in the 2014 Budget. This contributed the delay in the passage of the 2014 – 2016 MTEF and underlines the need for all stakeholders to agree on a scientific formula for determining the benchmark price.

17. Crude oil projections for 2013 were 2.53 million barrels per day while actual figures averaged 2.3 million barrels per day leading to a shortfall of about 9%. This has been blamed on oil theft and pipelines vandalism that resulted in the loss of about 300,000-400,000 barrels per day. In addition, the Government's revenue from oil sales has been declining in recent years as a result of the changing structure of business arrangements (e.g. from joint ventures to production sharing contracts) and this quantity shock continues to impact on the level of external reserves and ECA.

18. In the period under review, the Commission intensified its efforts in monitoring the scheduled corporations in the areas of preparing their budgets, rendition of audited accounts and payment of 80% Operating Surplus to the Federal Government. In its five years of existence, the FRC has been instrumental in getting scheduled corporations to pay over N336 billion into the Consolidated Revenue Fund of the Federal Government. The Commission will continue to improve on this record.

19. Furthermore, the Commission continued its practice of physical verification of Government projects across the country. Despite our shoe-string budget, the Commission has accorded physical verification of selected Federal Government capital projects a pride of place. In the course of the exercise, the Commission confirmed that Federal Government projects that were appropriated for actually exist on-ground. The monitoring teams also observed some lapses ranging from improper project formulation, ineffective supervision and lack of adherence to MTEF, to non-release of funds for project executions leading to delay in project completion.

20. The Commission has sustained the campaign to ensure that more states buy into prudent and transparent fiscal regimes by enacting their own Fiscal Responsibility Laws and setting up Fiscal Responsibility Commissions. Despite the fiscal federalism in place, Nigeria still operates a single macroeconomy. Therefore, to ensure macroeconomic stability, the need for state Governments to enact their own fiscal responsibility law cannot be over-emphasized and the Commission will not rest on its oars until it enlists all States of the Federation into the fiscal responsibility fold.

21. In the period, Nigeria's economy continued to be one of the fastest growing in Africa. Interestingly, this growth is credited mainly to the performance of the non-oil sector driven by activities in the agricultural, oil & gas, manufacturing, housing & construction, and SME sectors. Inflation remained in single digit (at 8.0 percent as at end-December 2013); the exchange rate also remained relatively stable within the target band of N155-160/USD. The Nation's budget deficit of 1.85% of GDP remained one of the lowest in the world.

22. Though National Bureau of Statistics (NBS) data indicate that a total of 1.6 million jobs were created in the year, challenges remain in the area of reducing unemployment, especially for the growing youth population. We however remain optimistic that employment generation will improve through the Government's special intervention programs such as the YouWiN program and the SURE-P Community Services Scheme. We also expected that employment opportunities will improve in the light of Government's efforts in the areas of transportation infrastructure (roads & railways), the dredging of the lower Niger, construction of dams, developments in the aviation sector, power sector reforms, programs on sports and the creative industries, the agricultural transformation program and the National Industrial Revolution Plan (NIRP).

23. Incidentally, the 2013 year of coverage of this report is also the last year of the 5-year tenure of the first set of Chairman and Commissioners of the Fiscal Responsibility Commission that were appointed by President Umaru Musa Yar'adua GCFR on December 5, 2008. The Chairman and Commissioners left office on December 4, 2013 in line with Section 6 of the Fiscal Responsibility Act (FRA), 2007. Following a directive from the Office of the Secretary to

the Government of the Federation, the outgoing Chairman handed over the affairs of the Commission to the Secretary of the Commission.

24. Nigerians await the final position of the Federal Government concerning the recommendations of the Orosanye Committee that which includes the scrapping of the Fiscal Responsibility Commission while its functions be transferred to another agency of Government. That recommendation calls to mind one of the very opening sentence of the TRANSFORMATION AGENDA,

> "Nigeria's development efforts have over the years been characterized by lack of continuity, consistency and commitment (3Cs) to agreed policies, programmes and projects as well as an absence of a long-term perspective. The culminating effect has been growth and development of the Nigerian Economy without a concomitant improvement in the overall welfare of Nigerian citizens. Disregard to these 3Cs has resulted in rising unemployment, inequality and poverty"

25. Interestingly, the recommendations of the Orosanye Committee Report to the effect that the FRC be abolished betrays the very lack of continuity, consistency and commitment (3Cs) to policies, programmes and projects as well as an absence of a long-term perspective decried by the quotation above.

26. The Commission hopes that the President will keep to the spirit of the Transformation Agenda (particularly the very first sentence of that beautiful document) when considering the recommendations of the Orosanye Committee. Meanwhile, the Commission has not allowed itself to be distracted by the controversy over the recommendation. We have continued to discharge our mandates. It suffices to say that rather than scrap the Commission, the Federal Government will serve posterity better by amending FRA, 2007 to remedy some weaknesses discovered in the course of implementing it.

27. In closing, I wish to note that staff of the Commission spent considerable efforts to gather supporting factual documentation used to prepare this report. Though some of the documents requested from MDAs did not arrive on time and as complete as we would have desired them to be, the management and staff of the Fiscal Responsibility Commission have put what we have to the best use under the circumstance and I commend them for their diligence, dedication and hard work.

28. The report also drew from the diligent works of other agencies of Government, particularly the Budget Office of the Federation, the Ministry of Finance, the National Assembly Committees on Finance, the Debt Management Office, the National Bureau of Statistics, the National Planning Commission, and others. I acknowledge and commend them as well.

29. It is hoped that the challenges thrown up by this report will be addressed in order

to engender prudent management of the nation's resources, ensure long-term macro-economic stability of the national economy, secure greater accountability and transparency in fiscal operations within the medium term fiscal policy framework, and ensure the promotion and enforcement of the nation's economic objective.

30. I further commend the readers to the Fiscal Responsibility Act, particularly Section 51 wherein every citizen is empowered to enforce the Act by obtaining prerogative orders or other remedies at the Federal High Court, without having to show any special or particular interest. Though the necessary fiscal rules are largely in place, they will only work if they are worked. The law has done its bit and it is now up to the citizens of this great nation to take advantage of Section 51 and stand up to be counted on matters concerning the alignment of public revenue and expenditure to the letter and intent of the Fiscal Responsibility Act 2007. If we hearken to this call, things ca only get better.

31. Finally, I commend the readers of th document for their interest in the pruder and transparent management of the nation economy and I urge all to keep faith with ou responsibilities as citizens and stakeholder of this great country to promote prudenc transparency and accountability in th management of the nation's resources.

Thank you.

Yours in Fiscal Responsibility,

Barr. Victor Chinemerem Muruako
Acting Chairman

Introduction:

A key objective of this Report is to fulfil Section 10 of FRA, 2007 which requires that a report of the Commission's activities be prepared and submitted to the National Assembly every year. Accordingly, it is organized – as has been the practice – in a way that makes clear the efforts of the Commission towards the actualization of the core mandates of the Commission in 2013.

2. Chapter 1 states the Mandate of the Commission while chapter 2 delves into reporting on the results gathered by the Commission in the course of carrying out its mandate. Specifically, chapter 2 reports on the monitoring of the budgetary process, covering the preparation, planning and approval of the 2014 budget which took place in 2013. It also reports the execution of the 2013 budget and the reporting thereof. Chapter 3 dwells on the important areas of debt, indebtedness and borrowing outlined in Sections 41 – 47 of FRA , 2007. Chapter 4 considers scheduled corporations and, especially their adherence to the requirements of Sections 21 – 24 of FRA , 2007.

3. The adoption of rule-based fiscal responsibility practices and, especially the provision of legal frameworks for same, by sub-national Governments is discussed in chapter 5 while the important issues of transparency and accountability in fiscal affairs are covered in chapter 6. Chapter 7 dwells on the Commission's mandate - as stated in Section 3 of the Act - to be a warehouse of best-in-class fiscal practices and to disseminate such standard practices.

4. The Commission is empowered to enforce FRA, 2007, hence chapter 8 reports on its enforcement efforts in 2013, while chapter 9 states the initiatives and efforts made by the Commission to strengthen its capacity and capabilities in the year under review. The road ahead is previewed in chapter 10, which also discusses the challenges confronting the Commission as well as the next steps forward.

5. Finally, the Audited Financial Report of the Commission for the year ended December 31, 2013 is attached as an Annexure.

6. This report has been put together with a deep sense of responsibility in the understanding that it will serve economic watchers with materials for gauging the progress that the nation is making in the fiscal responsibility space.

Dr. Ngozi Okonjo-Iweala
Coordinating Minister for the Economy (CME) & Minister of Finance

FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA

Chapter 1:

The Mandate of the Fiscal Responsibility Commission

On return to democratic rule in 1999, the Federal Government of Nigeria embarked upon far-reaching legal and institutional reforms in pursuit of the realisation of the objectives set out in the Fundamental Objectives and Directive Principles of State Policy provided in Chapter 2 of the Constitution of the Federal Republic of Nigeria 1999 (the Constitution).

1.2 In this respect, section 16 (1) of the Constitution gives the State the responsibility for, among other things:

a) harnessing the resources of the nation, promoting national prosperity, as well as ensuring an efficient, dynamic and self-reliant economy; and

b) controlling the national economy in such a manner as to secure the maximum welfare, freedom and happiness of everycitizen on the basis of social justice and equality of status and opportunity

1.3 Section 16 (2) of the Constitution, in the same vein, enjoins the State to direct its policy towards ensuring:

(a) the promotion of a planned and balanced economic development; and

(b) that the resources of the nation are harnessed and distributed as best as possible to serve the common good.

1.4 The situation at the time of the 1999 return to democratic rule and thereafter was marked by the absence of effective institutional mechanisms for monitoring revenue generation and utilisation. Nigeria's budgeting process at the time was not based on any over-arching strategy or framework. Also, executive oversight was disaggregated and dysfunctional.

1.5 Accordingly, the Federal Government under President Olusegun Obasanjo, in concert with international stakeholders and local advocacy/ professional groups, opted for targeted reforms in economic and fiscal responsibility management, public procurement, extractive industries, banking, taxation and the petroleum sector.

1.6 With specific regard to fiscal responsibility management, the advocates and proponents sought to create legal and institutional frameworks that:

a) Provide for an independent Fiscal Responsibility Commission as an institutional backbone for ensuring fiscal responsibility, transparency and accountability in the generation of revenues and public expenditure and the enforcement and monitoring of the Act.

b) Provide for a Medium Term Expenditure Framework (MTEF) as a basis for budgeting and medium term economic planning.

c) Provide for an effective budget process including deadlines for planning, preparation, execution and reporting.

d) Provide for system of oversight in savings, asset and debt management.

e) Provide for transparency and accountability in management of revenues and expenditure.

1.7 To the delight of Nigerians and friends of Nigeria, President Olusegun Obasanjo forwarded the Fiscal Responsibility Bill to the National Assembly in 2004; the National Assembly considered it for 3 years and passed it in 2007; and late President Umaru Musa Yar'Adua signed the Bill into law on the 30th of July 2007.

1.8 The Act provides for the setting up of a Fiscal Responsibility Commission (the Commission) which shall be an independent institution with distinct legal personality.

1.9 The Commission is charged with the following functions:

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

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

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

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

(e) perform any other functions consistent with the promotion of the objectives of this Act.

1.10 In the exercise of its functions, the Act further empowers the Commission to do the following:

(a) Compel any person or Government institution to disclose information relating to public revenues and expenditure.

(b) Cause an investigation into whether any person has violated the provisions of the Fiscal Responsibility Act, 2007.

1.11. Clearly, the Act gives the Commission far-reaching powers to superintend the implementation of the Act, enforce its provisions and serve as an independent oversight on various institutions that have been given various responsibilities in the Act. These institutions include ministries, department and agencies (MDAs) who are in

Ag. Chairman of FRC, Chief Barr. Victor Muruako with Niger State Governor, His Excellency Alh. Babangida Aliyu during the Commission's courtesy visit to the Governor

charge of economic planning, raising revenues or making expenditures on behalf of the Federal Government.

1.12. Despite the above provisions, it is well recognised that the Fiscal Responsibility Act has several limitations, and still needs some amendments in order to strengthen the mechanism for oversight and clarify certain aspects of the powers and functions of the Commission (especially in the areas of sanctions and enforcement).

Senator Ahmed Makarfi
Chairman, Senate Committee on Finance

Chapter 2:

Monitoring the Budgetary Process

In 2013, the Fiscal Responsibility Commission continued, as it had done in previous years, to monitor the planning, preparation and execution of the Annual Budget and related instruments in order to ascertain their compliance to the provisions of the Fiscal Responsibility Act, 2007 and their linkage to general macroeconomic progress.

2.2. Generally, there was relative improvement in the compliance levels in 2013. However, concerns still remain, particularly regarding the time-lined activities that were still largely behind schedule.

2.3. The key areas traditionally monitored by the Commission include:

- Preparation and approval of the Medium Term Expenditure Framework (MTEF);
- Preparation and approval of the Annual Budget (Appropriations Act);
- Execution of the budget;
- Publication and standard of Budget Implementation Reports (BIRs);
- Determination and monitoring of appropriate Operating Surpluses due for payment by scheduled corporations into the Consolidated Revenue Fund (CRF) of the Federal Government;
- Remittances of independent revenues of Ministries, Departments and Agencies of Government to the CRF;
- Savings and assets management; and
- Other developments in the economy that could impact on the nation's fiscal responsibility position.

Preparation and approval of the Medium Term Expenditure Framework (MTEF)

2.4. A core feature of the Fiscal Responsibility Act, 2007 is the Medium Term Expenditure Framework (MTEF) which, among other things, previews the Federal Budget for the next 3 years. The Act specified guidelines regarding the preparation, approval and use of the MTEF. The Commission monitored the adherence of macroeconomic actors to these guidelines in the 2013 period and reports as follows:

Timelines

2.5. Section 14 of FRA 2007 requires that the Minister of Finance present the Medium-Term Expenditure Framework for the next three financial years to the Federal Executive Council (FEC) before the end of June each year for consideration and endorsement. Thereafter, but not later than the end of August, the draft MTEF, as endorsed by the FEC, shall be forwarded to the National Assembly for consideration and approval. The National Assembly may, in the course of considering the draft MTEF, make any modifications as it finds appropriate by a resolution of each House and, upon the said approval, the MTEF shall take effect and be gazetted.

2.6. In the course of monitoring the preparation of the 2014 - 2016 MTEF, the Fiscal Responsibility Commission noted that the document was submitted to the National Assembly on 18th September, 2013.

2.7. Though the Act gives no time limit for the National Assembly to consider and approve the MTEF laid before it by the Executive, it makes the preparation of the next year's budget dependent on the MTEF passed by the National Assembly. For instance, key parameters of the annual budget such as aggregate expenditure, benchmark price of oil, envelopes for MDAs etc. necessarily await the approval of their MTEF kin by NASS. It therefore goes without saying that the passage of the MTEF is a principal determinant of how early the budget is prepared by the Executive. This places on the National Assembly the responsibility for expeditious passage of the MTEF without which the budget preparation process cannot earnestly commence.

2.8. In 2013, the passage of the MTEF by the National Assembly was delayed owing to a disagreement over the benchmark price of oil.

Arguments over proposed benchmark price of oil

2.9. The Federal Executive Council, had proposed a benchmark price of crude oil of \$75/ barrel for purposes of the 2014 - 2016 MTEF. Incidentally, neither chamber of the National Assembly chose to agree with and adopt this figure. While the Senate proposed a higher benchmark price of US \$76/barrel, the House of Representatives insisted on a yet higher price of US \$79/barrel. The two Chambers of the National Assembly eventually met each other halfway and settled for US \$77.50/barrel.

2.10. Argument over the adoption of a higher/lower crude oil benchmark price constitutes, in essence, a contest of courage against caution. On the side of a higher benchmark price of crude oil is the National Assembly which questions why the Federal Executive Council (FEC) would choose to borrow money to augment its budget when it could simply look forward to more money by adopting a higher benchmark price of crude oil. The argument, on the other hand, for a cautious benchmark price represents the general position of the FEC and is hinged on the need to cautiously build a buffer against the risk of a sharp or sustained drop in oil price in the course of the year or in future. FEC's conservative approach to fixing oil benchmark prices in the Budget is also borne out of the need to save for future generations given the exhaustible nature of oil resources.

2.11. The international oil market has a huge potential for price volatility and this poses considerable risk to the budget of a nation that is largely dependent on oil for its revenue. Accordingly, the business of estimating a reliable future price of oil to be adopted as benchmark price in the MTEF and annual budget of a resource-dependent nation like Nigeria requires more science than emotion.

2.12. The Ministry of Finance has, in recent years, been mitigating the risk associated with international oil price fluctuations by using a moving average price of Nigeria's crude oil covering the past 10 to 15 years to estimate the benchmark price for the budget year. The use of the 10-to-15 year moving average throws up long-term trends or cycles, thereby enabling the Ministry to average-out the effects of both the fundamental and speculative factors that drive price fluctuations in the global commodity market. However, the problem with a price-smoothing formula using 10-to-15 year moving averages is that it is likely to lead to the adoption of lower expected resource prices than a formula that uses a moving average with a shorter span such as 5 to 10 years.

2.13. In a study that attempted to highlight the implications of different price-smoothing formulae, Economists in the International Monetary Fund, IMF posited that budgets that rely on price formulae with a short backward-looking horizon "will better track changes in prices, but the formulae may result in more volatile spending that could fuel an unwelcome tightening in fiscal policy when commodity prices are weak". In contrast, they continued, budgets that rely on price rules with long backward-looking formulas will have smoother expenditure paths but might systematically undershoot (or even overshoot) actual revenues if the price trend changes. (Daniel, Gupta, Mattina, & Segura-Ubiergo, 2013).

2.14. For Nigeria, the oil benchmark price question comes down to whether the nation would rather use a short horizon to arrive at a benchmark price that would be closer to true market figures at the risk of suffering the consequences of any volatile change or whether we are better off playing safe by using longer backward-looking horizons to arrive at benchmark price estimates that would generally tend to be much lower than actuals but would provide the nation with more shield from the risks of possible market volatility. A tradeoff has to be made.

2.15. The Ministry of Finance/FEC's conservative approach has implications for budget deficit and the level of domestic borrowing. The approach of the Coordinating Minister for the Economy is a conservative one which is hinged on the argument that it is easier for Government to manage the deficit gap and its implications on domestic borrowing, than to find itself with little savings in the event of a crash in oil prices. "If we experienced a crash in oil prices with little savings," she said in response to questions from the House of Reps Committee on Finance, "we may be forced to seek bail-out funds from the IMF and other international donors, as was the recent case in Greece, Ireland and Portugal. We know that Nigerians have very little appetite for that".

Public consultations

2.16. What makes the MTEF one of the keys to fiscal prudence is the transparent and inclusive process for producing, gazetting and publishing it as outlined in Sections 11-17 of FRA 2007. The clarity of the process affords the nation and stakeholders in general, the opportunity to support, influence and eventually assess the prudence-quotient of the Government in power. The safest guarantee against imprudence in the management of national affairs, especially fiscal affairs, remains openness and inclusion, which FRA is established to encourage. Where the economic priorities reflected in a draft MTEF are considered untoward, stakeholders can engineer its modification by raising their voices against the unacceptable priorities and presenting worthwhile alternatives.

2.17. Section 11. (1) specifies that the Federal Government should hold consultation with the States before preparing the MTEF. Also, Section 13 mandates the Minister of Finance to hold public consultation on the Macro-economic framework, the fiscal Strategy Paper, the Revenue and Expenditure Framework, the strategic, economic, social and developmental priorities of Government, and such other matters as the Minister deems necessary. Section 13 also mandates the Minister of Finance to seek inputs from a list of organizations such as National Planning Commission, etc.

2.18. The reasons why the Act stipulated consultations with states, the public and certain institutions are not far-fetched. Macroeconomic indicators such as the benchmark price of oil, interest rates, inflation and exchange rates would definitely impact on the revenue and expenditure of States, it goes without saying that States need to be consulted on those matters. Also, the MTEF requires inputs such as population, inflation and unemployment figures that necessarily need to be sourced from the institutions listed in Section 23 (2)(b) of FRA, 2007. The importance of these consultations is hilighted by the fact that in directing the Minister to seek inputs of the key institutions, the Act in Section 13 (2) (b) used the mandatory "shall".

2.19. Incidentally, the Fiscal Responsibility Commission was not notified of any public consultation held in the course of preparing the 2014 – 2016 MTEF as advised in Section 13 (2) (a) of FRA, 2007. And, though it was also not notified of any consultation with the States as stipulated in section 11. (1), the Commission assumes that these may have been duly carried out. It is worth clarifying that the Office of the Honorable Minister of Finance is not required by the Act to expressly report its consultations to the Commission. It is, however, imperative that details of an MTEF's formulation process be disseminated to stakeholders so as to enable them determine the 'DNA' of the instrument.

Preparation and approval of the Annual Budget (2014 Appropriations Act)

2.20. Having prepared and gazetted the MTEF, the next step in the rule-based procedure for managing the country's fiscal affairs is the preparation of the Annual Budget, whose objectives, figures, projects, projections and associated economic thrusts must necessarily derive from the framework already laid out and agreed in the preceding MTEF. Sections 18-20 of FRA 2007 describe the acceptable budget preparation process and parameters. Let's review the process and essence of the 2014 Budget in the light of the provisions of FRA 2007 and general economic fiscal prudence.

2.21. Following the passage of the 2014-2016 Medium Term Expenditure Framework by the National Assembly, the 2014 budget proposal was prepared and submitted to the National Assembly by the Hon. Minister of Finance on behalf of the President on December 19, 2013.

2.22. During the consideration of the 2014 Appropriations Bill, the National Assembly increased the proposed N4.643 trillion to ₦4.695 trillion and transmitted the passed version to the President on 10th April, 2014. The budget was passed based on an estimated oil price of $77.5 per barrel while crude oil production was set at 2.3883 million barrels per day. The President signed the 2014 Appropriation Bill into law on May 21, 2014.

Lateness in budget commencement

2.23. Lateness in the commencement of the annual budget has become an albatross in Nigeria's macroeconomic space. In fact, the last time the Federal budget was passed before the commencement of the fiscal year was six years ago, in 2008. Meanwhile, it goes without saying that delay in the commencement of budgets eventually lead to poor capital budget implementation. It is possibly in realization of this connection that paragraph C of Chapter 2 of the TRANSFORMATION AGENDA titled, *Macroeconomic Framework and Economic Direction* made bold to state, as part of the intended transformation, that the budget process shall be reviewed to provide greater clarity of roles between the executive and the legislature and to ensure that the appropriation bill is enacted into law within the first month of any year. Similarly, Vision 20:2020 also projects 'the adoption of measures to improve budget implementation to include the timely passage of the annual budget'.

2.24. In spite of these good intentions, lateness in the conclusion of budget preparation has persisted. The preparation process of the annual budget only ends when the Appropriation Bill passed by the National Assembly is signed into law by the President. In 2013, the process ended five months into the fiscal year. Table 1 shows the history of the time taken between the presentation of the Appropriations Bill to the National Assembly and the eventual

Table 1: Timeliness of Budget Preparation and Approval, 2007 - 2013

Budget for fiscal year:	Presentation of Appropriation Bill to NASS	Passage of Appropriation Bill passed by NASS	Time Lag between presentation of Appropriation Bill to NASS & its passage	Presidential signing of Appropriation Bill into Law	Time Lag between passage of Appropriation Bill by NASS & Presidential Assent	Cumulative time lag (between Presentation of Appropriation Bill to NASS & Presidential assent
2007	Oct. 6, 2006	Dec. 19, 2006	2 Months	Dec. 22, 2006	3 Days	3 months
2008	Nov. 8, 2007	Feb. 14, 2008	3 Months	April 14, 2008	2 Months	5 months
2009	Dec. 2, 2008	Dec. 18, 2008	16 Days	March 10, 2009	3 Months	3 months
2010	Nov. 23, 2009	March. 24, 2010	4 Months	April 22, 2010	1 Month	5 months
2011	Dec. 15, 2010	March. 16, 2011	3 Months	May 26, 2011	2 Months	5 months
2012	Dec. 13, 2011	March. 9, 2012 and Amended Aug. 15, 2012 (Amended Appropriation Bill)	3 Months	April 13, 2012	1 Month	4 months
2013	Oct. 10, 2012	Dec. 20, 2012 and Amended July. 25, 2013 (Amended Appropriation Bill)	2 Months	Feb. 26, 2013	2 Months	5 months
2014	Dec. 19, 2013	April. 10, 2014	4 Months	May 21, 2014	1 Month	5 months

assent by the President since 2007.

