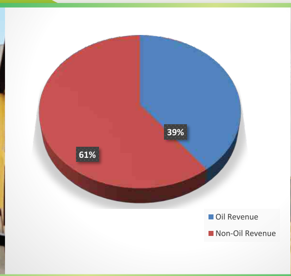
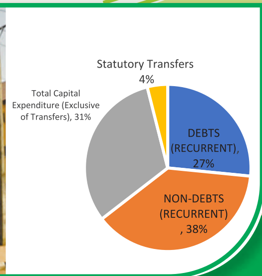
THE PRESIDENCY

FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA





2022

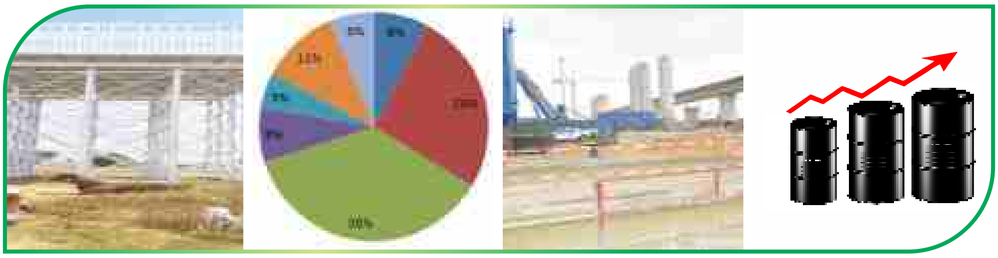
ANNUAL REPORT

AND AUDITED FINANCIAL STATEMENTS

THE PRESIDENCY

FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA



2022

ANNUAL REPORT

AND AUDITED FINANCIAL STATEMENTS

VISION, MISSION AND VALUES

Our Vision
A transparent and accountable government financial management framework for Nigeria.