2.25. Incidentally, neither the 1999 Constitution of the Federal Republic of Nigeria nor FRA 2007 specifies unequivocal timelines for the preparation, proposal, passage and signing of the Annual Budget. The 1999 Constitution (as amended) states the following as regards the deadline for preparing the Appropriation Bill and presenting it to the National Assembly:

SECTION 81 (1):

The President shall cause to be prepared and laid before each House of the National Assembly at any time in each financial year estimates of the revenues and expenditure of the Federation for the next following financial year

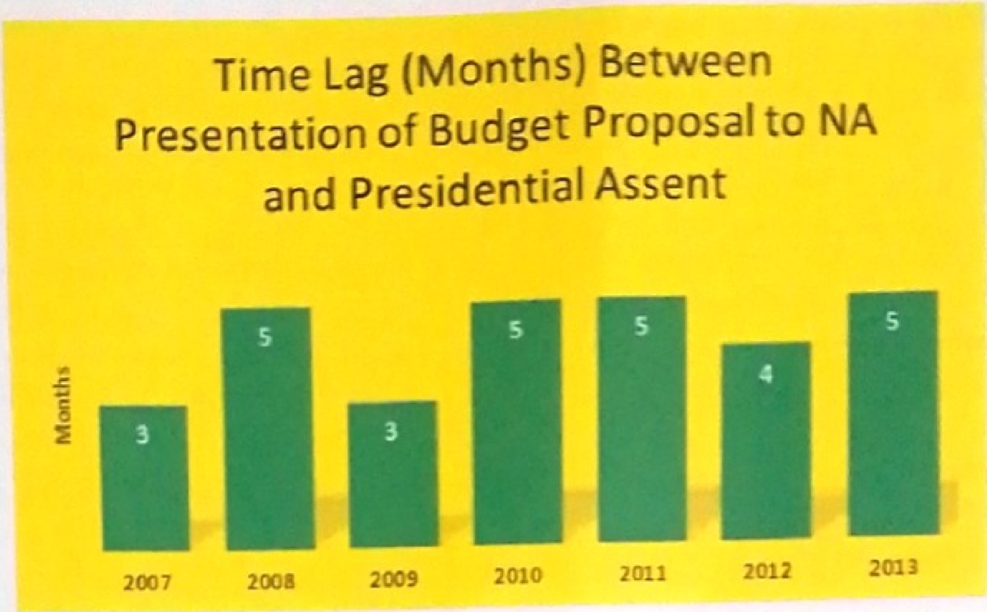

Figure 1: Time Lag (Months) Between Presentation of Budget Proposal & Presidential Accent, 2007 - 2013

2.26. Other budget timelines specified in the country's laws are as shown in Table 2.

2.27. The lack of firm legal stipulations concerning the budget timetable has, no doubt, contributed to the situation that has been witnessed in Nigeria wherein the budget cycle of a financial year is stretched up to five months into the succeeding financial year.

2.28. Though the Fiscal Responsibility Act, 2007 does not specify a time-limit for the submission and passage of the annual budget into law, it stands to reason that the budget instrument should be ready for execution from the beginning of the fiscal year. Moreover, Part IV of the Constitution of the Federal Republic of Nigeria (as amended) - dealing with interpretation, citation and commencement - specifically Section 318 thereof - describes FINANCIAL YEAR as "any period of twelve months beginning on the first day of January in any year or such other date as the National Assembly may prescribe". The case in Nigeria for years now wherein a new fiscal year's budget is being awaited months into the fiscal year owing to late passage of the budget makes budget tracking rather difficult and contributes in no small measure to poor implementation of capital budgets

2.29. As is evident from table 1, the average time lag in the past seven years between the transmission of the Appropriations Bill to the National Assembly and the eventual presidential accent to the bill passed by the National Assembly is four and a half months. Historically, part of these four and half months intervening period is taken up by

Table 2: Budget Timelines Specified in the Constitution & extant laws

Apr	Minister of Finance (MoF) to prepare and forward the Budget Implementation Report (BIR) of the 1st Quarter before end of April [Section 30 of FRA]
Jun	MoF to present MTEF covering the next 3 fiscal years to FEC before end of June [Section 14(1) of FRA]
Jul	MoF to prepare and forward the 2nd Quarter BIR before end of July [Section 30 of FRA]
Aug	FG concludes preparation of MTEF & lays it before the NASS before end of Aug. [Section 11(1)(b) of FRA]
Oct	MoF to prepare and forward the 3rd Quarter BIR before end of Oct [Section 30 of FRA]
Dec	The President to forward the Budget for the next year to NASS before end of December –[SECTION 81.(1) of the Constitution of the Federal Republic of Nigeria]
Jan	▪ MoF to prepare and forward last year's 4th Quarter BIR before end of January [Section 30 of FRA] ▪ New Fiscal Year begins on 1st January [Section 318 of the Constitution of the Federal Republic of Nigeria]

the National Assembly and the remaining part, by the Presidency in a bid by the two parties to arrive at a document that on one hand accommodates the interests/views of the legislature and at the same time is adjudged executable by the Executive for purposes of achieving its governance goals.

2.30. For purposes of putting statistics to use, a possible lesson from the 7-year data examined above is that an Executive that wishes to have its Appropriations Act ready for use at the very beginning of a given year may have to do its utmost to present its Appropriations Bill to the National Assembly four and a half months before the beginning of the year. Though the interaction of factors responsible for the delay are obviously complicated and the logic above appears, at best, academic, it still points to the need for the preparation of a given year's Annual Budget to be substantially advanced by mid-September of the preceding year. It stands to reason that Federal Budgets will continue to be late until and unless the Executive presents it in good time ahead of the commencement of the new fiscal year or until the National Assembly speeds up its process, giving the Bill a more expeditious consideration, or both.

2.31. The ongoing efforts to amend the 1999 Constitution as well as the ongoing efforts to amend FRA 2007 will serve the nation well if they include a stricter budget timetable. In this regard, the nation can learn from Switzerland where arms of Government and certain MDAs are committed to specific tasks and timelines regarding the preparation of the annual budget.

Aligning 2014 Budget with MTEF 2014-2016

2.32. Section 18 (1) the Fiscal Responsibility Act, 2007 provides that the Medium Term Expenditure Framework shall be the basis for the preparation of the annual budget. To test for compliance with this Section of FRA, a comparison of major components of the 2014 Budget and the Medium Term Expenditure Framework 2014 - 2016 is presented in Table 3.

Budget Implementation Reports

2.33. Section 30 of the Fiscal Responsibility Act, 2007 provides for the preparation and submission of quarterly Budget Implementation Reports to Fiscal Responsibility Council and the joint Finance Committee of the National Assembly not later than 30 days after the end of each quarter. Furthermore, Section 50 of the Act further requires the Federal Government, through the Budget Office of the Federation, to prepare and submit the full-year Consolidated Budget Execution Report not later than 6 months after the end of each

Table 3: Alignment of Major Components of the 2014 Budget with MTEF 2014–2016

S/N	ITEM	BUDGET 2014	MTEF 2014	VARIANCE	% VARIATION
i.	Benchmark Price of Crude Oil per barrel (US$)	77.50	77.50	-	-
ii.	Oil Production (mbpd)	2.385	2.39	0.005	0.20%
iii.	Exchange Rate (₦/$)	160	160	-	-
iii.	Inflation Rate	9.50	9.50	-	-
iv.	FGN Estimated Revenue (₦ trn)	3.73	3.58	0.15	5.40%
v.	Aggregate Expenditure (₦ trn)	4.695	4.490	0.21	4.56%
vi.	Fiscal Deficit (₦ trn)	0.97	0.91	0.06	6.59%
vii.	GDP (₦ trn)	48.00	48.07	- 0.07	-0.15%
viii.	Fiscal Deficit as % of GDP	2.20%	1.89%	0.13%	6.89%

Source: BoF

financial year.

2.34. The 1st and 2nd Quarter Budget Implementation Reports for 2013 were received from the Budget Office of the Federation. However, the Reports for the 3rd and 4th Quarters due on 31st October, 2013 and 31st January, 2014 respectively were not officially submitted to the Commission in the course of the year. However, the two reports were published on the website of the Budget Office of the Federation as mandated by Section 30 (2) of FRA 2007; hence, the Commission had easy online access to them.

2.35. Table 4 shows the record of submission of Budget Implementation Reports by the Budget Office of the Federation from 2011 to date.

Annual Cash Plan and Disbursement Schedule

2.36. Part of the prudence-assurance process fused into FRA 2007, specifically Section 25 thereof, stipulates that in advance of a financial year, the Office of the Accountant-General of the Federation should draw up the year's annual cash plan setting out the projected monthly cash flows which would be revised periodically to reflect the actual cash flows. To further support good implementation practices and

Table 4: Timeliness of Submission of Budget Implementation Reports by the Budget Office of the Federation from 2011 - 2013

Fiscal Year	Budget Implementation Report (BIR)	Due Date	Date Submitted	Behind Schedule
2011	1st Quarter	30th Apr, 2011	27th Oct, 2011	6 months
	2nd Quarter	31st Jul, 2011	27th Oct, 2011	3 months
	3rd Quarter	31st Oct, 2011	4th Mar, 2012	3 months
	4th Quarter	31st Jan, 2012	3rd Aug, 2012	5 months
	Consolidated	30th Jun, 2012	3rd Aug, 2012	1 month
2012	1st Quarter	30th Apr, 2012	Not Submitted	-
	2nd Quarter	31st Jul, 2012	29th Oct, 2012	3 months
	3rd Quarter	31st Oct, 2012	17th Jan, 2013	2 months
	4th Quarter	31st Jan, 2013	22nd Mar, 2013	2 months
	Consolidated	30th Jun, 2013	Not Submitted	-
2013	1st Quarter	30th Apr, 2013	28th June, 2013	2 months
	2nd Quarter	31st Jul, 2013	4th October, 2013	2 months
	3rd Quarter	31st Oct, 2013	Not Submitted *	8 months
	4th Quarter	31st Jan, 2014	Not Submitted *	5 months
	Consolidated	30th Jun, 2014	Not Submitted *	-

* Not submitted officially but downloaded from the website of BoF

improve achievement of budget targets, Section 26 mandates the Minister of Finance to prepare and publish – within 30 days of the enactment of the Appropriations Act - a disbursement schedule derived from the annual cash plan for the purposes of implementing the Appropriations Act.

2.37. The essence of the Cash Plan and Disbursement Schedule is that early in the financial year (or, ideally, before the commencement of the year), each spending institution has a dashboard showing the funds that are planned to be disbursed to it at scheduled periods through the year. This predictability eliminates the knee-jerk approach to managing revenue/expenditure. It also enables institutions to work more deliberately and effectively towards the achievement of their budget targets.

2.38. The Commission has no reason to believe that these two documents which are important tools for the monitoring of annual budget execution were prepared in 2013 despite written reminders from the Commission to the Minister of Finance. The implications of operating the Appropriations Act without a Cash Plan and Disbursement schedule includes the fact that the execution of the Budget may be rather arbitrary, featuring weak internal controls and poor revenue assurance mechanisms. Spending agencies will then be forced into discarding their project management plans and resorting to similar arbitrariness and unapproved virement.

Excess Crude Account

2.39. The imperative of the ECA lies in the fact that oil prices are volatile, and so savings must be made to ensure smooth and stable fiscal situations in the future.

2.40. Section 16 (1a) of the 1999 Constitution states that 'The State shall...harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy'. Pursuant to this, the Federal Government created the Excess Crude Account in 2003 as a buffer against volatility in crude oil prices. The ECA was further codified vide the Fiscal Responsibility Act 2007, specifically, Section 35 (1) thereof which states, in effect, that the Government should make intelligent efforts at forecasting its revenues and where the estimate is surpassed in the course of the year by actual revenue as a result of a rise in the price of the commodity benchmarked in the budget, the excess proceeds be saved and the amount so saved be deposited in a separate account with the Central Bank of Nigeria.

2.41. This foresight helped Nigeria to withstand the negative impact of the global economic and financial crises on the oil markets when oil prices crashed from $147 per barrel to less than $40 per barrel, within a 4 month period in 2008. In the absence of the ECA, Nigeria would have financed its deficits by borrowing from international creditors (such as the IMF or the World Bank) on very unfavourable terms.

2.42. The Commission's efforts to monitor and oversight the ECA only yielded the information in Table 5 below, reflecting a summary of the Excess Crude Account transactions as at 31st December, 2013.

2.43. The following are discernable from Table 5:

a. The total inflow into the Excess Crude Account (ECA) in 2013 was ₦1,011.44 billion while the total outflow from the Account was ₦1,768.57 billion.

b. The opening and closing balances of the Excess Crude Account were not provided in the 2013 Budget Implementation Report received from the BoF. However, in response to 50 questions on fiscal issues posed by the House of Representatives Committee on Finance, the Coordinating Minister for the Economy gave the opening balance in the ECA on January 1, 2013 as $8,650,036,129.35 while closing balance as at end of December 2013 was $2,282,966,092.02.

2.44. It is clear from Section 35 of FRA 2007 that the ECA belongs to all three tiers of

Table 5: Summary of Transactions in the Excess Crude Account as at 2013

Description	1st qtr. 2013 (₦/ billion)	2nd qtr. 2013 (₦/ billion)	3rd qtr. 2013 (₦/ billion)	4th qtr. 2013 (₦/ billion)	Cum. As at 31st Dec., 2013 (₦/ billion)
Inflow: Trans. To Excess Crude Account (ECA)	400.92	273.15	181.34	156.03	1,011.44
Outflows: Payment for petroleum Products Subsidy	50.00	110.00	-	235.00	395.00
Augmentation for the 3 tiers of Govt.	485.02	434.82	-	154.75	1,074.59
Trans. To petroleum Equalisation Fund Mgt.	-	-	-	-	-
Trans. To Special Intervention Fund	71.10	106.65	-	121.23	298.98
Transfer to SWF	-	-			-
Total Outflow	606.12	651.47	-	510.98	1,768.57

Source: OAGF & BoF

Government (Federal, State and Local Governments). Over the years, the three tiers have, in collaboration, drawn down from the ECA under conditions that are not consistent with the prescription of Section 35 (5) of FRA 2007 which states that no Government in the federation shall have access to the savings made in the ECA, unless the reference commodity price consistently stays below the predetermined oil benchmark price in the budget for a period of three consecutive months.

2.45. What has typically been the case is that draw-downs occur when there are shortfalls in revenues available for distribution to all tiers of the Federation. They are simply used to augment FAAC allocations during periods of revenue shortfall arising from oil production disruptions due to pipeline vandalism and oil theft. Incidentally, such *augmentation* is not consistent with the provisions of FRA 2007 as the three-month window is not respected. The FRC has not been availed with oil price and volume records to enable it determine the extent to which Section 35 (5) of FRA 2007 is being adhered to.

2.46. In addition, Table 5 shows that ECA funds have been deployed towards payment for Petroleum Products Subsidy and Petroleum Equalisation Fund. It is difficult to find justification for this in FRA 2007.

2.47. Drawdowns have also been made on the authorization of a standing approval of the National Assembly (typically presented vide the Medium-Term Fiscal Framework) to periodically draw down some funds from the ECA to finance the FGN Budget deficit. This is justified by Section 35 (7) of FRA which states, "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".

2.48. State Governments have however challenged the legality of the Excess Crude account, based on Section 162 (1) of the 1999 Constitution which provides that 'The Federation shall maintain a special account to be called "the Federation Account" into which shall be paid all revenues collected by the Government of the Federation, except the proceeds from the personal income tax of the personnel of the armed forces of the Federation, the Nigeria Police Force, the Ministry or department of Government charged with responsibility for Foreign Affairs and the residents of the Federal Capital Territory, Abuja'.

2.49. In 2011, the Federal Government, after consultations with State Governments, established the Nigeria Sovereign Investment Authority (the Sovereign Wealth Fund) which was backed by an Act of the National Assembly, the *Nigeria Sovereign Investment Authority (Establishment, etc.) Act, NSIA 2011*.

2.50. In addition to a Stabilization Fund, the Sovereign Wealth Fund further consists of Infrastructure Fund and savings for future generations, with the law requiring that a minimum of 20% of the savings be put in each of the three funds. The law further states that only the Stabilisation Fund is available for drawdown.

2.51. While hope has often been expressed that the SWF, being a more recent Act of parliament, would overcome certain challenges posed in certain quarters regarding the legality of the ECA, it remains to be seen whether this hope will be realized.

2.52. The country's Sovereign Wealth Fund took off with an initial capitalization of $1 billion. Though this sum appears small, it represents tremendous hope because it is actually larger than the initial capitalization of some other resource-dependent nations who, through the years, and by commitment and consistency, have grown their funds. Examples include Abu Dhabi which launched its Fund in 1976 with $50 million and as at today, has $795 billion. Also, Norway began in 1996 with $300 million, and today has a fund in excess of $650 billion.

2.53. Other African oil producing countries have also commenced to set funds aside for the generations that will come when their exhaustible mineral assets would have run their course. Angola now has a sovereign wealth fund which began with $5 billion. Ghana has launched the Ghana Heritage Fund (for its future generations) and the Ghana Stabilization Fund. Gabon, Zambia and Mozambique are also launching such Funds. Other countries with such funds are: Singapore - $158 billion; Russia - $150 billion; Australia - $83 billion; Kazakhstan - $65 billion; Libya - $65 billion; Malaysia - $34 billion; and Azerbaijan - $33 billion.

2.54. It goes without saying that Nigeria has every motivation to succeed in this regard.

Revenue Performance

2.55. The total gross revenue that accrued to the Federation in the 2013 fiscal year totaled N9.009bn. This showed 85.1% performance against a budget of N10.586bn. The 14.9% deficit was largely due to the combined effects of a fall in the international price of crude oil and lower volume of oil lifted during the year. The non-oil revenue sources also performed below target.

Year-to-date Gross Revenue

2.56. An analysis of the 2013 budgeted and realized gross revenue are as shown in Table 6.

Year-to-date Gross Oil Revenue

2.57. From the Table above, the cumulative actual gross oil revenue as at 31st December, 2013 was N6,795.62 billion and it accounted for 75.43% of the total revenue for 2013. When compared with the annual budget of N7,734.14 billion, it translated to a shortfall of N938.52 billion or 12.14%.

2.58. Table 6 also shows that the actual cumulative revenue from Royalties of ₦982.98 billion, Gas flared penalty of ₦3.19 billion, Petroleum Profit Tax of ₦2,735.98 billion and other oil & gas revenue of ₦4.04

Table 6: Cumulative Gross Revenue Analysis as at 31st December, 2013

	2013 Actual		2013 Budget		2013 ACTUAL VS 2013 BUDGET	
DESCRIPTION	₦'bn	% of total	₦'bn	% of total	₦'bn	% on budget
Oil Revenue:						
Crude Oil Sales	2,814.13	31.24%	4,243.90	40.08%	-1,429.77	-33.69%
Gas Sales	255.12	2.83%	359.58	3.40%	-104.46	-29.05%
Royalties: Oil	982.98		761.08	7.19%	221.90	29.16%
Rents	0.18	10.91%	0.88	0.01%	-0.70	-79.55%
Gas Flared Penalty	3.19	-	2.48	0.02%	0.71	28.63%
Petroleum Profit Tax	2,735.98	0.04%	2,363.15	22.32%	372.83	15.78%
Other oil & Gas Revenue	4.04	30.37%	3.07	0.03%	0.97	31.60%
		0.04%				
Sub-Total	**6,795.62**	**75.43%**	**7,734.14**	**73.06 %**	**-938.52**	**-12.14%**
Non-Oil Revenue:						
Value Added Tax (VAT)	795.60	8.83%	945.28	8.93%	-149.68	-15.83%
Company Income Tax	985.52	10.94%	992.04	9.37%	-6.52	-0.66%
Customs& Excise Duties	432.64	4.80%	792.95	7.49%	-360.31	-45.44%
Special Levies	-	-	121.42	1.15%	-121.42	-100%
Sub-total	**2,213.76**	**24.57%**	**2,851.69**	**26.94 %**	**-637.93**	**-22.37%**
Total	**9,009.38**	**100%**	**10,585.83**	**100%**	**-1,576.45**	**-14.89%**

Source: OAGF & BoF

billion as at 31st December, 2013 exceeded their respective budget estimates of N761.08 billion, N2.48 billion, N2,363.15 billion and N3.07 billion by ₦221.90 billion or29.16%, ₦0.71 or 28.63%, ₦372.83 billion or 15.78% and ₦0.97 billion or 31.60%.

2.59. On the other hand, revenue from Crude Oil Sales, Gas Sales and Rents were less than their respective annual budgets of N4,243.90 billion, N359.58 billion and N0.88 billion by ₦1,429.77 or 33.69%, N104.46 billion or 29.05% and N0.70 billion or 79.55%.

Year-to-date Gross Non-Oil Revenue

2.59. According to the 4th Quarter and 2013 Consolidated Budget Implementation Report, the total actual gross non-oil revenue for 2013 was N2,213.76 billion, representing 24.57% of the total gross revenue for the year. The result depicted a negative performance of N637.93 billion or 22.37% when compared to the annual estimate of N2,851.69 billion.

2.60. All the non-oil revenue sources performed below their respective annual estimates. Revenue from Value Added Tax of N795.60 billion, Company Income Tax of N985.52 billion and Customs & Excise Duties of N432.64 billion were below their respective annual estimates of N945.28 billion, N992.04 billion and N792.95 billion by N149.68 billion or 15.83%, N6.52 billion or 0.66%, N360.31 billion or 45.44%. A projection of N121.42 billion was made for Special Levies within the year under review but no revenue was realised from this source as at 31st December, 2013.

2.61. Although no express reason was given in the report for the negative performance of the non-oil revenue source, it was reported that Government was taking measures to improve the collection and payment of non-oil revenue to Treasury.

Net Distributable Revenue

2.62. The cumulative actual gross revenue as at 31st December, 2013 was N6,795.60 billion as against N8,025.95 in 2012. Details of the treatment of this cumulative gross revenue up to the stage of the net revenue that would be distributed amongst the three tiers of Government are shown on Table 7.

2.63. Table 7 indicates that an aggregate of N6.228trn was shared amongst the three tiers of Government representing 82.34% of the budgeted amount of N7.564trn. However, compared to the preceding year's total net distribution of N5.577trn, the three tiers of Government actually enjoyed an increase of N651bn or 11.67%.

Federal Government of Nigeria Revenue Sources

2.64. In line with the approved 2013 budget framework, a total of N4,100.18 billion was earmarked to fund the Federal Budget, translating to a quarterly average of N1,025.05 billion.

2.65. The Revenue Profile of the Federal Government as at 31st December, 2013 is displayed in Table 8.

Expenditure Developments:

2.67. A total of N5,260.74 billion, made up of the regular budget of N4,987.24 billion and N273.50 billion for the subsidy Reinvestment Programme (SURE-P) was appropriated in the 2013 fiscal year. The regular budget is broken down as in Table 9.

2.68. It is acknowledged that a large share of recurrent expenditures in the total budget reduces the size of funds available for investments in capital projects. To check this, the Transformation Agenda, in its Section 2.3 under the heading PUBLIC EXPENDITURE MANAGEMENT, bemoaned the fact that recurrent spending had consistently crowded out capital expenditure since 1999, exacerbating the already abysmal state of infrastructure. The document declared that to remedy the situation, Government would adopt short-term policy measures that would limit total recurrent spending. The Commission has noted the genuine goals and efforts of the Government in this regard to the extent that the Coordinating Minister for the Economy and Minister of Finance specifically declared that in drafting the budget each year, effort is made to reduce recurrent spending and thus

Table 7: Net Distributable Revenue as at 31st December, 2013

DESCRIPTION		2013 BUDGET Nbns	2013 ACTUAL Nbns	2012 ACTUAL
Gross Oil Revenue		7,734.15	6,795.61	8,025.95
Less:	Joint Venture Cash Calls	1,182.33	1,030.85	1,132.62
	Excess Oil Revenue & Subsidy	-	1,324.94	2,711.21
	Derivation	725.49	615.03	543.69
Net Oil Revenue		4,855.19	4,115.95	3,638.54
Net Non-Oil Revenue		2,700.18	2,112.17	1,938.04
Balance in Special Acct. b/f		8.13	-	-
Distributable Revenue		7,563.50	6,228.11	5,576.57
DISTRIBUTION:				
	To Federation Acct.	6,656.04	5,464.34	4,894.83
	To VAT Pool Acct.	907.47	763.78	681.74
TOTAL		7,563.50	6,228.11	5,576.57

Source: OAGF & BoF

allocate more resources for capital investments in priority sectors. As can be seen from Table 10, the share of recurrent expenditures in total Federal spending was 67.5 percent in Budget 2013, down from 71.47% in 2012.