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

Our Value
Integrity
Truth
Justice
Prudence

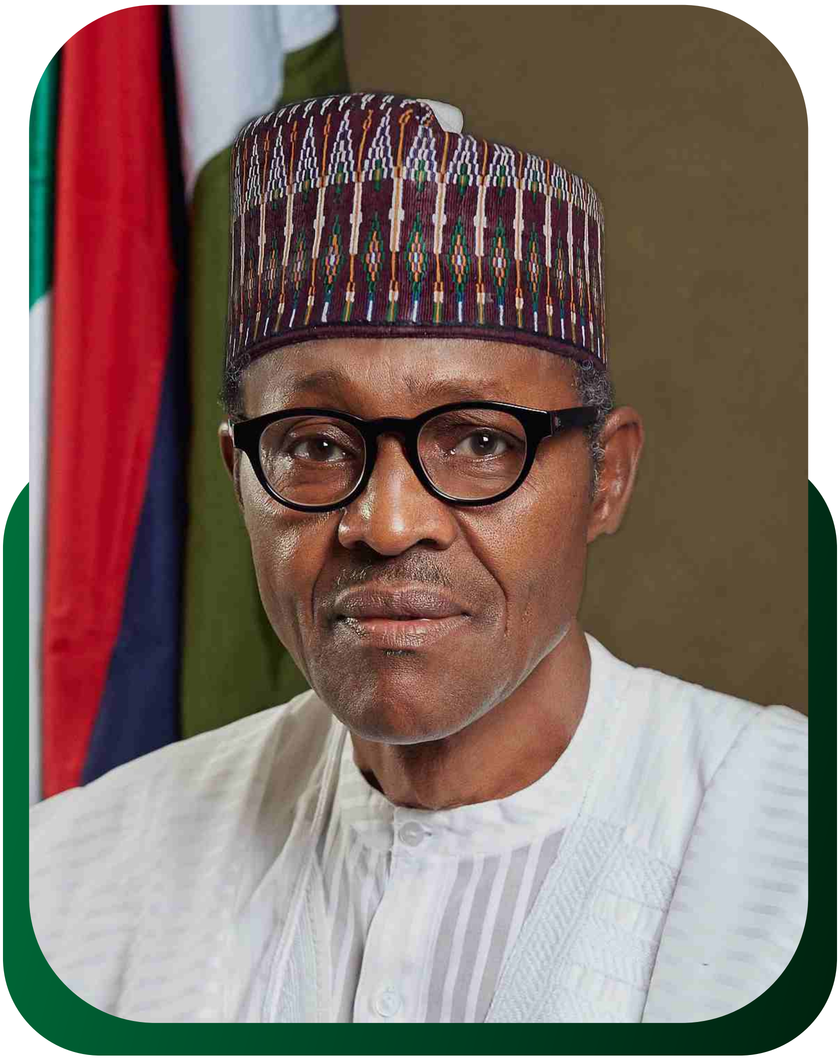
TABLE OF CONTENT

LIST OF ACRONYMS

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

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

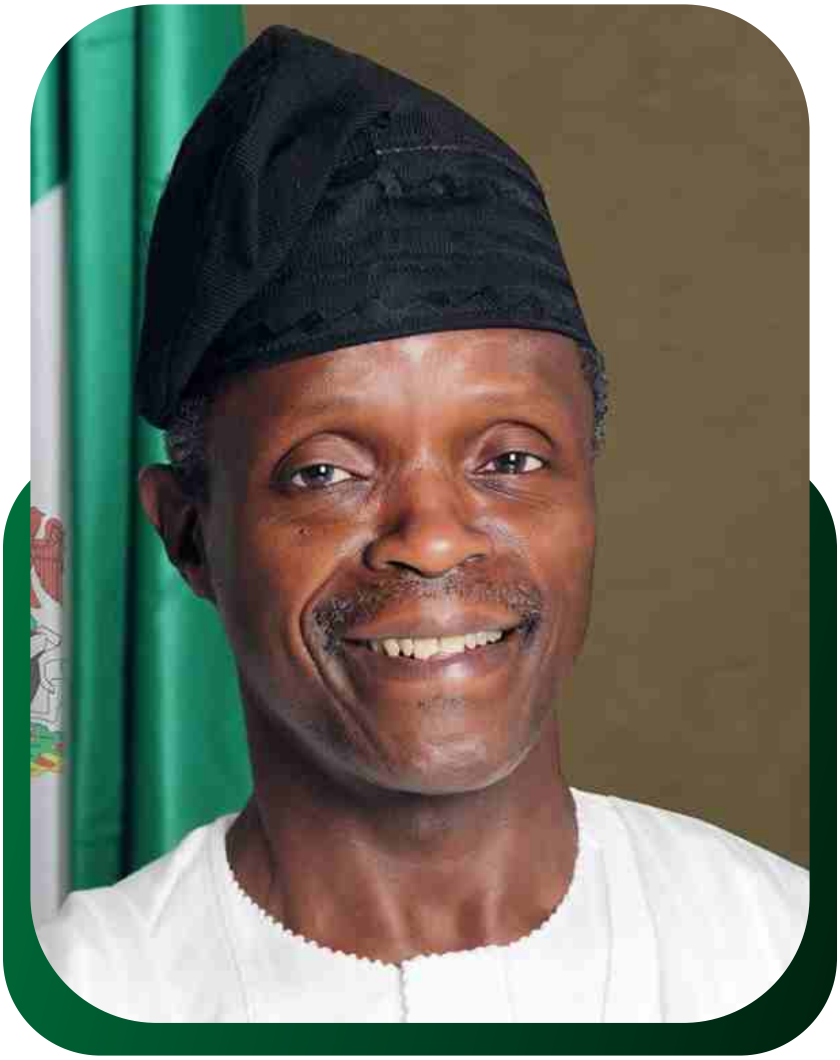
LIST OF TABLES



His Excellency

MUHAMMADU BUHARI, GCFR

President, Commander-in-chief of the Armed Forces
Federal Republic of Nigeria



His Excellency

PROF. YEMI OSINBAJO, SAN, GCON

Vice President

Federal Republic of Nigeria

His Excellency

SEN. AHMAD LAWAN, PhD, CON

President of the Senate of the
Federal Republic of Nigeria

HON. FEMI GBAJABIAMILA

Honourable Speaker, House of Representatives of the
Federal Republic of Nigeria

ZAINAB SHAMSUNA AHMED
Hon. Minister of Finance, Budget and National Planning
Federal Republic of Nigeria

CHIEF VICTOR C. MURUAKO Esq.

Executive Chairman, Fiscal Responsibility Commission

MANAGEMENT TEAM

Victor C. Muruako Esq.
Executive Chairman