2.69. The specific achievement of each

Table 8 : FGN Revenue Profile as at 31st December, 2013

DESCRIPTION	2013 Budget ₦ bns	2013 Actual ₦ bns	2012 Actual ₦ bns	2013 Actual Vs Budget N bns	2013 Actual Vs Budget %	2013 Actual Vs 2012 Budget N bns	2013 Actual Vs 2012 Budget %
Revenue:							
Share of Oil Revenue	2,354.77	1,996.24	1,764.69	(358.53)	(15.23)	231.55	13.12
Share of Value Added Tax	127.05	106.93	95.44	(20.12)	(15.84)	11.49	12.04
Share of Company Income Tax	457.04	458.86	395.09	1.82	0.40	63.77	16.14
Share of Customs Duties	412.42	195.11	214.21	(217.32)	(52.69)	(19.10)	(8.92)
Independent Revenue	455.78	274.37	206.77	(181.41)	(39.80)	67.60	32.69
Share of Actual Balances in Special Accounts	3.94	-	-	-	-	-	-
Balance of Special Account	28.02	21.00	40.93	(7.02)	(25.05)	(19.93)	(48.69)
Unspent balance from previous Year	261.21	24.73	56.61	(236.48)	(90.53)	(31.88)	(56.32)
Other Financing Sources:							
Savings (Augmentation)	-	197.39	194.95	194.95	-	2.44	1.25
Excess Crude Proceed	-	195.86	162.39	162.39	-		
Sure-p		30.000				33.47	20.61
Total	**4,100.24**	**3,500.49**	**3,131.09**	**(661.72)**	**(238.75)**	**339.41**	**10.84**

Source: OAGF & BoF

Table 9: Highlights of the 2013 Budget

Head	₦ 'bn	%
Recurrent (non-debt) expenditure	2,386.03	47.84%
Recurrent (Debt Services)	591.75	11.87%
Statutory Transfers	387.98	7.78%
Capital Expenditure	1,621.48	32.51%
Total	4,987.24	100.00%

Source: BoF

Table 10: Recurrent and Capital Expenditures in Federal Government Budget (2006 - 13)

Year	Recurrent Expenditures				Capital Exp.	Total	Share of Rec. Exp. (%)
	Debt Service	Statutory Transfer	MDAs Personnel and Overheads	Total			
2006	289.50	91.61	950.32	**1,331.43**	568.56	1,899.99	70.08
2007	326.00	102.30	1,050.37	**1,478.67**	830.56	2,309.22	64.03
2008	372.20	162.57	1,428.08	**1,962.85**	785.17	2,748.02	71.43
2009	283.65	168.62	1,627.29	**2,079.56**	1,022.26	3,101.81	67.04
2010	542.38	183.58	2,137.58	**2,863.53**	1,563.65	4,427.19	64.68
2011	495.10	417.82	2,425.07	**3,337.99**	1,146.75	4,484.74	74.43
2012	559.58	372.60	2,425.05	**3,357.23**	1,339.99	4,697.21	71.47
2013	591.76	387.98	2,386.03	**3,365.76**	1,621.48	4,987.24	67.49

Source: Federal Ministry of Finance

Table 11: 2013 Budget Execution Attainment

Item	2013 Budget (₦ bn)	2013 Actual (₦ bn)	% Achievement (Actual on Budget)
Recurrent (Non-Debt)	2,386.03	2,500.51	104.80%
Debt Service	591.75	834.56	141.03%
Statutory Transfers	387.98	331.53	85.45%
Capital Expenditure	1,621.48	900.67	55.55%
Total	4,987.24	4,567.27	91.58%

Source: OAGF & BoF

2.69. The above analysis shows the achievement of total budgeted expenditure (excluding SURE-P) for 2013 as N4,987.24 billion or 91.58%. It also shows that the estimates for recurrent expenditure and debt service were exceeded by 4.80% and 41.03% respectively, while capital expenditure achieved only 55.55% performance. A corollary of the foregoing is that there may have been cases of transfer of funds meant for one component of expenditure to another, an action that may qualify as virement as covered in Section 27 (1) of the Fiscal Responsibility Act, 2007.

2.70. The impact of the Capital Expenditure achieving only 55.55% of its estimate for 2013 is the continued dearth of infrastructure in the country.

Deficit Budget and Performance of the financing Items

2.71. The 2013 Budget Implementation Report pointed out that the 2013 budget expected a quarterly deficit of ₦221.77 billion to be financed through the sources listed in Table 12.

2.72. Table 13 displays the actual performance of the Financing Items in 2013, as reported in the Quarterly Budget Implementation Reports.

Table12: Proposed Sources for Financing Quarterly Deficits in 2013 Budget

Source	₦bn	%
Privatisation Proceeds	2.50	1.13
Signature bonus	18.75	8.45
FGN's share from Stabilisation Fund	56.25	25.37
Domestic borrowing (FGN Bond)	144.27	65.05
Total	**221.77**	**100.00**

Source: BoF

2.73. From Table 13, it was only in the 3rd Quarter of 2013 that the actual receipt from the Financing sources was lower than the budgeted quarterly amount of N221.77 billion. This was because the inflow came from only two sources (Borrowing from Special Account and FGN Bonds). Nothing was realised from Privatisation Proceeds and Signature Bonus sources in the 3rd Quarter of 2013.

Analysis of Capital Budget Implementation as contained in the quarterly BIRs.

2.74. In line with the transformation agenda of the Federal Government, which

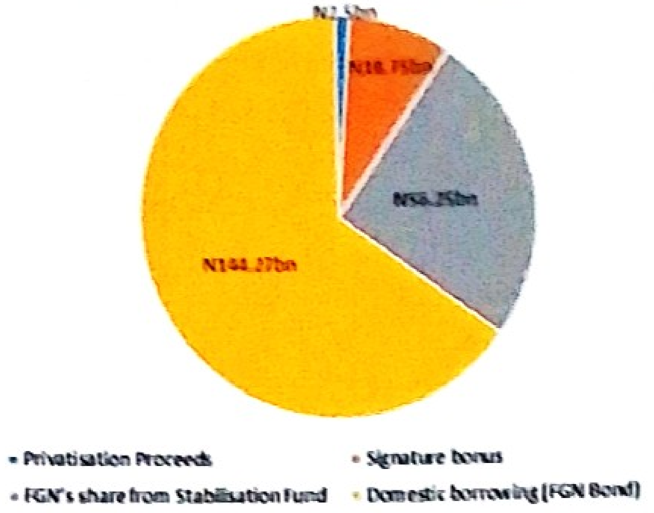

Figure 2: Sources of Finance of Quarterly Deficits as proposed in 2013 Budget

Table 13: Actual performance of the Financing Items in 2013 Budget

Quarter	Budget N bn	Actual N bn	Variance: Actual vs Budget N bn	%
1st Qtr	221.77	343.80	122.03	55.03%
2nd Qtr	221.77	327.89	106.12	47.85%
3rd Qtr	221.77	97.33	-124.44	-56.11%
4th Qtr	221.77	438.62	216.85	97.78%
Total	**887.08**	**1,207.64**	**320.56**	**36.14%**

Source: OAGF & BoF

was also based on the vision 20:2020 document, the priority focus of the 2013 budget was economic and social sectors; and, of course national security. In the light of this, key allocations were made as follows: Critical infrastructure (including power, works, transport, aviation, gas pipelines and Federal Capital Territory) - N497 billion; Agriculture and Water Resources - N175 billion; Human Capital Development (i.e. Education and Health) – N705 billion; and over N953 billion for National Security purposes comprising N320 billion for Police, N364 billion for the Armed Forces, N115

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billion for the Office of the National Security Adviser (NSA) and N154 billion for the Ministry of Interior.

Performance of 2013 Capital Budgets of MDAs As At 31st December, 2013

2.75. As at 31st December 2013, a total of N1,008.18 billion had been released for the implementation of MDAs' Capital projects Programmes as contained in the 2013 appropriation Act, out of which the sum of N1,004.07 billion of the total releases had been cash-backed. Table 14 shows varying levels of utilization by 50 MDAs reported upon by the office of the Accountant General of the Federation (OAGF).

Table 14: 2013 Capital Performance for MDAs as at 31st December, 2013

S/N	MINISTRY	APPROPRIATION IN 2013 AMENDMENT (N)	1st, 2nd, 3rd, 4th QUARTER & AIEs TOTAL RELEASES (₦)	1st, 2nd, 3rd, 4th QUARTER & AIEs AMOUNT CASHBACKED (N)	MDAs BALANCE as at 31st DECEMBER,2013	UTILIZATION (N)	UTILIZATION %	
							RELEASES	CASHBACK
1	PRESIDENCY	13,321,000,000.00	87,680,509,285.00	87,680,509,285.00	49,648,015.00	87,330,861,270.00	99.6	99.94
2	SECRETARY TO GOVT.OF THE FED.(SGF)	32,591,731,529.00	17,580,110,418.00	195,031,661.00	195,031,661.00	16,985,078,757.00	96.62	98.86
3	YOUTH DEVELOPMENT.	8,068,100,000.00	3,989,164,233.00	3,989,164,233.00	58,441,225.00	3,930,723,008.00	98.54	98.54
4	POLICE AFFAIRS	4,425,000,000.00	15,070,098,795	15,070,098,795	173,178,178.00	14,896,920,617.00	98.85	98.85
5	POLICE FORMATION	14,096,000,000.00	8,013,974,530	8,013,974,530	25,999.00	8,013,974,530	100	100
6	WOMEN AFFAIRS	3,065,884,470.00	1,939,446,951	1,939,446,951	18,179,082.00	1,921,267,869.00	99.06	99.06
7	AGRICULTURE	50,647,871,428.00	24,992,961,700	24,992,961,700	83,634,105.00	24,909,327,595.00	99.67	99.67
8	WATER RESOURCES	80,306,966,365.00	31,442,600,365.00	31,374,968,786.00	1,356,682,516.00	30,018,286,270.00	95.47	95.68
9	AUDITOR-GEN	647,620,000.00	374,167,524	374,167,524	100,108,767.00	274,058,757.00	73.24	73.24
10	ICPC	160,000,000.00	90,426,187.00	90,426,187.00	405.00	90,425,782.00	100	100
11	DEFENSE	59,251,899,999.00	40,655,680,841.00	40,655,680,841.00	857,090,961.00	39,798,589,880.00	97.89	97.89
12	EDUCATION	71,230,438,355.00	36,166,262,144.00	36,166,262,144.00	2,116,712,085.00	34,049,550,059.00	94.15	94.15
13	FCTA	56,600,000,000.00	32,975,289,501.00	32,975,289,501.00	20,810,340.00	32,954,479,161.00	99.94	99.94
14	FOREIGN & INTER GOVT. AFFAIRS	24,161,948,470.00	20,955,596,523.00	20,955,596,523.00	138,669,702.00	20,766,926,821.00	99.1	99.34
15	FINANCE	3,523,615,980.00	3,043,348,225.00	3,043,348,225.00	7,527,100.00	3,035,821,125.00	99.75	99.75

2013 Capital Performance for MDAs as at 31st December, 2013 (CONT'D)

S/N	MINISTRY	APPROPRIATION IN 2013 AMENDMENT (N)	1st, 2nd, 3rd, 4th, QUARTER & AIEs TOTAL RELEASES (N)	1st, 2nd, 3rd, 4th, QUARTER & AIEs AMOUNT CASHBACKED (N)	MDAs BALANCE as at 31st DECEMBER, 2013	UTILIZATION (N)	UTILIZATION % RELEASES	UTILIZATION % CASHBACK
16	TRADE & INVESTMENT	7,926,056,834.00	2,369,252,368.00	2,369,252,368.00	69,744,263.00	2,299,508,105.00	97.06	97.06
17	HEALTH	60,047,469,275.00	34,782,507,784.00	34,782,507,784.00	1,423,006,970.00	3,035,821,125.00	99.75	99.75
18	INFORMATION	5,998,492,294.00	4,100,783,367.00	3,322,948,550.00	278,947,367.00	3,044,001,183.00	74.23	91.61
19	COMMUNICATION TECHNOLOGY	5,728,133,573.00	5,346,876,694.00	5,346,876,694.00	202,585,806.00	5,144,290,888.00	96.21	96.21
20	INTERIOR	11,431,540,679.00	6,334,388,039.00	6,334,388,039.00	491,717,121.00	5,842,670,918.00	92.24	92.24
21	HEAD OF SERVICES	5,700,275,000.00	3,100,180,770.00	3,100,180,770.00	19,516,054.00	3,080,664,716.00	99.37	99.37
22	JUSTICE	1,510,801,961.00	1,058,424,894.00	1,058,424,894.00	13,199,310.00	1,045,225,584.00	98.75	98.75
23	LABOUR & PRODUCTIVITY	4,325,166,667.00	1,945,906,930.00	1,945,906,930.00	629,335,850.00	1,316,571,080.00	67.66	67.66
24	POWER	73,347,958,463.00	49,213,422,043.00	49,213,422,043.00	9,659,301,035.00	39,554,121,008.00	80.37	80.37
25	SCIENCE & TECHNOLOGY	16,346,250,059.00	8,157,500,631.00	8,051,090,038.00	323,642,517.00	7,727,447,521.00	94.73	95.98
26	TRANSPORT	44,525,276,737.00	23,713,533,190.00	23,713,533,190.00	3,774,822,716.00	19,938,710,474.00	84.08	84.08
27	PETROLEUM	8,576,900,000.00	4,307,379,589.00	4,307,379,589.00	1,773,092,588.00	2,534,287,001.00	58.84	58.84

Source: OAGF and BoF

2013 Capital Performance for MDAs as at 31st December, 2013 (CONT'D)

S/N	MINISTRY	APPROPRIATION IN 2013 AMENDMENT (N)	1st, 2nd, 3rd, 4th, QUARTER & AIEs TOTAL RELEASES (N)	1st, 2nd, 3rd, 4th, QUARTER & AIEs AMOUNT CASHBACKED (N)	MDAs BALANCE as at 31st DECEMBER, 2013	UTILIZATION (N)	UTILIZATION %	
							RELEASES	CASHBACK
28	HOUSING	26,597,813,593.00	11,016,141,486.00	11,016,141,486.00	-	11,016,141,486.00	100	100
29	MINES AND STEEL	3,380,000,000.00	2,072,393,009.00	2,072,393,009.00	139,553,228.00	1,932,839,781.00	93.27	93.27
30	AVIATION	48,360,000,000.00	28,501,939,471.00	28,501,939,471.00	34,080,339.00	28,467,859,132.00	99.88	99.88
31	WORKS	164,661,148,188.00	79,861,150,924.00	79,861,150,924.00	6,843,976,259.00	73,017,174,665.00	91.43	91.43
32	NATIONAL WAGES &SALARIES	250,000,000.00	139,190,362.00	139,190,362.00	-	139,190,362.00	100	100
33	ENVIRONMENT	13,455,803,055.00	6,403,923,896.00	6,403,923,896.00	3,157,037,809.00	3,146,886,087.00	49.14	49.92
34	TOURISM, CULTURE & NATIONAL ORIENTATION	5,145,500,000.00	2,452,071,867.00	2,452,071,867.00	317,227,128.00	2,134,844,739.00	87.06	87.06
35	NATIONAL PLANNING	2,800,000,000.00	2,297,461,663.00	2,297,461,663.00	257,683.00	2,297,203,980.00	99.99	99.99
36	NATIONAL SPORTS COMMISSION	2,013,000,000.00	2,917,875,622.00	2,917,875,622.00	2,038.00	2,917,873,584.00	100	100
37	OFFICE OF NATIONAL SECURITY ADVISER	50,000,000,000.00	40,239,133,162.00	40,239,133,162.00	136,747,355.00	40,102,385,807.00	99.66	99.66
38	NIGER DELTA	62,399,922,222.00	30,910,107,763.00	30,910,107,763.00	643,699,907.00	30,266,407,856.00	97.92	97.92
39	SPECIAL DUTIES	200,000.00	383,939,354.00	383,939,354.00	61,620.00	383,877,734.00	99.98	99.98
40	FISCAL RESPONSIBILITY COMMISSION	70,000,000.00	40,404,537.00	40,404,537.00	9,031,695.00	31,372,842.00	77.65	77.655
41	ICRC	60,000,000.00	33,405,686.00	33,405,686.00	100,388.00	33,305,298.00	99.7	99.7

Source: OAGF and BoF

2013 Capital Performance for MDAs as at 31st December, 2013 (CONT'D)

S/N	MINISTRY	APPROPRIATION IN 2013 AMENDMENT (N)	1st, 2nd, 3rd, 4th, QUARTER & AIEs TOTAL RELEASES (N)	1st, 2nd, 3rd, 4th, QUARTER & AIEs AMOUNT CASHBACKED (N)	MDAs BALANCE as at 31st DECEMBER, 2013	UTILIZATION (N)	UTILIZATION %	
							RELEASES	CASHBACK
42	NATIONAL POPULATION	1,500,000,000.00	835,142,167.00	835,142,167.00	9,603,218.00	825,538,949.00	98.85	98.85
43	CODE OF CONDUCT BUREAU	1,500,000,000.00	891,956,923.00	891,956,923.00	127,013.00	891,829,910.00	99.99	99.99
44	CODE OF CONDUCT TRIBUNAL	80,000,000.00	44,540,915.00	44,540,915.00	-	44,540,915.00	100	100
45	PUBLIC COMPLAINTS COMMISSION	2,325,460,199.00	1,294,726,579.00	1,294,726,579.00	1,497,353.00	1,293,229,226.00	99.88	99.88
46	REV. MOB. ALL.	1,890,000,000.00	1,560,388,815.00	1,560,388,815.00	5,591,482.00	1,554,797,333.00	99.64	99.64
48	POLICE SERVICE COMMISSION	1,470,000,000.00	835,438,546.00	835,438,546.00	4,558,318.00	830,880,228.00	99.45	99.45
49	FED. CHARACTER COMMISSION	70,000,000.00	48,081,712.00	48,081,712.00	50,000.00	48,031,712.00	99.5	99.9
50	MIN. OF SPECIAL DUTIES	-	99,999,384,997.00	99,999,384,997.00	-	99,999,384,997.00	100	100
51	CAPITAL SUPLEMENTATION	534,745,694,780.00	225,810,863,250.00	223,495,371,330.00	-	223,495,371,330.00	98.97	100
GRAND TOTAL		1,590,742,137,258.00	1,008,183,373,981.00	1,004,066,004,695.00	35,137,881,695.00	968,928,123,000.00	96.11	96.5

Source: OAGF and BoF

2.76. A sample of capital budget utilisation, as at 31st Dec. 2013, of 10 (ten) MDAs in the critical economic and social sectors was taken to compare their level of utilisation to the Appropriation, Releases and Cashbacks. The result showed that all the sampled MDAs utilised more than 70% of their cashbacked amounts. Police Formation utilised 100% while Ministry of Power had the least cashback utilisation of 80.37%. The analysis is represented in Table 15.

Physical Verification of the Implementation of Capital Projects

2.77. Sections 30 and 50 of the Fiscal Responsibility Act (FRA) 2007 make it mandatory for the Federal Ministry of Finance to produce quarterly and consolidated annual Budget Implementation Reports for submission to the Fiscal Responsibility Commission and the Joint Finance Committee of the National Assembly.

2.78. Having carefully studied the Budget Implementation Reports from 2009 to 2011, the Commission decided to physically verify a few of the Capital projects reported on and executed by Ministries, Departments and Agencies (MDAs) across the 6 (six) geopolitical zones of the country, between November and December, 2013.

2.79. It was discovered during the exercise that the major drawbacks of most of the projects were inadequate funding and insecurity. The verification reports also indicated that many projects were behind their envisaged completion periods because of little or no release of budgeted funds.

2.80. Some projects had been abandoned at the time of the visits due to insecurity in the area. One of such projects is the Potiskum bye-pass section of the dualisation of Kano-Maiduguri Highway contract which was discovered to have been abandoned during the verification exercise, due to the heightened insecurity in the area.

2.81. The Projects verified as well as observations and recommendations are as follows:

A. North Central

Projects visited:

I. Federal College of Education, Okene: Renovation of School of Vocation's office building at Okene, Kogi State: N30,633,036.00

ii. Federal Medical Centre, Lokoja (Completion of Renovation/Extension of GOPD) and Wards in Lokoja, Kogi State:

a. Renovation/Extension of Male/Female Medical Ward, Male/Female Surgical Wards, Gynecology & Children Ward: N90,000,000.00

b. Renovation/Extension of Children & Male Ward: N36,241,193.49

c. Renovation/Extension of

Table 15: Summary of Funds Released to and Utilized by the Ten (10) Priority MDAs

MDAs	ANNUAL APPROPRIATION	TOTAL AMOUNT RELEASED	TOTAL AMOUNT CASH BACKED	UTILIZATION			
	N	N	N	N	AS % OF ANNUAL CAPITAL APPROPRIATION	AS % OF CASH BACKED FUNDS	AS % OF BUDGETARY RELEASES
POWER	73,159,378,866	49,213,422,043	49,213,422,043	39,554,121,008	53.93	80.37	80.37
TRANSPORT	44,527,673,725	23,713,533,190	23,713,533,190	19,938,710,474	44.78	84.08	84.08
HEALTH	60,047,469,275	34,782,507,784	34,782,507,784	33,359,500,815	55.56	95.91	95.91
AGRICULTURE	50,647,871,428	24,992,961,700	24,992,961,700	24,909,327,595	49.18	99.67	99.67
WATER RESOURCES	80,306,966,365	31,374,968,786	31,374,968,786	30,018,286,270	37.38	95.47	95.47
EDUCATION	71,230,438,355	36,166,262,144	36,166,262,144	34,049,550,059	47.80	94.15	94.15
WORKS	164,661,148,188	79,861,150,924	79,861,150,924	73,017,174,665	44.34	91.43	91.43
NIGER DELTA	62,399,922,222	30,910,107,763	30,910,107,763	30,266,407,856	48.50	97.92	97.92
FCTA	56,600,000,000	17,000,000,000	32,975,289,501	32,954,479,161	58.22	99.94	99.94
POLICE FORMATION	14,096,000,000	8,013,974,530	8,0139,745,30	8,013,948,531	56.85	100.00	100.00

Source: OAGF and BoF

Frontage of the Trainee Hostel Block/Conference Centre, NCAM - Ilorin

Male Surgical Ward & Creche: N17,869,383.96

d. Renovation/Extension of GOPD Building: N32,518,427.54

e. Renovation/Extension of Labour Ward & Gynaecology Ward: N10,435,082.11

f. Renovation of Female Medical & Surgical Ward: N11,035,040.14

iii. Jos University Teaching Hospital ((JUTH)

a. Construction and Equipping of Laundry Block: N265.9 million.

b. Construction of HIV Centre: N211.1 million.

c. Infrastructure, Medical/Laboratory Equipment, Power Generator and Sundry supplies: N599.5 million.

iv. Rehabilitation of Nasarawa-Loko 10km Road With Alushi Loop in Nasarawa State: N5.4 Billion

v. Upper Niger River Basin Development Authority Minna Niger State: completion of Kagara Dam: N199,222,596.00 plus £15,389,150.00.

vi. National Centre for Agricultural Mechanization (NCAM), Ilorin, Kwara State:

a. Construction of Engine, Tractor and Farming Machineries Building Complex: N376 million.

b. Construction of Trainee Hostel Block/Conference Centre: N100 million.

Findings:

i. The project at the Federal College of Education, Okene has been completed and ready for use.

ii. The various projects at the Federal Medical Centre, Lokoja were on-going during the visit and had reached different levels of completion.

iii. At Jos University Teaching Hospital, it was observed that the contracts for Infrastructure and Medical Laboratory Equipment had been completed. The Laundry block had also been completed.

iv. The contracts for Building Complex and Conference Centre at the National Centre for Agricultural Mechanisation, Ilorin had been completed and the facilities had been put use by the Centre.

Recommendations:

i. Rather than verifying reported projects in the BIR, the Commission should be pro-active by engaging in project monitoring. This will place the Commission in good position to insist on value for money in contract awards and budget implementation.

ii. It is important that contractors are present during verification or monitoring irrespective of whether the projects have been completed or not. This will enable the Commission to ascertain the challenges in project execution, if any, and advise Government appropriately.

iii. The Federal Government should provide adequate funding for the completion of the HIV Centre at Jos University Teaching Hospital in view of its strategic importance to the people of the North-Central Zone and the Country at large.

B. North- East Zone

Projects visited:

i. Kashimbila/Gamovo Multipurpose Dam: N60,633,323,102.69

ii. Kaltungo Earth Dam Project: N261,157,380.00

iii. Gombe-Yola Power Sub-station: The officials to direct the Team were not available for the inspection.

iv. Dualisation of Kano- Maiduguri Road Section III (Azare - Potiskum): N45,181,695,740.23

Section view of the spillway HP Station & Intake sections under construction at the Kashimbila/Gamovo Multi-Purpose Dam, Taraba State

v. Dualisation of Kano-Maiduguri Road Section IV (Potiskum - Damaturu): N51,903,173,630.22

vi. Rehabilitation of Maiduguri - Dikwa – Gamboru Road (Section II: Dikwa-Gamboru): N16,683,596,891.08.

Findings

i. At the time of the inspection, the construction of Kashimbila/Gamovo multi-purpose dam in Taraba State had attained 80% completion status.

ii. Despite the 100% completion of the Kaltungo Earth Dam project in Gombe state, the project was yet to be put to use as the second phase (reticulation) of the project was yet to be completed.

iii. The Gombe-Yola Power Substation was not inspected eventually as Officials of Ministry of Power failed to submit required documents regarding the project despite requests made by the Commission.

iv. The contractor handling the Azare-Potiskum road project had abandoned work as a result of heightened insecurity in the area.

v. The completion status of the Potiskum – Damaturu road was

50% as at the time of the inspection. It is doubtful if the project will be completed in 2013 as scheduled. The contract was awarded in 2006.

vi. The inspection of the project for the rehabilitation of Dikwa – Gamboru road project could not be carried out as a result of the security situation in the area.

Recommendations:

i. The Federal Government should complete the remaining 20% of the Kashimbila/Gamovo multi-purpose dam in Taraba State to enable the dam to be put to use.

ii. The Government should intensify efforts to complete the reticulation project of the Kashimbila/Gamovo multi-purpose dam as that is the only way of supplying water from the dam to the residents of the area.

iii. Efforts should be made by the Government to get the contractor handling the Azare-Potiskum road project back to site, by providing special security for them.

iv. The two projects not inspected (Gombe-Yola power substation and the Azare-Potiskum road project) should be included in the list of projects to be inspected in the next phase.

C. North West

Projects visited:

i. Hadejia valley irrigation project, Jigawa State: N9,661,396,999

ii. Expansion and completion of Bagwai (WATERI Dam) irrigation project, Kano State: N5,438,683,257.62

iii. Construction of 10mw wind farm project, Lamba Rimi - Katsina State: $18.5m plus N494.02m

iv. Construction of Kaduna Eastern by-pass road, Kaduna State: N16.0bn

v. Construction of 850 capacity conference hall at the Institute of Agricultural Research, ABU Zaria, Kaduna State: N433,690,776.48.

Findings:

i. During the inspection, it was discovered that a lot of farming activities were on-going in the vicinity of the Hadijia Valley Irrigation project.

ii. It was also discovered that the Contractor handling the Expansion of Bagwai Irrigation Project had stopped work due to non-payment of certificates raised.

iii. The project for the construction and installation of 10mw wind farm in Lamba Rimi in Katsina State has attained 95% completion status as at the time of the visit but had to be abandoned due to the kidnap of one of the expatriates. Though the expatriate has been released, work is yet to resume at the site.

iv. Work was in progress at the construction of Kaduna Eastern bye-pass at the time of the inspection, though activity was observed to be low. Specifically, approximately 16km

of the road had been completed.

Recommendations:

i. The Federal Government should complete the remaining phases of the expansion of Bagwai Water project, given its importance.

ii. The Ministry of Power should revisit the contract for the construction of 23km overhead line and the 2x7.5 MVA Liyafa substation project in respect of the Bagwai Water project.

iii. Given the enormous funds already committed, the Ministry of Power should complete the remaining 5% work on the 10MW Wind Farm in Lamba Rimi in Katsina State.

D. South- East

Projects visited:

i. Nnamdi Azikiwe University Teaching Hospital, Nnewi (Admin. Building): N228,516,592.50

ii. University of Nigeria Teaching Hospital Enugu: Completion of water project phase 1: N246,609,930.00

Completed Earth Dam and Water Treatment Project at UNTH, Enugu

iii. University of Nigeria Nsukka: Construction of Administrative building, UNEC phase 1: N301.97million

v. Runway extension/expansion and resurfacing at Enugu airport: N10,338,078,000.93

vi. 2 x 30/40mva 132/33kv substation at Umuahia: $7,063,399.48 and N500,300,689.

vi. Rehabilitation of Oji-Achi Obeagu-Mmaku-Agwu-Ndeaboh Mpu Okpanku -Akaeze road, section II in Enugu and Ebonyi states: N9, 506,577,392.55

Findings:

i. During the inspection exercise, work was on-going on the construction of the Administrative building at Nnamdi Azikiwe University in Awk

ii. The contracts for the construction water project at University of Nigeria, Enugu Campus and Runwa Extension at Enugu airport had be completed and put to use.

iii. Most of the equipments and components of the 2 x30/40MVA 132/33KV substation in Umuahia were not in perfect condition.

Recommendations

I. The Federal Ministry of Aviation needs to take necessary steps in securing the land for expansion o the runway at the Akanu Ibiam International Airport, Enugu.

ii. Adequate budgetary provisions should be made for projects to a unnecessary delays.

. **South-South**

rojects visited:

Erosion/Flood Control in Obubra/Etung in Cross River State: N497,820,975.46

. Rehabilitation of Calabar-Ugep Road in Cross Rivers State: N7,613,176,725.00

i. Maritime Academy, Oron in Akwa-Ibom State (No information was provided on the project)

v. Construction of Central Ogbia Regional Water Project in Bayelsa State: N4,522,864,504.00

/. Dualisation of Port-Harcourt-Kaiama Road in Rivers State: N48,973,303,132.78

vi. Dualisation of Warri-Kaiama Road in Delta State: N112,166,400,493.60

vii. 2nd Benin-Onitsha 330KVA Single Circuit Line in Edo State: USD 14,750,597.49 and N2,005,294,298.50

Findings:

I. The Obubra/Etung Erosion/Flood Control Project has been completed, delivered and paid for since February, 2011 but it was not under the control of any authority at the time of the verification exercise.

ii. The failed sections of the pavement and the binder course of the Calabar-Ugep project had been completed at the time of the inspection.

The Patani Bridge under construction – part of the Warri - Kaiama Road Project (East-West Road, Section I)

iii. The officials of the Maritme Academy, Oron were not available during the inspection despite adequate notice.

iv. Works have been completed up to deck levels in respect of the contracts for dualisation of Ahoada-Kaima Road, Section II and the Port-Harcourt-Kaima road projects.

Recommendations

i. It is important that MDAs representatives are present on site with Contractors/Project Consultants to clearify issues that may arise.

ii. The already completed Obubra/Etung erosion control project should be handed over to a competent authority for proper management instead of being left entirely with the community.

iii. There is need for adequate budgetary provision to be made in the 2014 budget to take care of projects being executed.

F. South West Zone

Projects visited:

i. Construction of Accident and Emergency Complex at Federal Medical Centre, Owo in Ondo State: ₦450,000,000.00

ii. Rehabilitation of Ife-Ifewara Road in Osun State: ₦662,760771.75

iii. Dualisation of Ibadan - Ilorin Road Section II: (Oyo - Ogbomosho Road): N47,504,138,344.20

iv. Construction of Ogbese Multi-purpose Dam Project in Ekiti State: N7,802,436,568.66

Findings:

i. Work on the construction of Accident and Emergency Complex at Federal Medical Centre, Owo in Ondo State had stopped due to non-release of fund for the project.

ii. Ondo State Government built a Trauma Centre to complement the Emergency Complex.

iii. The quality of work on the Ife-Ifewara road project was poor. The equipment in the contractor's yard were inadequate.

iv. Although the Ife-Ifewara road is a Federal project, the Osun State Government undertook the rehabilitation of 1.5 km section of the road.

v. Substantial work had been achieved on the dualisation of Ibadan-Ilorin Road Section II, although inadequate funding was slowing down the progress. The Contractors, Reynolds Construction Company Limited, had adequate equipment for the project.

vi. The Ogbese dam project in Ekiti state was facing funding challenges. It was confirmed that no allocation was made for the project in the 2013 budget.

Ogbese Multipurpose Dam Project Site

Recommendations:

I. Adequate funding should be made for the Emergency Complex at FMC, Owo and the Ibadan-Ilorin Expressway, section II as the contractors are willing and ready to work.

ii. No further financial commitments should be made to the contractor handling the Ife-Ifewara road in Osun state until the level of work executed is commensurate with the fund so far received.

Report of MDAs' 2013 Revenue Returns

2.82. Section 3(1) of the Fiscal Responsibility Act (FRA) 2007 provides that the Fiscal Responsibility Commission monitors and enforces the provisions of the Act and by so doing, promote the economic objectives contained in Section 16 of the Constitution. Also, in accordance with section 34 of FRA 2007, the Ministry of Finance, through the Budget Office of the Federation, has been sending breakdowns of annual revenue collection targets to the Commission. The Commission, on its part, sends out requests and reminders to MDAs to submit revenue returns on a quarterly basis to enable the Commission assess their respective levels of compliance with the provisions the Act.

2.83. An analysis of the submissions of revenue returns in previous years revealed that MDAs had been defaulting in the remittance of their internally generated revenues to the Consolidated Revenue Fund of the Federal Government. In order to create awareness and improve compliance with FRA 2007, the Commission organized a Presidential Retreat/Interactive Workshop for MDAs in Calabar within the year.

2.84. As a way of improving responses by MDAs, the Commission took to sending requests for revenue returns directly to the various parastatals under Federal Ministries as against the earlier practice where supervising ministries were requested to forward revenue information of their respective parastatals. The first ministry that the Commission engaged in this manner is the Federal Ministry of Health.

2.85. Reminders were sent to 48 MDAs in the year 2013, requesting them to update their revenue submissions for the year. These MDAs were categorized into 5 groups according to the completeness of their revenue returns.

2.86. The first group consists of MDAs whose responses covered only the revenues they generated in Q1, (1st quarter of 2013). The responses of the next category covered Q1 and Q2. The third category consists of MDAs that forwarded Q1, Q2 and Q3 returns. The penultimate group comprises of those who submitted returns for all the four quarters of 2013, while the final category consists of MDAs that ignored the requests and prodding of the Commission and failed account for their IGRs. Table 16 conveys this information.

2.87. The Commission is disappointed that despite many requests and reminders for revenue submissions mailed out to the MDAs and the increasing awareness of the need to respond to the Commission's requests for revenue returns, only 22 MDAs availed the Commission of their Internally

Table16: Comparative Analysis of Submissions of 2012 and 2013 IGR Returns by MDAs

SUBMISSION OF REVENUE RETURNS:	No. of MDAs that submitted in 2012	% TOTAL	No. of MDAs that submitted in 2013	% TOTAL
1st Quarter only	1	2.08	0	0.00
1st and 2nd Quarters only	3	6.25	4	8.89
1st, 2nd and 3rd Quarters only	4	8.33	4	8.89
1st, 2nd, 3rd and 4th Quarters	25	52.08	22	48.89
No submission	15	31.25	18	40.00
TOTAL	**48**	**100**	**48**	**100**

Generated Revenue figures for the four quarters of 2013. This response rate is lower than the 25 MDAs in the same category in 2012. More worrisome is the fact that as much as 18 or 40% of the contacted MDAs did not make any submission at all in spite of reminders. This is against 15 defaulters in 2012, a 20% increase in default over the year. Statistics further revealed that out of the 48 MDAs monitored, only 30 remitted a total of N7,773,150,990.94 independent revenue generated to the treasury in 2013. For the corresponding period of 2012, 35 MDAs remitted N12, 883,156,672.44.

2.88. Table 19 at the end of this chapter gives details of the MDAs' revenue returns in 2013 on quarterly basis. Table 22 gives further analysis of the values of revenue returns processed in 2013 with comparative figures for the annual targets as provided by the Budget Office of the Federation.

2.89. As earlier stated, the Commission used the Federal Ministry of Health to initiate the strategy of requesting IGR information directly from various parastatals supervised by Federal Ministries, as against the earlier practice where the parent Ministries were requested to forward the revenue information of their parastatals.

2.90. Response statistics from the health institutions is as follows:

- No. of Health Institutions Contacted - 51;
- No. of Health Institutions that Responded - 22 (i.e. 43.1%).

2.91. Focused enquiry into Federal Health Institutions noted that a memo from the Office of the Honourable Minister of Finance had directed Federal Health Institutions to remit 25% of their gross independent Revenue into the Consolidated Revenue Fund of the Federal Government. Our assessment however revealed that some of the Federal Medical Centres and Teaching Hospitals that have submitted their returns remitted 25% of their Net IGR as against 25% of Gross Revenue as directed and this left many discrepancies.

2.92. Some of the Revenue submissions did not comply with the Templates provided by the Commission. For instance, a good number of them did not provide evidence of remittances by way of Treasury Receipt, payment instructions, etc. Others lacked certain revenue heads and sub-heads expectedly being generated by a medical centre or teaching hospital such as tender fees and bed fees. Others are revenues from surgery, physiotherapy, patient's cards/folder, guest house, medical exams/reports, library services, ante-natal services, family planning, dietetics, sale of scraps, etc.

2.93. Analysis of the Revenue Returns from the 22 Health Institutions is summarized in Table 17.

2.94. A total of ₦65,850,015.55 out of N392,990,125.73 (25% Accruable) IGR was remitted to the treasury by 22 Medical Centres and Teaching Hospitals in 2013. This is only 16.76% of the amount due to the treasury. Tables 18 gives details of the Medical Institutions' revenue returns received in 2013 on quarterly basis.

viii. The officials of the Maritme Academy, Oron were not available during the inspection despite adequate notice.

ix. Works have been completed up to deck levels in respect of the contracts for dualisation of Ahoada-Kaima Road, Section II and the Port-Harcourt-Kaima road projects.

Recommendations

i. It is important that MDAs representatives are present on site with Contractors/Project Consultants to clearify issues that may arise.

ii. The already completed Obubra/Etung erosion control project should be handed over to a competent authority for proper management instead of being left entirely with the community.

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Table 17: Revenue Returns from Medical Centres and Teaching Hospitals for 2013

S/NO	AGENCY	TOTAL (N)	25% ACCRUAL (N)	ACTUAL LODGMENT (N)	SHORTFALL (N)	% SHORTFALL
1	University of Uyo Teaching Hospital	681,749,629.77	170,437,407.44	2,802,420.00	167,634,987.44	98.36
2	Obafemi Awolowo University Teaching Hospital	204,410,899.00	51,102,724.75	-	51,102,724.75	100.00
3	Federal Medical Centre Azare, Bauchi	10,896,533.82	2,724,133.46	2,598,623.56	125,509.90	4.61
4	Federal Medical Centre Ebute-Metta	18,366,816.62	4,591,704.16	4,591,954.50	250.34	0
5	Federal Medical Centre Makurdi	24,906,983.80	6,226,745.95	5,077,511.95	1,149,234.00	18.46
6	Federal Medical Centre, Umuahia	18,000,001.00	4,500,000.25	4,500,000.00	0.25	0
7	University of Benin Teaching Hospital	8,021,233.99	2,005,308.50	6,609,300.00	(4,603,991.50)	-229.59
8	Federal Teaching Hospital, Gombe	39,317,478.19	9,829,369.55	9,829,369.55	0	0
9	Federal Medical Centre Bida	8,437,715.20	2,109,428.80	2,109,428.80	0	0
10	University of Ilorin Teaching Hospital	9,806,859.00	2,451,714.75	2,451,715.00	0.25	0
11	Federal Medical Centre Nasarawa	172,270,232.00	43,067,558.00		43,067,558.00	100.00
12	ATBU Teaching Hospital	13,066,635.50	3,266,658.88	3,046,366.84	220,292.04	6.74
13	University of Calabar Teaching Hospital	15,246,930.00	3,811,732.50	4,182,410.00	(370,677.50)	-9.72
14	University of Jos Teaching Hospital	102,166,452.00	25,541,613.00	2,770,146.05	22,771,466.95	89.15
15	Irrua Specialist Teaching Hospital	3,816,967.00	954,241.75	954,241.75	0	0
16	Federal Medical Centre, Nguru Yobe	2,399,330.00	599,832.50	340,000.00	259,832.50	43.32
17	Federal Medical Centre Katsina	2,957,612.88	739,403.22	739,403.22	0	0
18	Federal Medical Centre Jigawa	8,240,254.54	2,060,063.64	2,635,407.25	(575,343.62)	-27.93
19	University of Abuja Teaching Hospital	13,411,193.05	3,352,798.26	3,352,798.60	0.34	0
20	Federal Medical Centre Bayelsa	195,149,870.57	48,787,467.64	1,750,000.00	47,037,467.64	96.41
21	Federal Medical Centre Gusau	8,552,275.00	2,138,068.75		2,138,068.75	100.00
22	Lagos University Teaching Hospital	10,768,600.00	2,692,150.00	5,508,918.48	(2,816,768.48)	-104.63
	TOTAL	**1,571,960,502.93**	**392,990,125.73**	**65,850,015.55**	**327,140,360.87**	**83.24**

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Table 18: Revenue Returns from Medical Centres and Teaching Hospitals for 2013

S/NO	AGENCY	FIRST QTR	SECOND QTR	THIRD QTR	FOURTH QTR	TOTAL
1	University of Uyo Teaching Hospital	187,956,508.99	200,697,291.83	186,595,962.55	106,499,866.40	681,749,629.77
2	Obafemi Awolowo University Teaching Hospital	61,164,770.00	55,395,790.00	54,082,794.00	33,767,545.00	204,410,899.00
3	Federal Medical Centre Azare, Bauchi	2,471,500.00	730,000.00	1,456,751.82	6,238,282.00	10,896,533.82
4	Federal Medical Centre Ebute-Metta	4,178,200.00	4,770,793.74	4,276,112.88	5,141,710.00	18,366,816.62
5	Federal Medical Centre Makurdi	6,464,193.80	6,372,777.50	7,268,710.50	4,801,302.00	24,906,983.80
6	Federal Medical Centre, Umuahia	4,240,796.00	3,759,204.00	5,410,796.00	4,589,205.00	18,000,001.00
7	University of Benin Teaching Hospital	1,871,790.18	2,461,921.74	620,138.10	3,067,383.97	8,021,233.99
8	Federal Teaching Hospital, Gombe	11,378,476.35	11,050,191.05	14,843,926.59	2,044,884.20	39,317,478.19
9	Federal Medical Centre Bida	2,855,741.60	2,292,280.00	1,806,539.40	1,483,154.20	8,437,715.20
10	University of Ilorin Teaching Hospital	3,002,467.00	3,082,774.00	2,362,068.00	1,359,550.00	9,806,859.00
11	Federal Medical Centre Nasarawa	72,717,725.00	51,103,473.00	47,139,955.00	1,309,079.00	172,270,232.00
12	ATBU Teaching Hospital	1,146,700.00	4,932,703.35	5,728,566.51	1,258,665.64	13,066,635.50
13	University of Calabar Teaching Hospital	4,447,950.00	6,337,888.00	4,461,092.00		15,246,930.00

Revenue Returns from Medical Centres and Teaching Hospitals for 2013 (contd.)

S/NO	AGENCY	FIRST QTR	SECOND QTR	THIRD QTR	FOURTH QTR	TOTAL
14	University of Jos Teaching Hospital	17,915,637.00	42,300,758.00	41,950,057.00		102,166,452.00
15	Irrua Specialist Teaching Hospital	1,500,867.00	1,796,600.00	519,500.00		3,816,967.00
16	Federal Medical Centre, Nguru Yobe	1,360,000.00	1,039,330.00			2,399,330.00
17	Federal Medical Centre Katsina	2,094,250.00	863,362.88			2,957,612.88
18	Federal Medical Centre Jigawa	5,363,915.00	2,876,339.54			8,240,254.54
19	University of Abuja Teaching Hospital	6,912,609.06	6,498,583.99			13,411,193.05
20	Federal Medical Centre Bayelsa	92,634,614.83	102,515,255.74			195,149,870.57
21	Federal Medical Centre Gusau	5,540,570.00	3,011,705.00			8,552,275.00
22	Lagos University Teaching Hospital	3,072,100.00	7,696,500.00			10,768,600.00
	TOTAL	**500,291,381.81**	**521,585,523.36**	**378,522,970.35**	**171,560,627.41**	**1,571,960,502.93**

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2.95. Our study of the health sector shows that there is a need for a sustainable system to address Revenue Generation and monitoring by Federal Medical Centres, Teaching Hospitals, parastatals and MDAs in general. Secondly, the sources of discrepancies in reporting Internally Generated Revenues need to be addressed in order to plug leakages.

2.96. The Commission is currently considering strategies and programs that it could put into effect to help it understand the revenue generating capacity of health sector institutions with a view to helping them improve their compliance to requests for revenue transparency.

2.97. For the records, the following MDAs failed to submit their revenue returns for 2013:

i. Office of the Accountant General of the Federation
ii. Federal Civil Service Commission
iii. Federal Ministry of Agriculture & Rural Development
iv. Federal Ministry of Aviation
v. Federal Ministry of Communication
vi. Federal Ministry of Environment
vii. Federal Ministry of Culture & Tourism
viii. Federal Ministry of Petroleum Resources
ix. Federal Ministry of Science & Technology
x. Federal Ministry of Transport
xi. Revenue Mobilization, Allocation and Fiscal Commission
xii. Public Complaints Commission
xiii. National Planning Commission
xiv. National Population Commission
xv. National Business & Technical Exam. Board
xvi. Code of Conduct Bureau
xvii. Nigerian Press Council
xviii. Nigerian Meteorological Agency

Table 19 : Revenue Returns from the MDAS for January-December 2013

S/No	MDAS	ACTUAL (2013)	TARGET (2013)	APPROVED TARGET FOR 4 QTRS	SHORT FALL	% SHORT-FALL	SURPLUS	% SURPLUS
1	Consumer Protection Council	2,475,306.00	10,000,000.00	10,000,000.00	7,524,694.00	75.25		
2	Court of Appeal	51,097,008.21	50,000,000.00	50,000,000.00			1,097,008.21	2.19
3	Fed. Ministry of Information	10,924,204.13	1,200,000,000.00	1,200,000,000.00	1,189,075,795.87	99.09		
4	Fed. Ministry of Mines and Solid Mineral Devt.	2,037,594,163.80	700,000,000.00	700,000,000.00			1,337,594,163.8	191.08
5	Federal Ministry of Health	21,271,354.65	200,000,000.00	200,000,000.00	178,728,645.35	89.36		-
6	Federal Ministry of Housing & Urban Devt.	1,756,486,455.11	3,000,000,000.00	3,000,000,000.00	1,243,513,544.89	41.45		-
7	Federal Ministry of Justice	208,056,438.16	5,000,000.00	5,000,000.00			203,056,438.16	4,061.13
8	Federal Ministry Of Labour and Productivity	27,173,418.64	5,000,000.00	5,000,000.00			22,173,418.64	443.47
9	Federal Ministry of Niger Delta Affairs	8,696,429.18	100,000,000.00	100,000,000.00	91,303,570.82	91.30		-
10	Federal Ministry of Water Resources	28,965,000.00	500,000,000.00	500,000,000.00	471,035,000.00	94.21		-
11	Federal Ministry of Women Affairs & Social Devt.	2,546,000.00	5,000,000.00	5,000,000.00	2,454,000.00	49.08		-
12	Federal Ministry of Works	505,165,256.97	800,000,000.00	800,000,000.00	294,834,743.03	36.85		-
13	Federal Ministry of Youth Urban Devt.	2,340,000.00	5,000,000.00	5,000,000.00	2,660,000.00	53.20		-
14	Federal Road Safety Corps	1,523,851,867.30	1,369,533,989.00	1,369,533,989.00			154,317,878.30	11.27
15	National Judicial Council	24,500.00	5,000,000.00	5,000,000.00	4,975,500.00	99.51		-
16	National Sports Commission	11,433,200.00	10,000,000.00	10,000,000.00			1,433,200.00	14.33
17	Nigerian Geological Survey Agency	29,161,473.13	11,532,667.00	11,532,667.00				-
18	Supreme Court of Nigeria	1,882,769.00	5,000,000.00	5,000,000.00	3,117,231.00	62.34		-
19	Universal Basic Education Commission	62,145,307.31	18,069,876,684	18,069,876,684	18,007,731,376.69	99.66		-
	SUB-TOTAL	6,291,290,151.59	26,050,943,340	26,050,943,340	[illegible]		[illegible]	[illegible]

Table 20: Revenue Returns from MDAS for Four Quarters of 2013

S/NO	MDA'S	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
1	Consumer Protection Council		1,935,306.00		540,000.00	**2,475,306.00**
2	Court of Appeal	10,771,829.83	13,319,105.44	11,838,170.46	15,167,902.48	**51,097,008.21**
3	Fed. Ministry of Information	1,592,663.43	4,111,491.59	2,343,415.35	2,876,633.76	**10,924,204.13**
4	Fed. Ministry of Mines and Solid Mineral Devt.	411,746,095.28	536,488,995.02	545,883,691.40	543,475,382.10	**2,037,594,163.80**
5	Federal Ministry of Health	3,072,351.90	2,465,852.75	12,945,100.00	2,788,050.00	**21,271,354.65**
6	Federal Ministry of Housing & Urban Devt.	364,634,590.11	225,886,460.85	694,382,290.66	471,583,113.49	**1,756,486,455.11**
7	Federal Ministry of Interior	68,916,652.21	55,581,187.93	72,645,808.44	195,904,703.76	**393,048,352.34**
8	Federal Ministry of Justice	26,270,420.89	50,450,888.22	57,317,971.06	74,017,157.99	**208,056,438.16**
9	Federal Ministry Of Labour and Productivity	495,100.00	3,483,730.00	10,513,528.64	12,681,060.00	**27,173,418.64**
10	Federal Ministry of Niger Delta Affairs	100,000.00	8,596,429.18		15,315,000.00	**24,011,429.18**
11	Federal Ministry of Police Affairs	25,000.00	34,000.00	995,000.00	34,000.00	**1,088,000.00**
12	Federal Ministry of Water Resources			27,150,000.00	1,815,000.00	**28,965,000.00**
13	Federal Ministry of Women Affairs & Social Devt.	-	800,000.00	1,053,000.00	693,000.00	**2,546,000.00**
14	Federal Ministry of Works	78,633,330.00	9,642,006.65	120,296,185.32	296,593,735.00	**505,165,256.97**
15	Federal Ministry of Youth Urban Devt.			2,080,000.00	260,000.00	**2,340,000.00**

Table 19 : Revenue Returns from the MDAS for January-December 2013

Revenue Returns from MDAS for Four Quarters of 2013 (Contd.)