Alh. Muhammed A. Zailani
Director, Human Resources & Administration

Mr. Alex B. Elikwu
Director, Policy & Standards

MANAGEMENT TEAM

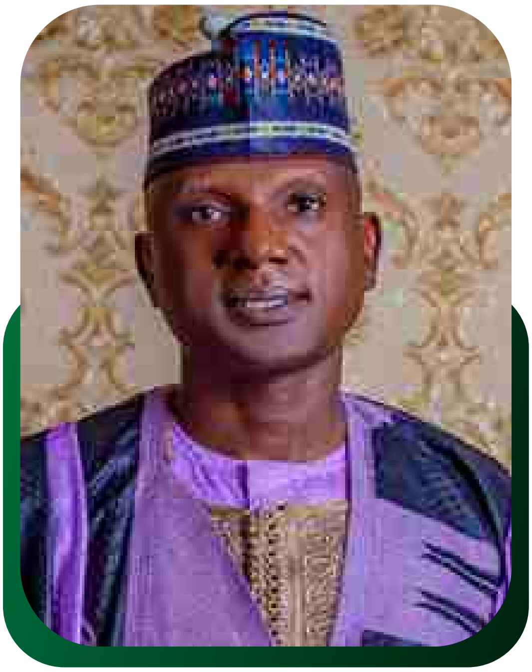
Charles C. Abana, Esq.
Head, Legal, Investigation & Enforcement

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

Mr. Bede O. Anyanwu
Head, Strategic Communications

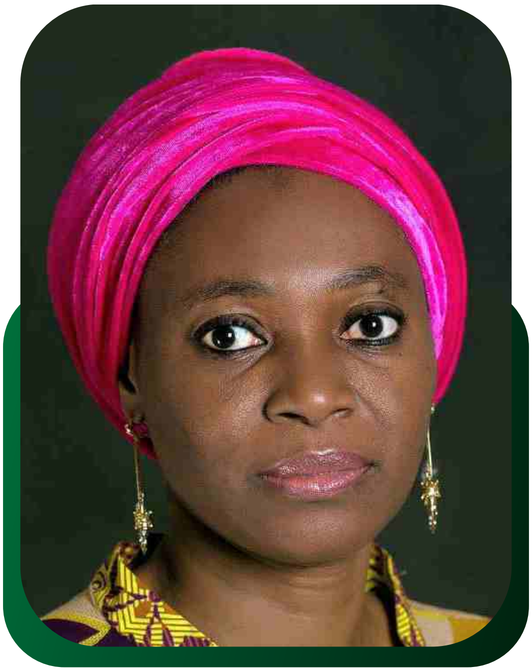
Alh. Bello Gulmare
Head, Monitoring & Evaluation

MANAGEMENT TEAM



Alh. Ibrahim Bello
Head, Planning, Research & Statistics

Hashim T. Ahmed
Head, Internal Audit



Fatima Binta Abubakar
Head, Secretariat

EXECUTIVE CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Nigeria's Fiscal Year 2022 will be remembered as the year in which the country took the bull by the horn and fought back against oil thieves that had made it difficult for it to meet its projections on crude oil production. Drastic measures by the government saw crude oil production figures improve from 1.20mbpd in January to 1.40mbpd in December 2022.