16	Federal Road Safety Corps	362,420,398.70	413,280,641.18	343,392,822.64	404,758,004.78	**1,523,851,867.30**
17	National Judicial Council			23,000.00	1,500.00	**24,500.00**
18	National Sports Commission	2,669,600.00	2,374,600.00	2,621,500.00	3,767,500.00	**11,433,200.00**
19	Nigerian Geological Survey Agency	2,198,000.00	11,618,000.49	9,180,150.00	6,165,322.64	**29,161,473.13**
20	Supreme Court of Nigeria	391,105.00	505,658.00	401,241.00	584,765.00	**1,882,769.00**
21	Universal Basic Education Commission	11,271,538.80	13,370,592.98	24,361,622.03	13,141,553.50	**62,145,307.31**
22	Off. of the Auditor-Gen. of the Federation	4,468,000.00	6,054,000.00	3,472,098.32	2,068,274.66	**16,062,372.98**
23	Office of the Secretary to federal Government	367,576,216.01	124,148,707.29	336,547,148.60	179,833,137.09	**1,008,105,208.99**
24	Federal Ministry of Foreign Affairs	3,856,937.50	2,001,146.00	3,869,228.00		**9,727,311.50**
25	National Emergency Management Agency	3,059,000.00	3,964,500.00	3,387,500.00		**10,411,000.00**
26	Teachers Registration Council		496,306.65	271,750.00		**768,056.65**
27	Federal Ministry of Defence	37,900.00	2,273,350.00			**2,311,250.00**
28	Independent National Electoral Commission	6,662,536.89	2,469,460.00			**9,131,996.89**
29	National Primary HealthCare Devt. Agency	12,609,490.00	69,900.00			**12,679,390.00**
30	Office of the Head of Service	1,814,000.00	1,398,900.00			**3,212,900.00**
	TOTAL	1,745,292,756.55	1,496,821,216.22	2,286,972,221.92	2,244,064,796.25	7,773,150,990.94

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Chapter 3:

Debt, Indebtedness And Borrowing

Nigeria has an interesting history of managing debt. In her *Final Response to 50 Questions from the House Committee on Finance (Okonjo-Iweala, 2014)*, the Coordinating Minister for the Economy and Minister of Finance said:

> *External debt rose from $1.3 billion in 1976 to $19 billion by 1985 as the country's leaders borrowed extensively to finance infrastructure projects – many of which were poorly executed or not executed at all. Debt service climbed to $4 billion around this time, yet Nigeria was able to pay only $1.5 billion. The country had to reschedule its debt payments to external lenders, like the Paris Club on four occasions - 1986, 1989, 1991, and 2000. By the end of 2004, our external debt had hit about $36 billion (or about 50 percent of GDP) and the huge annual debt service had severely constrained economic growth, until debt relief from the Paris Club in 2005 wiped off about 60 percent ($18 billion) from our national debt, and we utilized $6 billion savings from the ECA to buyback the rest of the debt at 25 cents on the dollar, after paying off accumulated interest arrears. The total Paris Club debt of $30 billion was wiped off our books.*

3.2. Part of the problem was that institutional responsibility for public borrowing and debt management was not focused. Various aspects of the debt management functions were carried out in several departments of the Federal Ministry of Finance, Central Bank of Nigeria and the Office of the Accountant General of the Federation

3.3. In seeking an enduring solution, the National Assembly enacted the Debt Management Act, 2003 and the Fiscal Responsibility Act, 2007 which has now provided platforms for coordinated efforts in debt management.

Framework for debt management

3.4. Section 41 of FRA lays out the framework for debt management wherein it states that Government at all tiers shall only borrow for capital expenditure and human development, provided that, such borrowing shall be on concessional terms with low interest rate and with a reasonably long amortization period subject to the approval of the appropriate legislative body where necessary. The Section also states that Government shall ensure that the level of public debt as a proportion of national income is held at a sustainable level.

Limits on consolidated debt of Federal, State and Local Governments

3.5. The Fiscal Responsibility Commission continued in 2013 to monitor the debt, Indebtedness and borrowing of Governments in the federation, their agencies and corporations. In this regard, the Commission continued, as it had done in previous years, to prod the President to set the consolidated debt limits for the three tiers of Government as specified by Section 42 (1) of the FRA. This was due since 1st November 2007 and the Commission has severally communicated the obligation to the persons responsible over the years.

3.6. The consolidated debt limit for a tier of Government is the total amount which that Government is authorized to borrow to meet its existing legal obligations, including outstanding debts and interest on debts and other payments. The debt limit does not authorize new spending commitments (US Department of the Treasury, 2011). In the case of Nigeria, it would simply help to finance existing legal obligations that the local Government, State and National Assemblies as well as Local Government Chairmen, State Governors and Presidents of the country have made in the past.

3.7. By imposing a debt ceiling which should not be arbitrarily exceeded, the consolidated debt limit makes Government to approach the issue of debt with the seriousness it deserves. Examples from the United States show that sometimes the debt limit of a Government may be inadequate to meet the commitments it (or its predecessors) made in the past but whose payments would soon fall due. In that event, the President may call on the Congress to raise the debt limit, failing which the Government risked default on its legal obligations. Similarly, Section 42 (8) of the FRA created a window for the President of the Federal Republic of Nigeria to approach the National Assembly with a request for a review of existing limits whenever the fundamentals of the existing limits have changed due to economic instability or change in monetary or exchange policies.

3.8. FRA 2007 treats the issue of debt limits for the three tiers of Government with seriousness. It mandates the FRC to verify the compliance of the various Governments to their respective debt limits on a quarterly basis and to name-and-shame defaulters by publishing a list of the Governments in the Federation that have exceeded their limits of consolidated debt, indicating the amount by which the limit was exceeded. The Act further states that where at the end of any quarter, the consolidated debt of the Federal, State or Local Governments exceeds the respective limits, it shall be brought within the limit, not later than the end of the three subsequent quarters with a minimum of 25 per cent reduction in the first quarter.

3.9. Section 42 (6) of FRA 2007 prescribes that violators of the limits (a) be prohibited from borrowing from internal or external sources, except for the refinancing of existing debts; and (b) bring the debt within the established limit by restricting funding commitments accordingly. It further states that where non-compliance with the specified limit persists the affected Government shall also be prohibited from receiving grants from any other Government in the Federation.

3.10. Part of the importance of the debt limit is in the fact that the process for increasing the debt ceiling generates discussions, enquiries and justifications which engender inclusion, transparency and accountability. Hence, the failure to set the consolidated debt limits for the three tiers of Government has denied the nation the opportunity to improve the fiscal consciousness of citizens, maximize our debt management opportunities and, possibly, test the relevant sections of FRA 2007.

3.11. The Fiscal Responsibility Commission reaffirms that the consolidated debt limit is not something to fear, but something to embrace for the sake of fiscal responsibility and good governance.

Domestic Debt

3.12. The 2013 Budget Implementation Report shows that as at 31st December 2013, the total domestic debt stock of the Federal Government stood at N7,118.98 billion, signifying an increase by 1.22% over the ₦7,032.88 billion recorded in the 3rd quarter of 2013. The Report, corroborated by data on the DMO website breaks down the domestic debt stock as at 31st December, 2013 as shown in Table 21.

3.13. Domestic borrowing is used to finance predetermined funding gaps in the national budget and an analysis of domestic debts by instruments covering 2011 - 2013 indicates that the Federal Government Bonds remained the most favored instrument, representing 62.98%, 62.41% and 59.31% in 2011, 2012 and 2013 respectively. Treasury Bonds, on the other hand, consistently contributed the least to the debt stock.

3.14. Statistics indicated that Domestic Debt increased by 26.6% in the three years from 5,622,843,712,000 in 2011 to 7,118,978,853,000 in 2013 as shown in Table 22.

3.15. Reports from the Ministry of Finance indicate that as part of a new debt strategy, the Federal Government retired N75 billion in maturing bonds for the first time in a decade of Nigeria's intervention in the bond market. Government also established a sinking fund in which funds are deposited each year towards retirement of bonds which mature in the future (Okonjo-Iweala, 2014). Furthermore, Government has reduced domestic borrowing in line with its fiscal consolidation programme. This is supported by a report by the Coordinating Minister to the Economy and Minister of Finance that new domestic borrowing has declined from N852.08bn in 2011 to N744.44bn in 2012 and to N577.07bn in 2013.

Table 21: Domestic Debt Stock as at 31st December, 2013

INSTRUMENTS	AMOUNT ₦bn	%
Federal Government Bonds	4,222,037,710,000.00	59.31
Nigerian Treasury Bills	2,581,550,643,000.00	36.26
Treasury Bond	315,390,500,000.00	4.43
Total	**7,118,978,853,000.00**	**100.00**

Source: DMO

External Debt

3.16. Section 43 of FRA 2007 states that servicing external debts shall be the direct responsibility of the Government that incurred the debt. It also states that the cost of servicing Federal Government guaranteed loans shall be deducted at source from the share of the debtor Government from the Federation Account. This Section is adhered to in the course of getting and managing external loans.

3.17. The nation's external debt stock as at 31st December, 2013 stood at US$8,821.90 million. The breakdown in Table 23 indicates that approximately 71% of the external debt is owed to multilaterals (e.g. the World Bank Group), while about 12% is owed to bilaterals (France and China), while the outstanding 17.24% is owed to the international private sector.

3.18. The 2013 full year Budget Implementation Report indicated that the actual external debt repayment from January to December, 2013 was US$297.33 million. A breakdown showed that US$143.02 million or 48.10% was paid to Multilateral Creditors, US$40.95 million or 13.77% to Non-Paris Bilateral Creditors while US$71.63 million or 24.09% was used to settle Commercial and ICM (Euro-Bond) creditors while US$41.73 million or 14.03% was paid to 'others'. The detailed report from the DMO is displayed in Table 24.

Ag. Chairman, Fiscal Responsibility Commission, Barr Victor Muruako with Chairman, Revenue Mobilization, Allocation and Fiscal Commission, Chief Elias Mbam

Table 22: Domestic Debt Stock by Instruments, 2011 - 2013

INSTRUMENTS	2011		2012		2013	
	AMOUNT (N)	PERCENTAGE	AMOUNT (N)	PERCENTAGE	AMOUNT (N)	PERCENTAGE
FEDERAL GOVERNMENT BONDS	3,541,198,848,000	62.98	4,080,048,848,000	62.41	4,222,037,710,000	59.31
NIGERIAN TREASURY BILLS	1,727,914,364,000	30.73	2,122,926,957,000	32.47	2,581,550,643,000	36.26
TREASURY BONDS	353,730,500,000	6.29	334,560,500,000	5.12	315,390,500,000	4.43
TOTAL	5,622,843,712,000	100	6,537,536,305,000	100	7,118,978,853,000	100

Source: DMO

Table 23: External Debt Stock as at 31st December, 2013

	US$M	%
Multilateral Creditors	6,275.20	71.13
Non-Paris Club Bilateral debts	1,025.70	11.63
Commercial and ICM (Euro - Bond)	1,521.00	17.24
Total	**8,821.90**	**100.00**

Table 24 : Actual External Debt Service Payments, 2011 - 2013

CATEGORY	2011 Total	% of Total	2012 Total	% of Total	2013 Total	% of Total
MULTILATERAL	172,272.92	49 %	126,917.00	43 %	143,021.31	48 %
IBRD	36,791.92		6,908.54			
ADB	54,971.19		25,052.46		23,702.13	
IFAD	2,003.22		2,841.97		3,481.55	
IDB	154.56		66.55		0.00	
ADF	7,765.68		7,931.52		13,246.37	
IDA	63,641.66		77,813.62		96,052.55	
EDF/EIB	6,944.68		6,284.28		6,524.12	
BADEA			18.06		14.60	
Oil Warrant	41,719.26	12 %	41,719.26	14 %	41,719.26	14 %
ICM - (EUROBOND)	16,875.00	5 %	33,750.00	12 %	33,750.00	11 %
NON PARIS BILATERAL	51,522.92	15 %	45,281.81	15 %	40,950.53	14 %
EXIM BANK OF CHINA						
NIGCOMSAT PROJ.	47,045.35		33,963.33		23,195.00	
NIGERIAN RAILWAY MODERN PROJ.	682.86		2,203.29		4,622.21	
NIGERIAN PUBLIC SEC. SYSTEM PROJ.	3,099.46		8,446.82		9,920.60	
EXIM BANK OF KOREA	695.24					
KOREA LOCOMOTIVE PROJ.			668.36			
FRENCH DEVELOPMENT AGENCY					108.71	
CHINA NAT. MECH. EQUIP. CORP.					0.00	
NIG ABUJA LIGHT RAIL					3,076.78	
NIG ICT INFRAST. BACKBONE PROJECT					27.22	
NON PARIS COMMERCIAL	69,216.97	20 %	45,323.47	15 %	37,876.21	13 %
Papalanto & Omotosho	43,950.95				19,768.73	
CMEC			20,872.11			
ZTE	13,310.54		12,883.78		12,469.14	
ALCATEL	11,955.48		11,567.59		5,638.33	
OTHERS	12.00	0%	12.00	0 %	41,731.26	14 %
Bank of England/CITIBANK(Lazards Agency Fees)	12.00		12.00		12.00	
Professional Fees (Cleary Gottlieb S&H)						
TOTAL	351,619.07	100 %	293,003.54	100 %	297,329.30	100 %

Source: DMO

3.19. In Table 24, it is observed that debts to Bilateral Organisations are generally tied to capital projects in line with Section 41. (1) of FRA which states that Government at all tiers shall only borrow for capital expenditure and human development. Further examples of Government external borrowing for specific projects are outlined in Table 25.

3.20. Analysis of DMO data indicates that in three years, external debt service pay-out reduced from $351,619.07 USD in 2011 to $293,003.54 in 2012 and $297,329.30 in 2013. A 3-year picture of external debt management is displayed in Table 26.

Table 25: Examples of Government External Borrowing for Specific Projects

S/N	Description	Creditor	Sector	Orig. Loan Curr.	Loan Amount	Agreement Date
1	Nigeria Erosion and Watershed Management Project	IDA (World Bank)	Agriculture	XDR	321,400,000	04/16/2013
2	Nigeria Public Sector Governance Reform & Dev Project	IDA	General	XDR	50540000	06/29/2012
3	Nigeria State Education Sector Project	IDA	Education & Training	XDR	41,035,589	1/4/2013
4	Nigeria State Health Investment Project	IDA	Health & Social Welfare	XDR	96,400,000	04/16/2013
5	Public Private Partnership Program - First Phase Project	IDA	Monetary Policy	XDR	73,700,000	09/25/2011
6	Nigerian Abuja Light Rail Project	Exim China	Rail Transport	USD	500,000,000	7/11/2012
7	Lagos Metro. Development (Phase II)	AFD (France)	Road Transport	USD	100,000,000	11/25/2011

Source: DMO

Table 19 : Revenue Returns from the MDAS for January -December 2013

Table 26 : Actual External Debt Service Payments, January - December 2013 (in Thousands of USD)

CATEGORY	Principal	Interest/ Service fee	Deferred Principal	Deferred Interest	Penalty Interest	Waiver/ Credit	Commitment Charges	Other Charges	Total	Percentage of Total
MULTILATERAL	**98,978.24**	**41,795.78**	**(4.33)**	**480.68**	**-**	**(758.04)**	**2,528.22**	**4.75**	**[illegible]**	**[illegible]%**
A.D.B	21,508.68	2,193.45	0.00	0.00	0.00	-	0.00	-	23,702.13	
IFAD	2,819.29	686.74	(19.74)	(5.06)	0.00	(0.42)	0.00	4.75	[illegible]	
IDB	-	-	0.00	0.00	0.00	-	0.00	-	0.00	
A.D.F	7,518.21	3,196.23	0.00	3.71	0.00	-	2,528.22	-	[illegible]	
IDA	61,640.75	34,672.23	15.17	482.03	0.00	(757.62)	0.00	-	[illegible]	
EDF/EIB	5,491.33	1,032.55	0.25	0.00	0.00	-	0.00	-	[illegible]	
BADEA	0.00	14.60	0.00	0.00	0.00	0.00	0.00	0.00	14.60	
BILATERAL	**20,000.00**	**19,316.79**	**0.00**	**2.50**	**0.00**	**0.00**	**814.72**	**820.52**	**[illegible]**	**16%**
NIGCOMSAT	20,000.00	3,192.50	0.00	2.50	0.00	-	0.00	-	23,195.00	
NIGERIAN RAILWAY MODERN PROJ. IDU-KADUNA	0.00	3,396.68	0.00	0.00	0.00	0.00	405.02	820.52	[illegible]	
NIGERIAN NAT. PUBLIC SEC. SYSTEM PROJ.	0.00	9,902.72	0.00	0.00	0.00	0.00	17.88	0.00	9,920.60	
FRENCH DEVELOPMENT AGENCY	-	108.71	0.00	-	-	-	-	-	108.71	
CHINA NAT. MECH. EQUIP. CORP.	0.00	-	0.00	0.00	0.00	0.00	-	0.00	0.00	
NIG ABUJA LIGHT RAIL	0.00	2,716.18	0.00	0.00	0.00	0.00	360.60	0.00	[illegible]	
NIG ICT INFRAST. BACKBONE PROJECT	0.00	0.00	0.00	0.00	0.00	0.00	27.22	0.00	27.22	
COMMERCIAL	**35,681.16**	**[illegible]**	**[illegible]**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**[illegible]**	**13%**
Omotosho	18,389.52	1,379.21	0.00	0.00	0.00	-	0.00	-	[illegible]	
ZTE	11,750.28	718.86	0.00	0.00	0.00	-	0.00		[illegible]	
ARCATEL	5,541.36	96.97	0.00	0.00	0.00	-	0.00		[illegible]	

Actual External Debt Service Payments, January - December 2013 - in Thousands of USD (Contd.)

CATEGORY	Principal	Interest/ Service fee	Deferred Principal	Deferred Interest	Penalty Interest	Waiver/ Credit	Commitment Charges	Other Charges	Total	Percentage of Total
EUROBOND	0.00	33,750.00	0.00	0.00	0.00	0.00	0.00	0.00	33,750.00	11 %
OTHERS	0.00	41,731.26	0.00	0.00	0.00	0.00	0.00	0.00	41,731.26	14 %
Bank of England/ CITIBANK(Lazards Agency Fees)	-	12.00	0.00	0.00	0.00	-	0.00	-	12.00	
Oil Warrant	-	41,719.26	0.00	0.00	0.00	-	0.00	-	41,719.26	14 %
TOTAL	154,659.40	138,788.88	(4.33)	483.18	-	(758.04)	3,338.94	821.27	297,329.30	100 %

Source: DMO

3.21. The 2013 Budget Implementation Report made it clear that the total public debt stock as at 31st December, 2013 stood at ₦10.04 trillion. ₦1.37 trillion or 13.68% was for external debts while the balance of ₦8.67 trillion or 86.32% was for domestic debt. The report equally specified that the total Debt/GDP (external and domestic) ratio was below the global threshold of 40%.

3.22. The nation now has a clearer picture of domestic debts following a comprehensive review recently completed by the Debt Management Office.

3.23. Table 27 displays the domestic debt, external debt and consolidated debt positions of the Governments of all States of the Federation, the Federal Capital Territory and the Federal Government.

Ag. Chairman of FRC, Barr Victor Muruako with the Chairman, Senate Committee on Finance, His Excellency, Senator Ahmed Makarfi

Table 27: Domestic Debt, External Debt and Consolidated Debts of Federal & Subnational Governments (N)

S/N	STATES	DOMESTIC DEBT	EXTERNAL DEBT	TOTAL CONSOLIDATED DEBT
1	Abia	8,945,715,607	5,468,817,972.80	14,414,533,579.80
2	Adamawa	6,982,241,552	4,889,030,580.80	11,871,272,132.80
3	AkwaIbom	39,488,964,833	9,894,689,576	49,383,654,409.00
4	Anambra	797,214,611	4,851,771,904	5,648,986,515.00
5	Bauchi	10,576,240,864	11,293,266,433.60	21,869,507,297.60
6	Bayelsa	8,890,843,097	4,585,945,640	13,476,788,737.00
7	Benue	11,115,007,392	4,915,678,028.80	16,030,685,420.80
8	Borno	848,432	2,493,653,152	2,494,501,584.00
9	Cross River	40,138,221,763	19,514,707,601.60	59,652,929,364.60
10	Delta	10,570,157,703	3,146,528,049.60	13,716,685,752.60
11	Ebonyi	4,736,288,892	6,930,381,828.80	11,666,670,720.80
12	Edo	2,738,526,457	7,068,834,902.40	9,807,361,359.40
13	Ekiti	20,047,879,485	5,958,074,748.80	26,005,954,233.80
14	Enugu	3,592,614,599	8,506,662,862.40	12,099,277,461.40
15	Gombe	3,548,539,867	5,384,322,526.40	8,932,862,393.40
16	Imo	3,576,927,836	8,434,067,918.40	12,010,995,754.40
17	Jigawa	31,811,707	5,735,400,324.80	5,767,212,031.80
18	Kaduna	1,643,333,333	38,609,578,267.20	40,252,911,600.20
19	Kano	136,076,506	10,223,591,067.20	10,359,667,573.20
20	Katsina	n.a.	11,796,106,067.20	11,796,106,067.20
21	Kebbi	2,997,957	7,496,884,067.20	7,499,882,024.20
22	Kogi	5,497,792,399	5,433,755,886.40	10,931,548,285.40
23	Kwara	12,400,412,933	7,339,485,649.60	19,739,898,582.60
24	Lagos	190,645,477,045	150,010,682,849.60	340,656,159,894.60
25	Nasarawa	9,548,338,899	7,623,692,787.20	17,172,031,686.20
26	Niger	16,075,251,154	5,080,054,825.60	21,155,305,979.60
27	Ogun	42,181,797,689	18,688,335,832	60,870,133,521.00
28	Ondo	8,480,222,271	8,341,556,254.40	16,821,778,525.40
29	Osun	37,908,280,908	9,894,087,696	47,802,368,604.00
30	Oyo	25,739,816,389	12,832,248,185.60	38,572,064,574.60
31	Plateau	35,097,078,784	3,627,874,656	38,724,953,440.00
32	Rivers	79,702,957,263	6,830,501,376	86,533,458,639.00
33	Sokoto	12,147,515,336	7,057,918,377.60	19,205,433,713.60
34	Taraba	7,420,142,782	3,768,692,315.20	11,188,835,097.20
35	Yobe	2,053,567	5,285,396,734.40	5,287,450,301.40
36	Zamfara	27,551,337,251	5,166,834,670.40	32,718,171,921.40
37	Fct		6,274,971,902.40	6,274,971,902.40
	Sub-total States & FCT	**687,958,927,163**	**450,454,083,518.40**	**1,138,413,010,681.4**
	FGN	7,146,686,404,29.06	**960,927,500,465.60**	8,107,613,904,760.66
	Grand Total	**7,834,645,331,458.06**	**1,411,381,583,984.00**	**9,246,026,915,442.06**

Source: Debt Mgt. Office (DMO), Central Bank of Nig. (CBN), Banks, Securities & Exchange Commission (SEC), and Office of the Accountant General of the Federation (OAGF). Note: External Debt converted from US Dollars to Naira at the rate of N160 to $1

3.24. From Table 27, the total public debt as at December, 2013 was N9,246,026,915,442.06 comprising N7,834,645,331,458.06 as Domestic Debt and N1,411,381,583,984.00 as external debt.

3.25. Figures 3 to 9 further represent the total and composition of public debts as at 2013.

Figure 3: Domestic Debts of State Governments & FCT, 2013 (N)

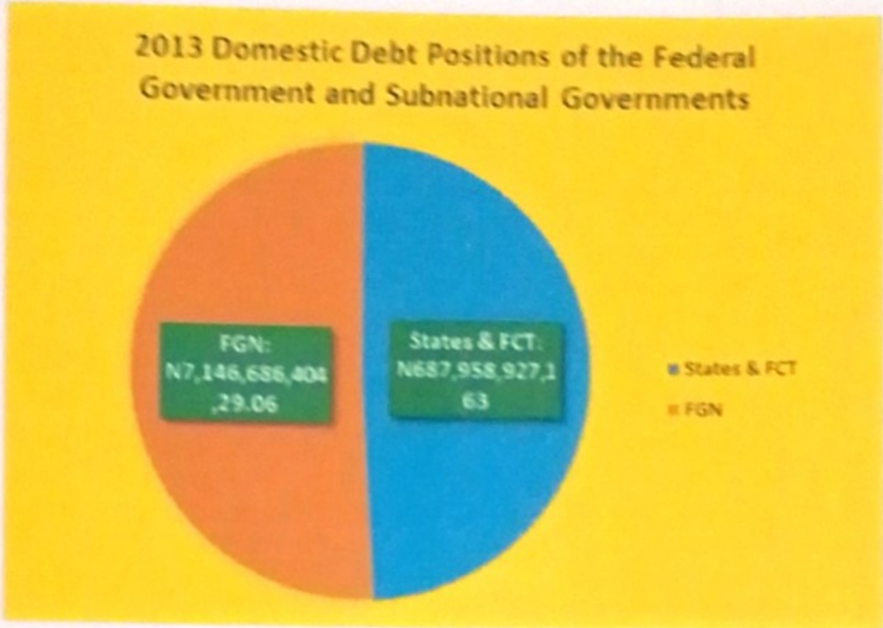

Figure 4: 2013 Domestic Debt Position of the Federal Government & Subnational Governments

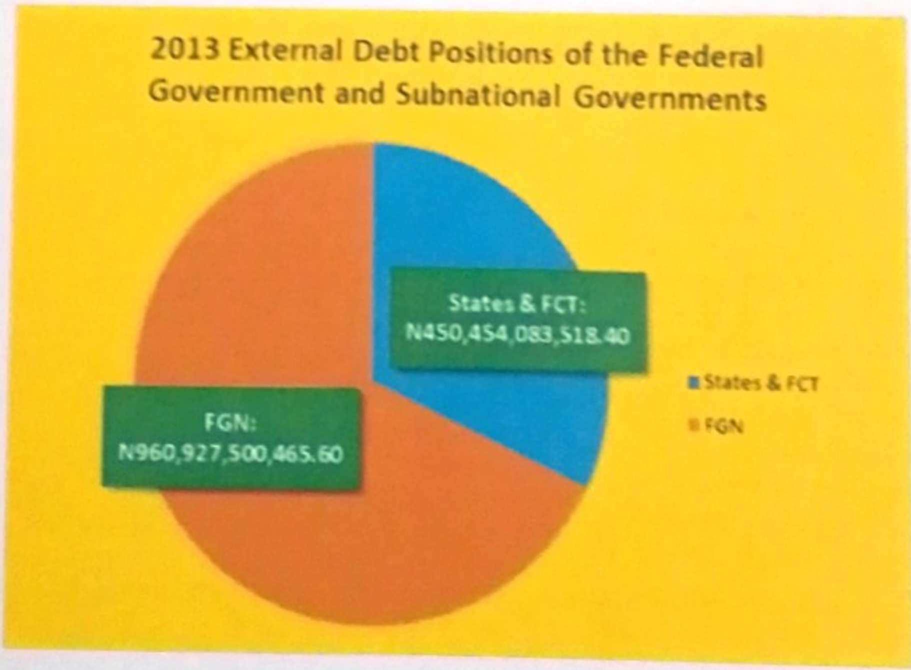

Figure 5: External debt Positions of the Federal Government & Subnational Governments

Figure 6: External Debts of State Governments & FCT

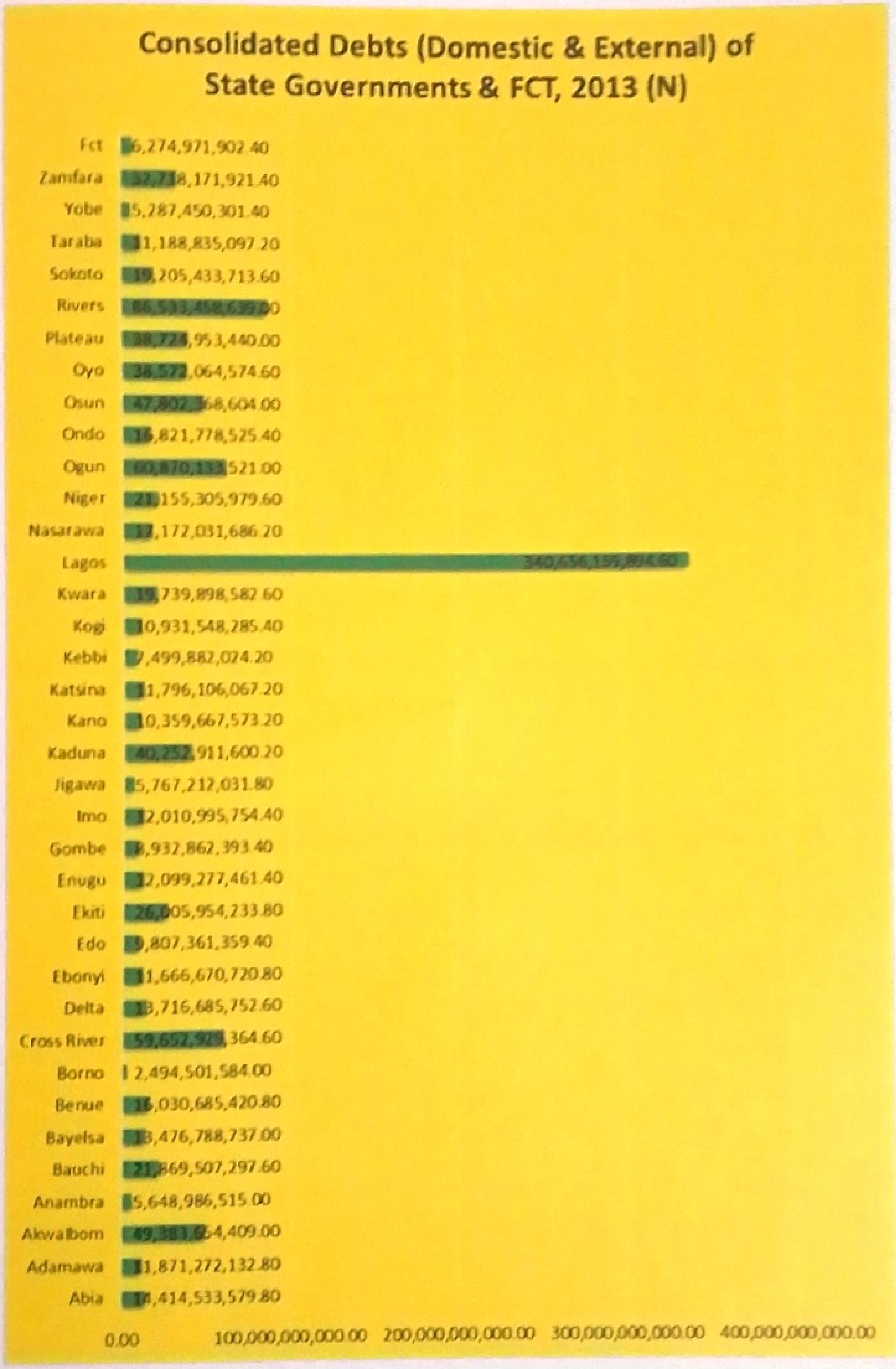

Figure 7: Consolidated Debts (Domestic & External) of State Governments & FCT, 2013 (N)

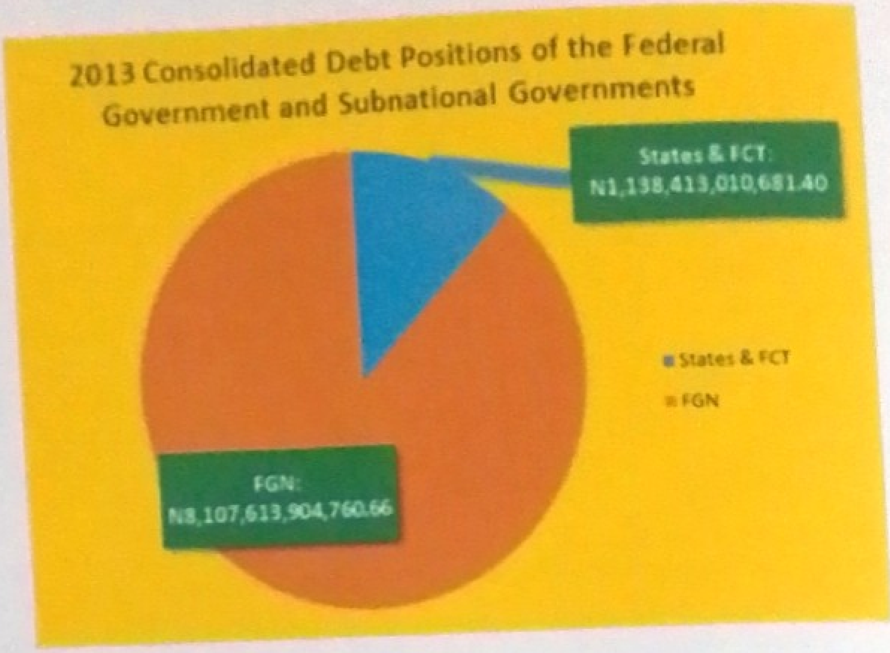

Figure 8: Consolidated Debt Positions of the Federal Government and Subnational Governments

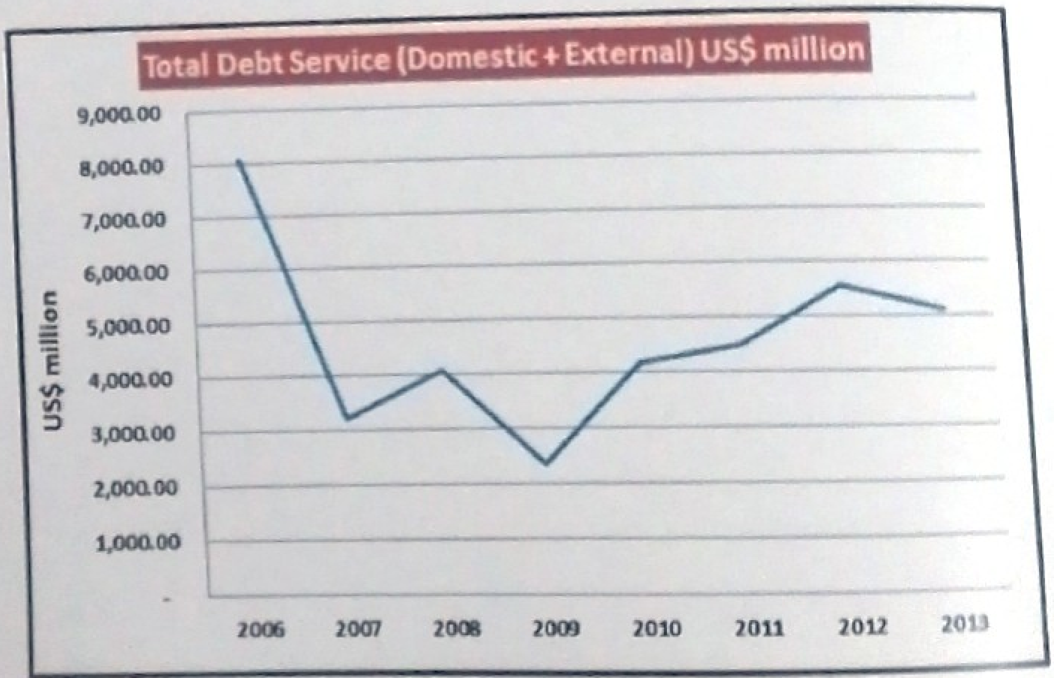

Figure 9: Trend of debt servicing (domestic and external debts), 2006 - 2013

Lending by Financial Institutions

3.26. Section 45 of FRA 2007 requires all financial institutions to request and obtain proof of compliance with the provisions of FRA 2007 before lending to any Government in the Federation.

3.27. Financial institutions have not been very respectful of this law in spite of FRC's efforts t.

3.28. FRC notes that the DMO has a similar complain about the non-cooperation of some financial institutions. In June 2013, it advertised in major national newspapers to remind banks of the requirement in the Debt Management Office (Establishment, etc.) Act 2003 to the effect that: "All banks and financial institutions requiring to lend money to the Federal, State and Local Governments or any of their agencies shall obtain the prior approval of the Minister (of Finance)". Months later, the organisation complained in another publication that some banks were still not complying with the law as it relates to lending to all tiers of Government and their agencies. It then threatened them with sanctions, including, but not limited to, advising the Central Bank of Nigeria and the Fiscal Responsibility Commission, to apply the necessary sanctions, in accordance with the relevant laws.

3.29. DMO's experience corroborates the view in the FRc that some banks and financial institutions have not been helpful in the nation's quest for fiscal responsibility. They also appear to have found creative ways of distinguishing what they term as overdrafts and advances from loans to Governments, thus making it difficult to track compliance with extant laws .

3.30. An amendment to FRA as severally proposed by the Commission will put the Commission in a better position to enforce the conditions for lending to Governments by financial institutions.

Dr. Abdulmumini Jibrin,

The Chairman of the House of Representatives Committee on Finance

Chapter 4:

Budgetary Planning of Corporations and Other Related Agencies

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

List of Scheduled Corporations

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

4.3. Out of the originally listed 31 corporations, 7 have been privatized or have become dysfunctional in the intervening period, effectively leaving 24; the addition of 6 corporations to the schedule by the Minister brought the number of functional Government-owned corporations under the cover of Section IV of the Fiscal Responsibility Act, 2007 to 30, a figure that is less than 10% of the number of Government-owned institutions in the country.

Remittance of Operating Surplus

4.1. Sections 22 and 23 of FRA 2007 stipulates the manner in which a scheduled corporations shall treat Operating Surplus/deficit. In 2013, the Commission continued its monitoring of the remittance of the Operating Surpluses of these scheduled corporations. A corporation's annual report from which Operating Surplus/Deficit is determined is prepared in the year succeeding the one being reported on. Hence, in 2013 for instance, the Commission monitored the payment/remittance of Operating Surpluses emanating from activities in the 2012 fiscal year and earlier. The report is outlined in Table 31.

Table 28: List of Scheduled Corporations

S/n	Name of Corporation	Status
1.	Nigerian National Petroleum Corporation (NNPC)	Scheduled
2.	Nigerian Deposit Insurance Corporation (NDIC)	Scheduled
3.	Bureau of Public Enterprises (BPE)	Scheduled
4.	National Agency for Science and Engineering Infrastructure	Scheduled
5.	Nigerian Social Insurance Trust Fund (NSITF)	Scheduled
6.	Corporate Affairs Commission (CAC)	Scheduled
7.	National Clearing and Forwarding Agency	Privatized
8.	Nigeria Unity Line	Privatized
9.	Nigerian Airspace Management Agency	Scheduled
10.	Nigerian Shippers Council (NSC)	Scheduled
11.	Nigerian Maritime Administration and Safety Agency (NIMASA)	Scheduled
12.	Raw Marital Research and Development Council	Scheduled
13.	Nigerian Civil Aviation Authority (NCAA)	Scheduled
14.	National Sugar Development Council (NSDC)	Scheduled
15.	Nigerian Postal Service (NPS)	Scheduled
16.	Nigerian Ports Authority (NPA)	Scheduled
17.	Federal Airport Authority of Nigeria (FAAN)	Scheduled
18.	Nigeria Mining Corporation (NMC)	Scheduled
19.	Nigeria Re Insurance	Privatized
20.	Niger Dock Nigeria PLC	Privatized
21.	Securities and Exchange Commission (SEC)	Scheduled
22.	National Insurance Corporation of Nigeria (NICON)	Privatized
23.	Nigeria Re-insurance Corporation	Privatized
24.	Nigerian Telecommunication (NITEL)	Dysfunctional
25.	National Automotive Council (NAC)	Scheduled
26.	Nigerian Tourism Development Corporation (NTDC)	Scheduled
27.	Nigerian Communications Commission (NCC)	Scheduled
28.	National Agency for food and Drug Administration and Control (NAFDAC)	Scheduled
29.	Nigeria Custom Service (NCS)	Scheduled
30.	Federal Inland Revenue Service (FIRS)	Scheduled
31.	Central Bank of Nigeria (CBN)	Scheduled
32.	Nigerian Immigration Service (NIS)	Added in 2011
33.	Nigerian Broadcasting Commission (NBC)	Added in 2011
34.	Nigerian Electricity Regulatory Commission (NERC)	Added in 2011
35.	National Oil Spill Detection and Response Agency (NOSDRA)	Added in 2011
36.	National Business and Technical Examinations Board (NABTEB)	Added in 2011
37.	National Environmental Standards Regulatory Agency (NESRA)	Added in 2011

Table 29: Remittances of Operating Surplus to the Consolidated Revenue Fund of the Federal Government

		OPERATING SURPLUS IN NAIRA (₦)							
S/N	NAME OF CORPORATION	2007	2008	2009	2010	2011	2012	2013	TOTAL
1	NIMASA	-	-	-	-	-	-		
2	RMRDC	6,339,502	11,674,072	17,710,880	36,111,851			16,467,593	88,303,898
3	NCAA	95,436,000	80,000,000	80,000,000	255,436,000	6,441,755	-	-	517,313,755
4	NSDC	-	-	-	-	-	-	8,715,437	8,715,437
5	NAMA	8,217,792	11,554,060		28,730,840			60,000,000	108,502,692
6	NSC	30,000,000	66,408,141	52,050,910	7,400,000	70,000,000	1,760,549,200	20,000,000	2,006,408,251
7	NNPC	-	-	-	-	-	-	-	
8	NDIC	1,763,740,000	4,443,452,000	1,270,876,000	2,856,086,600	3,031,553,695	5,988,387,066	2,960,204,434	22,314,299,795
9	BPE	-	-	-	-	-	-	-	
10	NASENI	-	4,351,584	2,348,333	20,000,000	4,351,585	3,524,195	-	34,575,697
11	NSITF	-	-	-	-	-	-	-	
12	CAC	826,300,000	300,000,000	4,255,246,608	41,019,605	-	-	-	5,422,566,213
13	CBN	24,262,000,080	6,239,000,000	32,897,000,000	34,870,064,124	64,123,257,079	80,308,000,000	-	242,699,321,283
14	NAFDAC	64,048,000	93,558,000	105,000,000	-	-	253,612,000	-	516,218,000
15	NCC	-	600,000,000	-	1,000,000,000	4,000,000,000	6,802,073,966	9,289,237,361	21,691,311,327
16	FIRS	8,714,847,970	9,726,719,028	104,756,555	4,254,494,236	1,265,812,822		169,186,393	24,235,817,004
17	NCS	-	-	-	-	-	-	-	
18	NABTEB	-	-	-	-	-	-	-	
19	NITEL	-	-	-	-	-	-	-	
20	NIPOST	32,459,200	46,698,400	38,364,000	49,471,670	-	-	-	166,993,270
21	NPA	-	-	-	-	-	-	6,157,911,000	6,157,911,000

Remittances of Operating Surplus to the Consolidated Revenue Fund of the Federal Government (Contd)

		OPERATING SURPLUS IN NAIRA (N)							
S/N	NAME OF CORPORATION	2007	2008	2009	2010	2011	2012	2013	TOTAL
22	FAAN	-	-	-	-	-	-	[illegible]	[illegible]
23	SEC	-	-	1,929,651,319	-	-	-	-	1,929,651,319
24	NAC	44,922,167	7,091,192	10,226,647	15,598,247	4,088,667	193,713,097	[illegible]	[illegible]
25	NTDC	-	-	-	-	-	-	51,734,124	51,734,124
26	NESREA	-	-	-	-	-	-	-	
27	NIS	1,350,000,000	1,595,000,000	1,769,201,254	195,009,653.37	649,606,700	56,440,983	2,666,470,813	8,086,727,750
28	NBC	-	-	-	-	40,000,000	-	-	40,000,000
29	NERC	-	-	-	-	-	-	-	
30	NOSDRA	-	-	-	-	163,300	-	-	163,300
	Total	**37,198,310,711**	**23,225,506,477**	**42,532,432,506**	**43,434,413,173**	**73,195,275,603**	**95,366,300,507**	**21,691,225,086**	**336,643,464,064**

Scanned with ACE Scanner

4.5. It is instructive that the sum received by the Federal Government as its share of Operating Surplus from these corporations has recorded year-on-year increases since 2007. It is not in doubt that this improvement was engendered by the interventions of the Fiscal Responsibility Commission.

4.6. The Commission is, however, irked that increasingly less scheduled corporations are paying operating surpluses. From a total of 13 scheduled corporations paying their respective Operating Surpluses in 2009, the number of payers reduced to 9 scheduled corporations in 2012 and 12 corporations in 2013. It is also cause for concern that increasingly less number of corporations are responding to the request of the FRC to forward their Annual Reports, Annual Budgets and other documents to the Commission.

Pioneer Chairman of the FRC, Alh. (Dr.) Aliyu Jibril Yelwa, OON handing over the affairs of the Commission to Barr. Victor Muruako

Pioneer Chairman of the FRC, Alh. (Dr.) Aliyu Jibril Yelwa, OON with some staff of the Commission on his last day in office

FISCAL
RESPONSIBILITY
COMMISSION
FEDERAL REPUBLIC OF NIGERIA

Chapter 5:

Fiscal Responsibility at Subnational Levels

Technical Assistance to Subnational Governments Towards Deepening the Fiscal Responsibility Regime

The Fiscal Responsibility Commission has continued to render technical assistance to States that request same, especially those willing to adopt Fiscal Responsibility Legislations that are similar to FRA 2007.

5.2. So far, no Local Government Council has made any request to the Commission for assistance towards understanding, legislating or applying fiscal responsibility laws, rules or bylaws. However, the Commission has continued to exploit opportunities available to it in making a robust appeal to subnational Governments to embrace the regime of fiscal responsibility and thereby deepen its positive effect on the economy as a whole.