Efforts at reducing dependence on crude oil continued to yield results. This translates to improvement of the annual real GDP growth to 3.52%. Cheeringly, results of diversification of the economy are evident in the increase of the contributions to GDP of digital economy to ….%. Other growth sectors performed optimally.

The country's revenue and expenditure planning for 2022 were based on expectations of continued recovery of the global economy from the effects of the COVID 19 pandemic. However, the breakout of a Russia-Ukraine war in Eastern Europe in the first quarter of the year had good effects on the revenue side of the 2022 Nigerian budget. Thanks to the effects of the war, the actual price of Nigerian crude oil turned out to be consistently above the 57$/barrel that was projected by MTEF 2022-2024. The price of Nigerian crude oil reached an all-time high of 139.410 USD/barrel on 08 Mar 2022 and averaged as $76.36 per barrel for the year (Nigeria Crude Oil Price: Bonny Light: per Barrel, 2023). Meanwhile, the 2022 annual average OPEC oil price stood at 100.08 USD per barrel (Statistica, 2023). The Russia-Ukraine war also exacted costs on the Nigerian economy as it exacerbated COVID 19's unplanned disruptions in global supply chain and led to a skyrocketing of prices of goods and raw materials, especially food and petroleum products.

With heightened global inflation impacting the country and with local food production undermined by insecurity (as farmers continued to live in fear of death and abduction from their farms), FY 2022 was one in which general price levels recorded inflationary pressures of up to 24.13%. This exceeded the anticipation of MTEF 2022 – 2024 which had projected that inflation rate would climb down from 15% on average for 2021 to 13% in 2022, 11% in 2023 and 10% in 2024. The economy ended the year with 21.34% inflation rate.

Fiscal Year 2022 was a pre-election year and, as is the nature of such years in Nigeria, the attention of the polity was significantly focused on activities that would lead up to the general elections for the positions of President of the Federal Republic of Nigeria and Governors of States of the Federation. Memberships of the Senate, the House of Representatives and State Houses of Assembly were also up for election. In line with this, MTEF 2022-2024 tipped overall pre-election expenditure towards 2023 General Elections to contribute to GDP growth. Telecommunications, agriculture, cement, and broadcasting were also expected to drive GDP growth. In the final analysis, the projected GDP growth to 3.54%

FRC supports the managers of the Nigerian economy to ensure that revenue-raising policies, resource allocation decisions, and debt management decisions are undertaken in a prudent, transparent, and timely fashion. To this effect, the Commission deployed two global benchmarking tools, PEFA (Public Expenditure and Financial Accountability) framework and the FTC (Fiscal Transparency Code) to analyze Nigeria's 2021 and 2022 budget documents. The results indicated, inter alia, that, contrary to global best practices, Nigeria's 2021 and 2022 federal budgets failed to present potential fiscal risks for oil and non-oil revenues and possible measures to control or mitigate them. The results of the analyses of the federal budget (which covered transparency, consistency, completeness, realism etc) are contained in this report.

In fulfillment of its mandate under Section 2, subsection 1a and Section 30 of the FRA 2007, the FRC conducted a Physical Verification Exercise on selected FGN Capital Projects in the 6 geopolitical zones of the country from January 23 through February 4, 2023. The 2022 version of this annual exercise could only be undertaken in the first quarter of 2023, as a result of late budget release. The detailed report of the exercise which covered projects spread across Works and Housing, Water Resources, Health, Nigeria Correctional Services and Nigeria Immigration Services, with attendant lessons and recommendations, is included in this report.

Public debt continued to dominate the list of fiscal concerns in 2022. By the end of 2022, the country's total public debt stock stood at ₦46,250,367.94 