5.3. In this regard, the Commission has been holding meetings with principal officers of sub-national governments, one of which was an interactive session with the Speaker and some members of the Benue State House of Assembly who visited the Commission and were extensively informed of the imperative and immense benefits of enacting a Fiscal Responsibility Law of Benue State.

Partnering With Civil Society Organisation (CSOs)

5.4. The Commission has continued its deliberate policy of partnering with and supporting local/community-based Civil Society Organizations whose main activity or focus relate to creating awareness of Fiscal Responsibility issues in their domains. A bottom-up approach adopted towards furthering fiscal responsibility awareness in Nigeria works by having partner-CSOs ge their members and stakeholders to first tak note of the capital projects slated for thei localities in a given year's budget. Thes persons go further to monitor the progress c specific projects and periodically repor their findings/observations to the CSO which, in turn, forward their reports to th Commission. The Commission is sti expecting reports from CSOs. Further, som CSOs have been drawing the Commission attention to projects in their localities/are of interest which they want expedited.

Scenes from the send-off ceremony organized by the new management of FRC for the pioneer Chairman and Commissioners at the end of their tenure.

Chapter 6:

Transparency and Accountability

Transparency

Fiscal transparency which has been defined by the International Monetary Fund, IMF as the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the Government's fiscal policy-making process (INTERNATIONAL MONETARY FUND, 2012) is a critical element of effective fiscal management.

6.2. A key aspect of Nigeria's prudence-assurance process is the requirement that issues relating to fiscal governance be placed in the public domain where citizens can observe them uninhibited and seek to understand the underlying fiscal position and the risks to that position. Part XI of the Fiscal Responsibility Act 2007, specifically Sections 48–50 stipulate fiscal transparency and request specific measures to meet the transparency requirement.

6.3. The Commission observes that the levels of clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting, as well as the openness to the public of the Government's fiscal policy-making process has been improving through the years. In the 2013 fiscal year, the Federal Government started by making its budget proposals very open. This was followed with the analysis of the budget, implementation of the budget, monitoring and evaluation and budget implementation report. These revealed the amounts of revenue projected, and the proposed expenditure within the fiscal year. There was frequent monitoring of the budget to compare it with the level of implementation.

6.4. Furthermore, citizens boldly engaged the Government on fiscal issues and freely raised questions where they needed more information. This represents considerable progress from the years gone when it was dangerous to criticize the Government, including its fiscal pronouncements.

6.5. The National Assembly was particularly vocal in publicly requesting information on budget execution from the Coordinating Minister of the Economy (CME). The CME's responses were also made public. The effect of this was to strengthen fiscal transparency in the period under review.

6.6. In addition, the Freedom of Information (FoI) Act continued to provide a robust legal framework for ingraining transparency into fiscal issues that may otherwise have been relatively opaque. With the signing of the Freedom of Information Bill into law by President Jonathan in May 2011, Nigeria entrenched transparency as never before by granting its citizens unfettered access to information about Government activities. The implementation framework for the FoI Act was further strengthened in 2013 by the Minister of Justice who established operational guidelines for its implementation. As part of the guidelines, every MDA was requested to assign a Desk Officer who would be in charge of processing requests for information that are based on the FoI Act. Hence, it is not only that Citizens have the right to demand and seek information from any Government agency on the administration of the Nation, the Federal Government Ministries, Departments and Agencies also have a clear idea of the procedure for responding to (or, if need be, for rejecting) such a request.

Accountability

6.7. The International Monetary Fund (INTERNATIONAL MONETARY FUND, 2012) describes ACCOUNTABILITY as referring to the extent to which:

i. Every participant is held accountable;

ii. Every action is properly documented and reported; and

iii. Every action can be subjected to independent, professional, and unbiased audit and review.

6.8. Relying on the foregoing definition, the Commission observed that in 2013, the Federal Government continued to encourage accountability among its constituent MDAs through the culture of Performance Agreements that are signed by Ministers, Permanent Secretaries, CEOs of Parastatals and Directors. With the performance management contract system which was introduced in January 2012, Ministers are required to make presentations on their stewardship to the public via the Federal Executive Council, highlighting their achievements and challenges.

6.9. To ensure accountability for by public servants, the Federal Government has, among other measures, established a specialized Department of M&E at the National Planning Commission to coordinate the M&E process in the various MDAs. This accountability process culminates in the production of Ministerial Scorecards and Annual Reports, to enable evidence-based assessment of performance.

6.10. Reports of the enlightenment and enforcement activities of the Economic and Financial Crimes Commission (EFCC) continued to strengthen the anti-corruption drive in 2013. This is another indication of the thrust towards accountability in the year under review.

6.11. A major complaint in the past against the way and manner in which the war against corruption was being prosecuted had to do with the subordination of the EFCC to the Ministry of Justice in terms of the exercise of its prosecutorial mandate. Like the FRC, the EFCC needed to send reports of its investigations to the Attorney General of the

Federation for possible prosecution. Critics of this requirement demanded that the EFCC be left alone to independently exercise its judgment on who to investigate and prosecute. One observes that in 2013 this apparent discredit to the anticorruption drive was no longer an issue as the EFCC continuously exercised its prosecutorial independence from the Attorney General and Minister of Justice. This has helped to restore the integrity of the anti-graft agency, the credibility of the war against corruption and the drive towards accountability.

6.12. In addition, the GIFMIS (Government's Integrated Financial Management and Information System) and IPPIS (Integrated Payroll and Personnel Information System) which are policies aimed at strengthening the public finance payment system at the Federal level have continued to improve accountability. The IPPIS continued to be up-scaled to accommodate an increasing number of MDAs in 2013. The key benefit of this is that it has become relatively easy to verify the staff strength of Government. Hence personnel cost is based on actual verified staff headcount, and not estimates.

6.13. The Federal Government also continued to drive the adoption of the Treasury Single Account (TSA), a unified structure of Government bank accounts that promotes accurate and timely reporting on payment and budget execution by giving a consolidated view of the Government's cash position per time.

6.14. Further evidence of accountability in fiscal affairs in 2013 is the production of the nation's first Governance Report in the nature of a Mid-Term Report of the Transformation Agenda. The Report detailed the Government's achievements in the Transformation Agenda targets in terms of verifiable outcomes.

6.15. The year also witnessed enhanced independence and effectiveness of the legislature, with the National Assembly openly exercising its oversight functions over MDAs. This continued to reinforce a robust environment for accountability.Mention needs also to be made of the strong advocacy programme undertaken by FRC in 2013 to sensitize the citizens on the provisions of Section 51 of FRA , 2007. This Section empowers citizens to approach Courts to secure Prerogative Orders compelling Government to perform or explain their statutory duties without showing special interest. Thus the citizens now know the existence of such a provision and are asking questions while Government is not relenting in providing answers to the questions. Through the website of Federal Ministry of Finance and Budget Office of the Federation, information on Government financial activities can be accessed.

6.16. It is the hope of this Commission that the level of accountability exhibited by Government in 2013 fiscal year will continue in 2014 and thus become entrenched in public financial management system.

Dr. Bright Okogwu
Director-General, Budget Office of the Federation

The Coordinating Minister for the Economy and Minister of Finance, Dr Ngozi Okonjo-Iweala presenting the Appropriation Bill to the National Assembly

Chapter 7:

Communications, Research and Dissemination of Standards

Presidential Retreat/Interactive Workshop for MDAs

In the past few years, tremendous progress has been made in the implementation of the Fiscal Responsibility Act, 2007. However, one of the major areas of challenge to the implementation has been with the relatively poor compliance of corporations and agencies listed in the schedule to the Act. Reckoning that ignorance of the law may have been at the heart of the generally poor level of compliance to fiscal rules by Ministries, Departments and Agencies of the Federal Government, His Excellency President Goodluck Jonathan directed, on December 12, 2012, that the Fiscal Responsibility Commission, in liaison with the Coordinating Minister for the Economy/Honorable Minister of Finance, organize a retreat for stakeholders to create awareness on the provisions of the Fiscal Responsibility Act 2007.

7.2. Accordingly, the Commission, in collaboration with the Ministry of Finance, organized a 2-day workshop in Calabar to sensitize stakeholders on the provisions of FRA, 2007 and, especially, the respective obligations arising from the Act.

7.3. The program which had the theme, AWARENESS OF THE PROVISIONS OF FRA, 2007 targeted Chief Executives and principal officers of Federal and State MDAs, selected Civil Society Organizations, and other stakeholders.

7.4. With a view to achieving a necessary policy-and-implementation linkage that would deliver improved quality of life and better public service to Nigerians, it was expected that at the end of the program, participants would be able to:

a). explain the logic of rule-based fiscal responsibility management as represented by the Fiscal Responsibility Act, 2007;

b). describe the roles of fiscal responsibility practices in achieving the goals of the Transformation Agenda;

c). Discuss the requirements for accountability and transparency enshrined in FRA 2007;

d). articulate the key points in the preparation, content and use of the Medium Term Expenditure Framework, Annual Budget and Budget Implementation Reports;

The Deputy Governor of Cross River State, Mr Efiok Essien Cobham with FRC Commissioners and Workshop Facilitators at the 2013 Presidential Retreat on Fiscal Responsibility held in Calabar

e). outline the requirements for budgetary planning and reporting by Corporations and other related Agencies under the Fiscal Responsibility Act;

f). highlight the provisions for Public Debts Administration in the Fiscal Responsibility Act, 2007;

g). make a commitment to implement the implementation FRA, 2007 in their respective organizations; and

h). make a commitment to avail the FRC, the Ministry of Finance and other relevant organizations information requested pursuant to FRA, 2007.

7.5. Seventy one organizations were represented at the workshop – 6 Federal ministries, 15 scheduled corporations, 5 state Fiscal Responsibility Commissions and 45 other organizations.

Research

7.6. In line with its mandate, the Commission – through its Directorate of

Planning, Research and Statistics (PRS) - carried out the following major research activities during the period under review.

Collection and collation of Annual Budgets and Financial Reports from the 36 States of the Federation

7.7. The Fiscal Responsibility Commission assembled and collated the annual budgets and financial reports of the 36 States and the Federal Capital Territory.

7.8. The goal of this project is to provide an insight into the expenditure and revenue profiles of the federating units in the nation in order to create a single fiscal dashboard for the Federal Republic of Nigeria. The model of fiscal Federalism currently practiced in Nigeria wherein the constituent states exercise a high degree of fiscal autonomy has given rise to a set of atomized fiscal reporting systems. Since all the units share a single economy, an analysis of their consolidated expenditure and revenue profiles is important for the resultant macroeconomic indices required for stabilizing the economy.

7.9. Though the Commission has been collating data covering many years (including 2013), it does not yet have a complete set of information for the more recent years. So far, the most complete set of latest data is for the 2010 fiscal year. While the Commission continues its efforts to obtain and utilize more recent fiscal data from the states and the FCT, we display below the complete 2010 records.

7.10. Table 30 reveals the nature of the capital/recurrent expenditures allocations of each state including the FCT for the fiscal year 2010.

7.11. Generally, most of the states allocated more funds to capital expenditure. The oil producing states whose revenue allocation include 13% of oil derivation had an average of 67.1% dedicated to Capital projects, with Bayelsa having less than 40%.

7.12. South-West: Had an average of 56.6% earmarked for capital expenditure while Ogun and Ekiti states had less than 50% capital expenditure estimates.

7.13. South-East: Showed 58.4% estimate on capital expenditures. However, the high percentage can be explained by the number of the states in the zone which has five(5) states while each of the other six zones has at least six(6) states.

7.14. North-West: A zone with six states had an average of 73.5%. Kaduna and Katsina states exceeded UNDP recommendation of 70:30 capital/recurrent expenditure ratios by 78% and 73% respectively.

7.15. North-East: The zone showed an average of 58% estimate for capital projects, with Borno leading with 71% which meets UNDP recommendation - despite the insecurity in the zone.

Table 30: 2010 Capital and Recurrent Expenditures estimates of States and FCT

Geo-Political Zone	State	2010 Capital Expenditure(NBn)	2010 Recurrent Expenditure(NBn)	Capital Expenditure (%)	Recurrent Expenditure (%)
SOUTH-WEST	Ekiti	30.70	35.37	46	54
	Lagos	250.80	178.80	58	42
	Ogun	39.50	45.60	46	54
	Ondo	75.99	42.90	64	36
	Osun	73.90	40.60	65	35
	Oyo	84.50	54.30	61	39
SOUTH-EAST	Abia	30.19	25.01	55	45
	Anambra	40.29	27.49	59	41
	Ebonyi	47.32	28.88	62	38
	Enugu	37.77	30.10	56	44
	Imo	72.06	48.05	60	40
SOUTH-SOUTH	Akwa Ibom	240.71	48.73	83	17
	Bayelsa	68.10	119.00	36	64
	Cross River	44.90	22.90	66	34
	Delta	69.71	21.21	77	23
	Edo	63.17	38.79	62	38
	Rivers	339.00	90.00	79	21

2010 Capital and Recurrent Expenditures estimates of States and FCT (Contd.)

Geo-Political Zone	State	2010 Capital Expenditure(NBn)	2010 Recurrent Expenditure(NBn)	Capital Expenditure (%)	Recurrent Expenditure (%)
NORTH-WEST	Jigawa	41.20	31.05	57	43
	Kaduna	153.99	42.70	78	22
	Kano	61.60	48.87	56	44
	Katsina	60.41	21.80	73	27
	Kebbi	52.04	23.50	69	31
	Sokoto	47.08	28.14	63	37
	Zamfara	29.90	37.11	45	55
NORTH EAST	Adamawa	39.96	54	43	57
	Bauchi	43.41	41.07	51	49
	Borno	61.49	24.55	71	29
	Gombe	30.80	24.69	56	44
	Taraba	39.60	24.55	62	38
	Yobe	42.66	22.50	65	35
NORTH-CENTRAL	Benue	52.60	36.9	59	41
	Kogi	50.62	27.80	65	35
	Kwara	36.3	58.1	38	62
	Nasarawa	40.65	27.20	60	40
	Niger	77.46	38.47	67	33
	FCT	160.00	93.2	63	37
	Plateau	47.50	31.14	60	40

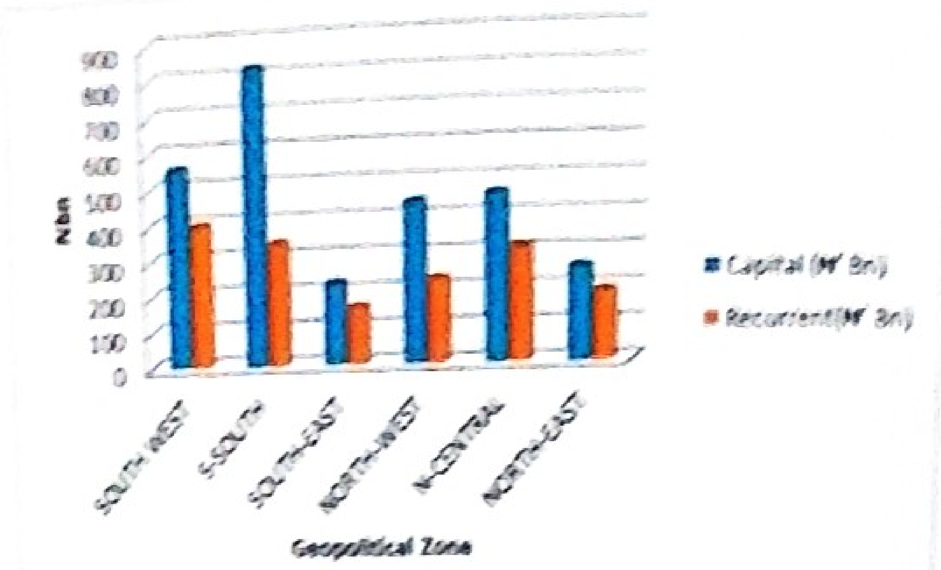

Figure 10: Capital & Recurrent Expenditures in States' 2010 Budgets

Figure 11: Consolidated Budgets of States in Geopolitical Zones, 2010

Update of Study on the Management of the Excess Crude Account

7.24 In 2010, the Commission conducted a study on the management of the Excess Crude Account covering the period 30th July, 2007 to 31st March, 2010. In order to make it current, it was updated in 2013 to further cover 1st April, 2010 to 31st December, 2012. The findings of the update were similar to the finding of the earlier study, which include the following:

a. Withdrawal were made from the ECA to PPRA as subsidies to independent oil marketers and also petroleum equalization (Management) board;

b. In 201, the sum of $918,733,322.39 was withdrawn from the Dollar Account of the ECA to fund SURE-P;

Table 31: States that met the UNDP recommendation of 70:30 ratio

State	2010 Capital Expenditure(NBn)	2010 Recurrent Expenditure(NBn)	Capital Expenditure (%)	Recurrent Expenditure (%)
Akwa Ibom	240.71	48.73	83	17
Delta	69.71	21.21	77	23
Rivers	339.00	90.00	79	21
Kaduna	153.99	42.70	78	22
Katsina	60.41	21.80	73	27
Borno	61.49	24.55	71	29

Source: States' Budget Estimate

7.16. North-Central: The zone budgeted an average of 68.6% funds for capital projects. Kwara state had the least capital budget of 38%.

7.17. FCT: being the Nation's seat of power and an emerging city that requires capital investment in order to attract investors from within and outside the country, it allocated an estimate of 60% of its budget estimate to capital projects.

7.18. The 2010 state capital budget estimates highlighted above indicate that most states still have relatively high recurrent expenditures which primarily is a function of large number of personnel - both political office holders and civil servants. Only 16 states and FCT are close to the UNDP recommendation of 70:30 ration of capital to recurrent expenditures as illustrated in Table 32. This falls short of the UNDP recommendation.

7.19. However, it remains to be ascertained if the states with high estimated capital expenditures achieved a significant percentage of budget performance. It also remains to be ascertained whether the capital projects envisaged in the plan were duly executed. These are cases for further enquiry.

7.20. For citizens to have a feel of democratic governance through the provision of capital projects that will impact on them, state Governments must reduce recurrent expenditure in the years ahead and channel those resources towards the provision of more basic infrastructure that will impact on the citizenry such as roads, dams, etc.

Table 32: States that are near the UNDP recommendation of 70:30 ratio

State	2010 Capital Expenditure(NBn)	2010 Recurrent Expenditure(NBn)	Capital Expenditure (%)	Recurrent Expenditure (%)
Ondo	75.99	42.90	64	36
Osun	73.90	40.60	65	35
Oyo	84.50	54.30	61	39
Ebonyi	47.32	28.88	62	38
Imo	72.06	48.05	60	40
Cross River	44.90	22.90	66	34
Edo	63.17	38.79	62	38
Kebbi	52.04	23.50	69	31
Sokoto	47.08	28.14	63	37
Taraba	39.60	24.55	62	38
Yobe	42.66	22.50	65	35
Kogi	50.62	27.80	65	35
Nasarawa	40.65	27.20	60	40
Niger	77.46	38.47	67	33
FCT	160.00	93.2	63	37
Plateau	47.50	31.14	60	40

Collated from 2010 State Budget Estimates

7.21. Table 33 shows states whose 2010 Budgets featured high recurrent expenditures. This needs to be addressed in future budgeting in order to encourage substantial economic development in the areas. Akwa Ibom, Delta, Rivers, Katsina, Borno and Kaduna states projected a low recurrent (vis-a-vis capital) expenditure.

Table 33 : States with relatively high Recurrent Expenditures in 2010

State	2010 Capital Expenditure(NBn)	2010 Recurrent Expenditure(NBn)	Capital Expenditure (%)	Recurrent Expenditure (%)
Ekiti	30.70	35.37	46	54
Ogun	39.50	45.60	46	54
Bayelsa	68.10	119.00	36	64
Zamfara	29.90	37.11	45	55
Adamawa	34.61	40.24	43	57
Kwara	36.3	58.1	38	62

Collated from 2010 State Budget Estimates

7.22. Table 34 shows the aggregate budget estimates by geo-political zones and a grand total of ₦4412.95 billion Naira for the 36 states of the federation. The South-South zone had the largest estimates of 26% of the total while the South-East had the lowest sum of ₦387.16 billion represent 9% of the grand total.

7.23. The South-West zone with a total of ₦952.96 billion represented 22% as illustrated in fig 11. The sum of South-South and South-West zones approximated 50% of the total sum for capital projects in 2010. While the sum of the remaining four zones comprising 23 states approximated 52% of the total. This situation requires states to do a rethink and refocus with a view to using capital projects to drive growth and development in their respective domains.

Table 34 : 2010 Aggregate Budget Size of the Geo-Political zones

S/No	Geo-Political Zone	Capital (₦ bn)	Recurrent (₦ bn)	Budget 2010(₦' bn)
1	SOUTH WEST	555.39	397.57	952.96
2	S-SOUTH	825.59	340.63	1166.22
3	SOUTH-EAST	227.63	159.53	387.16
4	NORTH-WEST	446.22	233.17	679.39
5	N-CENTRAL	465.13	312.81	777.94
6	NORTH-EAST	257.92	191.36	449.28
	TOTAL	**2777.88**	**1635.07**	**4412.95**

Collated from 2010 State Budget Estimates

c. Inadequate institutional and legal framework to articulate and address inherent lapses in the Management of ECA were observed;

d. The level of transparency and accountability of ECA is low; and

e. Withdrawals were largely done outside the provisions of Section 35 of FRA, 2007.

7.25. The following recommendation were also made:

a. The need for an institutional and legal framework that will ensure clear cut rules on the management of the ECA should be set up;

b. The Memorandum of Understanding (MoU) on the ECA entered into by the 3 tiers of Government should be consistent with Section 35 of FRA, 2007 and international best practices; and

c. Effective oversight activities should be undertaken by appropriate committees of the National Assembly over the management of the ECA.

Update of the Study on the Federal Government Budget Implementation

7.26. The Commission also reviewed the study earlier conducted on Federal Government Budget Implementation from 2005 to 2009. It was updated to further cover the period 2010 to 2012. The findings and recommendations in the update were similar to the observations in the earlier study. The findings are as follows:

a. For budget preparation, the adoption of oil-price fiscal based rules introduced a measure of relative stability;

b. Some projects fail because the MDAs handling them undertake more projects than they have capacity for;

c. The exclusion of some critical stakeholders from significant roles in the budget process is identified as a reason for the failure of some capital projects; and

d. There is generally low efficiency in budget spending.

7.27. The following recommendations were made:

a. Timely monitoring of

Chapter 8:

Enforcing Fiscal Responsibility

Efforts towards the Amendment of FRA 2007

The Commission continued with its engagement with the National Assembly, especially the House Committee on Finance regarding proposals for strengthening the Commission's statutory authority and regulatory powers through appropriate amendments to the Fiscal Responsibility Act, 2007. To this effect, a detailed proposal was presented to the leadership of the House Committee on Finance.

Petitions received from individuals/groups

8.2. A petition was received within the year from certain individuals containing several weighty allegations of financial impropriety, embezzlement and corruption involving Hundreds of Millions of Naira against the National Coordinator of the National Poverty Eradication Programme (NAPEP), Muktar Abubakar Tafawa Balewa. The Petitioners also specifically alleged that the actions of the National Coordinator of NAPEP with regard to the management of the funds of the Agency violated Sections 27, 37, 38 & 39 of FRA, 2007. Moreover, the Petition was replete with instances of alleged imprudent utilization and unlawful diversion of huge amounts of public funds at the Agency, and included names of officials of the Agency who, the Petitioners claim, are in a position to corroborate the allegations.

8.3. The Commission launched an investigation into the matter but could not conclude same as it was discovered that a similar Petition had earlier been sent to the Economic and Financial Crimes Commission (EFCC), which had also commenced its own investigation and had taken custody of the relevant documents and files for scrutiny.

8.4. A group which identified itself as Niger Delta Contractors Coalition also wrote a Petition to the Commission against the Managing Director and Board Members of the Niger Delta Development Commission (NDDC), alleging fragrant violations of FRA, 2007 & the Public Procurement Act (PPA), 2007. Based on the seriousness and magnitude of the allegations, the Commission undertook a full investigation by visiting the Agency's headquarters in Port-Harcourt, obtaining statements and documents from senior officials which were scrutinized. At the end of the investigation, however, no *prima facie* case was established against the Management of the NDDC as none of the allegations could be substantiated. The Agency was therefore exonerated but strongly advised to ensure the publication of its audited financial statement as at and when due, pursuant to

Investigating Infractions of FRA

8.9. The Investigation Unit is currently investigating six (6) Agencies. The cases against them border on non-compliance with the provisions of Sections 21, 22, 23 and 53 of the Fiscal Responsibility Act (FRA), 2007. The Agencies involved are BPE, NTDC, NIMASA, FAAN, NCC & PIC. A summary of the status of the investigations is as follows:-

Bureau of Public Enterprises (BPE)

8.10. The BPE, one of the Corporations listed in the Schedule to FRA, 2007, has officially been under the watch list since 2012. The main sticky point that has impeded the progress/conclusion of the investigation is the failure of BPE to remit the sum of N81,814,000.00 into the Consolidated Revenue Fund being 80% of its operating surplus for 2007 as disclosed in its published Financial Statement/Audited Account for 2007. Other issues relating to the budget and accounts of the BPE for the subsequent years have also come to the fore.

8.11. Interactive meetings were held between representatives of BPE and the management of FRC towards resolving the issues, but the agency is yet to comply. The Commission is considering employing more drastic measures within its powers to make the BPE comply with its statutory responsibilities.

Nigerian Tourism Development Corporation (NTDC)

8.12. The investigation of the NTDC was instituted following years of uncooperative attitude its management, especially the fact that NTDC ignored several written requests urging it to comply with the requirements of Part IV (Sections 21 to 23) of FRA, 2007. Though NTDC belatedly made available some of the documents demanded, upon critical analysis by the investigating team, several other weighty issues and inconsistencies that require clarification from the highest level of the management of NTDC were thrown-up.

8.13. Though the Commission has severally obliged the requests of officials of NTDC for more time to enable them adequately respond to the issues due to the change in the leadership of the Agency, the situation has unfortunately remained the same and the issues unresolved. The Commission will decide to apply more stringent measures as provided in FRA, 2007 should the negative attitude of the agency persist.

Nigerian Maritime Administration And Safety Agency (NIMASA)

8.14. The initial non-cooperative attitude of NIMASA in-spite of several attempts by the Commission to positively engage the Agency to ensure that its obligations under FRA, 2007 are routinely fulfilled, led to the commencement of an investigation into the Agency's non-compliance with its statutory responsibilities.

8.15. Findings from the information and some documentation that were provided by the Agency seem to indicate that some the amounts realized were appropriately remitted into Government Treasury in accordance Section 53 of FRA, 2007. In the course of investigation, records were submitted to Investigation Unit. The results of the analysis and observations have been communicated to the PIC for further clarification.

FRC Commissioners in a meeting with the Coordinating Minister for the Economy & Minister of Finance, Dr. Ngozi Okonjo Iweala

Pictures from the workshop on
Applied Fiscal Responsibility Management

Chapter 9:

Institutional Strengthening & Capacity Building

In continuation of its efforts to remain fit-for-purpose, the Commission undertook a number of measures to strengthen its capability.

Creation of Data Base

9.1. The Commission's ICT unit created a more user friendly database for warehousing, analyzing and interpreting financial data obtained from various states and other agencies of Government for purposes of enquiry and study that the Commission undertakes for policy formulation, economic development, planning, monitoring and evaluations of projects and programs. The database is frequently updated with financial information received from MDAs. Some of these data will, in due course, be shared with the Commission's stakeholders and the general public vide the Commission's website.

Development plans and Programs

9.2. Noting that the Commission encourages and prods MDAs to be timely in the preparation and submission of their 3-year medium-term expenditure plans in line with Section 20 of the Fiscal Responsibility Act, the Planning, Research and Statistics Directorate designed templates for the development plan and program of all Directorates with the aim of collecting their inputs towards preparing the Commission's Medium Term Framework. The plans and programs will serve as guide for tracking actions and development in policies, programs and projects of the Commission. They will also be used for measuring performance against set goals and taking corrective action.

Computerization Project

9.3. The Commission's WLAN project has been completed, thus effecting the network coverage of the headquarters and annex offices. Also, an Enterprise Security Solution was deployed to protect the network facility and Microsoft Office Outlook was configured on staff systems to enhance their performance both online and offline. The Commission's IT unit continues to manage the WLAN facility and, particularly, implementing hotspot and captive portal on the facility, in addition to providing end-user support services.

Online Linkage Project

9.4. As part of the Commission's online real-time linkage with relevant stakeholders a project that had earlier been completed, the Commission's IT unit continues to make follow up visits to the pilot stakeholders, especially the Federal Ministry of Finance, National Assembly and Office of the Accountant General of the Federation.

Training by the EFCC Academy

9.5. Staff of the Investigations Unit as well as some auditors in the Commission underwent a one-month training program at the EFCC Academy to further enhance their capacity.

Training on Fiscal Responsibility Management

9.6. Staff of the Commission went through an extensive and intensive Human Capital Development Program. The workshop titled APPLIED FISCAL RESPONSIBILITY MANAGEMENT was granular in its coverage of critical aspects and details of Government revenue, expenditure, budgeting, etc.

Orosanye Committee Report

9.6. In 2011, the President of the Federal Republic of Nigeria set up the Presidential Committee on Restructuring and Rationalization of Federal Government Parastatals, Commissions and Agencies. The terms of reference included *to examine critically the mandates of existing federal agencies, parastatals and commissions and determine areas of overlap or duplication of functions and make appropriate recommendations to either restructure, merge or scrap to eliminate such overlaps, duplications or redundancies* and advise the Government on matters which may be relevant to the desire of Government to prune down the cost of governance.

9.7. The report of the Committee that has come to be known in the mass media as "Orosanye Committee Report" recommended, *inter alia*, that the Fiscal Responsibility Commission be abolished and its functions transferred to the Revenue Mobilization, Allocation and Fiscal Commission.

9.8. Though no further express update came from the Federal Government concerning the report in 2013, the subject continued to dominate public discourse. Like the sword of Damocles, it continued to hang over the head of the Commission throughout the year.

9.9. The Orosanye Committee's reason for recommending that the FRC be scrapped is the erroneous belief that the Functions of FRC overlap with those of RMAFC. It thus assumed that by scrapping FRC, the FG would be saving the money spent on FRC for supposedly carrying out similar functions as RMAFC.

9.10. Incidentally, a comparison of the respective laws establishing RMAFC and FRC does not support the premise that FRC's functions are already being carried out by RMAFC. Also, the assumption that scrapping the FRC would save the country the approximate sum of N500 million appropriated to FRC in the Federal Budgets over the years has been dubbed implausible.

For one thing, the mischief in public expenditure management that gave rise to the groundswell of demand of citizens, institutions, experts and the international community for a strong and independent fiscal monitor in the nature of FRC has not disappeared.

9.11. In considering the recommendations of the Orosanye Committee, it is important to recall that the enactment of the Fiscal Responsibility Act 2007 and the attendant establishment of the Fiscal Responsibility Commission are major achievements in Nigeria's desire for a legal and regulatory framework for fiscal discipline. Frameworks, systems or institutions, on their own, don't however produce results. It is the singular commitment and perseverance of the operators of the Act, especially FRC that have produced outstanding results. Hence, rather than allow the Orosanye Committee Report to reverse the gains achieved over the years in the monitoring and enforcement of Fiscal Responsibility, it is imperative that the nation be further committed to the pursuit of fiscal responsibility by strengthening the Commission. If Nigeria has learnt one thing concerning fiscal discipline, it is that fiscal behavior needs to be controlled and not assumed. Fiscal rules (including a legislated fiscal responsibility framework) are more likely to get results than an unwritten understanding or a morality-driven Fiscal Responsibility mindset.

9.12. Furthermore, it is difficult to see how the Committee's recommendation that the functions of the Fiscal Responsibility Commission be transferred to the Revenue Mobilization, Allocation and Fiscal Commission will prune the cost of governance. The process that culminated in the enactment of Nigeria's Fiscal Responsibility Act in 2007 must have cost hundreds of millions of Naira in advocacy, study tours, public enlightenment programs, etc., most of which were geared at helping the Legislators of the day as well as interested citizens understand the concept of Fiscal Responsibility Laws and its application in sample countries. The same kind of effort and, possibly, expense will be required towards an amendment of extant laws to transfer the functions of FRC to RMAFC.

9.13. Moreover, FRC has, since inception, been run with rather little funding and one doesn't see the recommended transfer of FRC functions leading to a reduction in personnel costs or capital costs below what the Commission has wisely expended these past years.

9.14. Without prejudice to what the eventual decision of the Federal Government may be regarding the recommendations of the Orosanye Committee, the Commission believes that strengthening the Commission stands to benefit the nation more and help it save more money than scrapping it and/or transferring its functions to another agency of Government.

Mr. Jonah Otunla
Accountant-General of the Federation

Dr. Abraham Nwankwo
Director-General, Debt Management Office

Chapter 10:

Challenges and Future Plans

Challenges

As a new Commission with responsibilities to discharge the provisions of the FRA 2007, the FRC has encountered several challenges of which some of the most pressing are outlined below.

10.2. The need for adequate funding of the Commission by the Government cannot be gainsaid. This is because its functions require intensive public enlightenment programmes which cannot be adequately carried with the shoe-string budgets that the Commission has been receiving in the past four (4) years. The Commission requires, in addition, vehicles, equipment and funds to enable it carry out its other important functions effectively.

10.3. FRC provides specialized services which require deep technical competence on the part of the staff. Much as the Commission has made the best of available resources and opportunities to train its staff, it recognizes that it could have done more if it had not been hamstrung by paucity of funds.

10.4. Another challenge faced by the Commission is the reluctance of some MDAs to respond to enquiries and data demanded from them. This is witnessed with regards to remittance of Operating Surplus into the Consolidated Revenue Fund (CRF) and when it comes to enquiries on their IGR. The Commission believes that this challenge will generally evaporate if the compulsive powers of the Commission is enhanced through the proposed amendments to FRA, 2007 being pursued at the National Assembly.

10.5. The proposed amendments, when finalized, will prescribe sanctions for various offences under the Act. This will effectively complement our current method of naming and shaming and reporting offending bodies to the Attorney-General for prosecution.

10.6. The Commission continues to be unhappy with the flow of the budget cycle as the MTEF, Appropriation Bills and the signing of the Bill into Acts continue to be delayed.

10.7. Nigerians have not fully taken advantage of FRA 2007, especially Section 51, which empowers any citizen of Nigeria to seek to enforce FRA . This, coupled with the Freedom of Information Act, remain underutilized platforms for citizens' participation in governance.

10.8. The recommendations of the

Oronsaye Report as it concerns the FRC is proof that some senior citizens and officials of Government are yet to be fully abreast with basic issues in institutional and economic reform in this age of globalization. Needless to say, the Commission will continue to cultivate the goodwill of the Media, the Civil Society Organizations (CSOs), the Academia and the international development partners in the years ahead.

Future Plans

10.9. Going forward, the Commission has no illusions about the enormity of the task ahead. It however, intends to find comfort and strength in the saying to the effect that *if you want to go fast, go alone, but if you want to go far, go in company*. To this effect, more innovative ways will be adopted to seek greater collaboration with CSOs, the Media, other agencies of Government and international partners.

10.10. We shall remain a knowledge-based organization that will be a repository of knowledge concerning fiscal responsibility practices and best-in-class macroeconomic management. To this effect, Human Capital Development will remain of utmost importance. With its paltry budgetary allocation, the Commission has continued to devise cost-effective ways of building the capacities of its staff.

10.11. The Commission will put more efforts in getting scheduled corporations to treat their audited accounts and payment of Operating Surplus in accordance with FRA 2007.

10.12. We shall also continue, to the best of our resources, to render legal/technical assistance to States towards the enactment and operationalization of Fiscal Responsibility legislations in their respective jurisdictions.

10.13. Finally, the Commission shall continue to count on the political and financial support of the Government in the years ahead. As the Commission braces up to a more challenging future, we are more determined than ever to justify our mandate and our relevance in the Government's Transformation Agenda which can only be attained through transparent, prudent and judicious fiscal management.

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Annexure:

Audited financial statement for

the year ended 31 december, 2013

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

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

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013

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FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013

CORPORATE INFORMATION

Members of the Commission (Tenure ended 4/12/2013)

Alhaji (Dr.) Aliyu J. Yelwa,OON (*Sarduanan Yauri*)	Executive Chairman
Chief (Dr.) S.E.O.Mordi	Rep. SS Geo – Political Zone
Chief (Barr.) Chris Okewulonu	Rep. SE Geo – Political Zone
Alhaji Shu'aibu A. Kore(Wamban Wambo)	Rep. NC Geo – Political Zone
Alhaji Zakari M. Sada	Rep. NW Geo – Political Zone
Dr. (Chief) Adewumi Abitoye	Rep. SW Geo – Political Zone
Hon. Isma'ila Muazu	Rep.NE Geo – Political Zone
Barr. Benson Upah	Rep. Labour
Alhaji Suleiman Abubakar	Rep. Organized Private Sector
Mallam Mohammed Garba	Rep. Civil Society

Management (with effect from 5/12/2013)

Bar. Victor Chinemerem Muruako	Acting Chairman
Raymond Omenka Omachi	Head ,Finance & Accounts
Mohammed Ahmed Zallani	Head ,Administration
Mashood Ola Tijani	Head ,Monitoring & Evaluation
Maryam Iliyasu Mohammed	Head ,Planning, Research & Statistics
Alex B. Elikwu	Head ,Policy & Standard
Peter Okoro Osondu	Head ,Internal Audit
Abdulganiyu Aminu	Head of Press
Charles Chukwuemeka Abana	Ag. Head ,Legal, Investg & Enforcement
Bede Ogueri Anyanwu	Ag. Head ,Strategic Communications

Office Address

Plot 66, Samuel Ajayi Crowther Street,
Asokoro District,
Abuja.

Bankers

Central Bank of Nigeria
United Bank for Africa Plc
Stanbic IBTC Bank PLc
Zenith Bank Plc
First City Monument Bank PLC

Auditors

Aminu Ibrahim & Co.
(Chartered Accountants)
City Plaza, Suite 11B(3rd Floor)
Plot 596, Ahmadu Bello Way
Garki II-Abuja

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013

THE COMMISSION

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

Principal Activities and Operational Review

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

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

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

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

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2013

REPORT OF THE MANAGEMENT

The management has the pleasure in presenting the report of the financial operation of the Commission for the year ended 31 December, 2013 as follows:

1. Summary of Income and Expenditure

	₦	₦
Recurrent subventions received during the year	608,179,546	
Unspent balance remitted to Federal Sub-Treasury	(33,584,882)	
		574,594,664
Personnel costs	276,611,471	
Administrative costs	292,403,529	
Depreciation	60,000,622	
		(729,015,622)
Deficit for the year		(154,420,958)

2. Capital Grants

Unutilised balance as at 1 January, 2013	1
Amount received during the year	40,404,539
	40,404,540
Amount expended during the year	(27,564,314)
	12,840,227
Amount returned to Federal Sub -Treasury – CRF	(12,840,227)
Unutilised balance as at 31 December,2013	—

3. Employment of Disabled Persons

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

4. Health, Safety and Welfare

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

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013

REPORT OF THE MANAGEMENT (CONT'D)

5. **Employees Involvement and Training**

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

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

Barr. Victor Chinemerem Muruako
ACTING CHAIRMAN

Aminu Ibrahim & Co
Chartered Accountants

www.aminuibrahim.com

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

We have examined the accompanying financial statements of **Fiscal Responsibility Commission**, for the year ended 31 December 2013 set out on Pages 9 to 11 which have been prepared on the basis of significant accounting policies set out on pages 7 to 8 and other explanatory notes on pages 12 to 14.

Commission's Responsibilities for the financial statements

The Commission is responsible for the preparation and fair presentation of these financial statements. This responsibility includes designing, implementing, and maintaining internal control 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 auditors' 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 auditors consider 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 audit 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, 2013 in accordance with the Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria and the requirements of Fiscal Responsibility Commission Act No 31 of 2007.

We confirm that:

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

In our opinion, proper books of account have been kept by the commission, and the Commission's balance sheet and income and expenditure statement are in agreement with the books of account.

Aminu Ibrahim & Co.
Chartered Accountants
Abuja, Nigeria

11th Sept. 2014

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FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013

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, Capacity Building and Monitoring of Capital Projects
Research Studies, Capacity Building and Monitoring of Capital project funded from capital grants are capitalised 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.

FISCAL RESPONSIBILITY COMMISSION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013

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, 2013

	Note	2013 ₦	2012 ₦
FIXED ASSETS	1	30,775,506	85,034,848
RESEARCH STUDIES,CAPACITY BUILDING & CAPITAL MONITORING	2	-	-
CURRENT ASSETS			
Stocks	3	9,191,725	9,636,910
Debtors and Prepayments	4	57,999,622	131,033,004
Cash and Banks Balance	5	10,976,381	15,133,207
		78,167,728	155,803,121
CURRENT LIABILITIES	6	(13,709,516)	(9,764,797)
NET CURRENT ASSETS		64,458,213	146,038,323
TOTAL ASSETS LESS CURRENT LIABILITY		**95,233,718**	**231,073,172**
FINANCED BY:			
Capital Fund	7	323,118,839	304,537,334
Income and Expenditure Account	8	(227,885,121)	(73,464,162)
		95,233,718	**231,073,172**

The financial statements were approved by the Commission on 11th Sept. 2014 and signed on its behalf by:

.... Chairman

.... Head, Finance and Accounts

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

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FISCAL RESPONSIBILTY COMMISSION

INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2013

	Note	2013 N	2012 N
INCOME			
Recurrent Subvention	9	574,594,664	454,994,819
LESS: ADMINISTRATIVE EXPENSES			
Personnel Cost	10	276,611,471	203,338,290
Maintenance:			
Building		3,334,120	6,219,390
Plant and Equipment		2,054,750	3,578,596
Diesel & Lubricant		4,832,500	7,737,560
Furniture		2,334,290	7,259,860
ICT facilities		3,952,407	3,241,442
Motor Vehicle		25,790,311	16,034,631
Local Travels and Transport		71,904,875	46,817,893
Staff Incentives		10,202,842	37,697,587
Stationaries ,Printing and Consumables		22,315,109	22,568,661
Postages, Fax and Telephone		5,578,915	4,025,825
Office Expenses		35,438,768	34,432,320
Donation and Subscriptions		1,138,100	2,700,520
Advert and Publicity		10,464,236	5,501,358
Rent - office Building		57,467,789	60,091,576
Staff Training:			
Local		56,291,219	39,008,100
Overseas		7,209,000	32,859,120
Honorarium and sitting Allowance		6,391,070	3,484,200
Bank Charges		220,427	441,889
Legal and Other Professional Charges		15,170,250	3,115,000
Staff Welfare/Recreation		37,370,051	54,986,626
Security Services		10,822,500	11,931,500
Depreciation		60,000,622	97,683,055
Audit fee		2,000,000	2,000,000
		729,015,622	706,815,599
Surplus(Deficiet) for the year		(154,420,958)	(251,820,780)

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

FISCAL RESPONSIBILITY COMMISSION

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER,2013

	2013 N	2012 N
CASHFLOWS FROM OPERATING ACTIVITIES		
Deficit of Income over Expenditure	(154,420,958)	(251,820,780)
Adjustment for Non - Cash items:		
Depreciation	60,000,622	97,683,055
Cashflows from Operating Activities before Changes in working Capital	(94,420,336)	(154,137,725)
CHANGES IN WORKING CAPITAL		
Decrease in Debtors and Prepayments	73,033,383	52,904,566
Decrease in Stocks	445,185	12,117,145
Increase in Creditors and Accruals	3,944,719	1,126,059
Net Cashflows from Operating Activities	(16,997,049)	(87,989,955)
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(5,741,280)	(17,840,487)
CASHFLOWS FROM FINANCING ACTIVITIES		
Capital Grant Received	40,404,539	41,511,721
Cost of Research and Studies & Capital Project Monitoring	(21,823,034)	(27,904,000)
Returned to Federal Sub - Treasury - CRF	-	(9,900,459)
	18,581,505	3,707,262
Net Movement in Cash and Cash Equivalents	(4,156,826)	(102,123,180)
Cash and Cash Equivalent at 1 January	15,133,207	117,256,387
Cash and Cash Equivalent at 31 December	**10,976,381**	**15,133,207**
Represented by :		
Cash and Bank Balances at 31 December	**10,976,381**	**15,133,207**

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FISCAL RESPONSIBILITY COMMISSION

NOTES ON THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER,2013

1 FIXED ASSETS

	Office Furniture & Equipment	Motor Vehicles	ICT Facilities & Equipment	Plant & Equipment	Library Books	Total
Cost						
As at 1 Jan, 2013	106,036,514	119,858,750	86,040,600	12,047,000	4,834,794	328,817,758
Additions for the year	1,525,310	-	4,216,070	-		5,741,380
As at 31 Dec, 2013	107,561,824	119,858,750	90,256,670	12,047,000	4,834,794	334,059,038
Depreciation						
As at 1 Jan, 2013	58,476,152	96,609,985	76,275,488	7,787,500	4,834,784	243,282,909
Charge for the period	21,260,996	23,049,755	12,278,122	3,011,750	-	60,000,623
As at 31 Dec, 2013	79,737,148	119,658,740	88,553,610	10,799,250	4,834,784	303,283,532
Net Book Value						
As at 31 Dec, 2013	27,824,676	10	1,703,060	1,247,750	10	30,775,506
As at 31 Dec, 2012	47,560,462	23,449,765	9,765,112	4,259,500	10	85,034,868

FISCAL RESPONSIBILITY COMMISSION

NOTES ON THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	N	N
RESEARCH STUDIES, CAPACITY BUILDING &		
2 CAPITAL MONITORING		
Received during the Year	21,523,094	27,904,000
Expended in the Year	(21,523,094)	(27,904,000)
	-	-
3 STOCKS		
Stationery Items	8,250,223	7,660,800
Office Equipment	-	795,610
Stock of Furniture	-	661,500
Stock of Motor Accessories	901,500	519,000
	9,151,723	9,636,910
4 DEBTORS AND PREPAYMENTS		
Advance for petty expenses	180,000	1,080,000
Purchase Advance	11,777,398	14,034,815
Salary Advance	2,414,740	2,086,515
Motor Vehicle Loan	2,443,568	20,258,452
Staff Revolving Loan	37,266,756	39,536,098
Prepayments	3,913,160	54,037,124
	57,995,622	131,033,004
5 CASH AND BANK BALANCES		
Stanbic IBTC Plc	3,391,109	2,480,889
Skye Bank Plc	19,392	11,162,365
Zenith Bank Plc	7,565,880	1,489,953
	10,976,381	15,133,207
6 CREDITORS AND ACCRUED CHARGES		
Value - Added tax (VAT)	-	359,184
With Holding Tax (WHT)	4,983,154	4,240,613
Creditors - CBF	1,000,000	910,000
Other creditors	5,726,362	2,255,000
Accrued Audit fees	2,000,000	2,000,000
	13,709,516	9,764,796

FISCAL RESPONSIBILITY COMMISSION
NOTES ON THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER,2013

	2013	2012
	N	N
7 CAPITAL FUND		
As at 1 January	304,537,334	300,830,071
Received during the year	40,404,539	41,511,721
	344,941,873	342,341,792
Amortized Cost of Research and Studies (note2)	(21,823,034)	(27,904,000)
	323,118,839	314,437,792
Returned to Federal Sub - Treasury - CRF	-	(9,900,459)
As at 31 December	323,118,839	304,537,334
8 INCOME AND EXPENDITURE		
As at 1 January	(73,464,162)	178,356,618
Surplurs for the year	(154,420,958)	(251,820,780)
As at 31 December	(227,885,121)	(73,464,162)
9 RECURRENT SUBVENTION		
Overhead Cost	345,794,836	304,905,506
Personnel cost	258,171,164	204,472,866
Pension deducted from Staff Salaries	4,213,546	4,138,757
	608,179,546	513,517,128
Returned to Federal Sub - Treasury -CRF	(33,584,882)	(58,522,310)
	574,594,664	454,994,819
10 PERSONNEL COSTS		
Salaries and Allowances	172,689,675	173,235,206
Housing Allowance	24,026,600	23,626,600
Severance Allowance	42,400,267	-
Other Allowances	37,494,929	6,476,484
	276,611,471	203,338,289
11 INTERNALLY GENERATED REVENUE		
Opening unremitted Balance	910,000	-
Addition:		
Interest on Motor Vehicle Loans	2,129,910	1,072,494
Tenders/Contractors registration fee	90,000	910,000
	3,129,910	1,982,494
Remittance to Federal Sub- Treasury	(2,129,910)	(1,072,494)
Closing unremitted Balance	1,000,000	910,000

Notes: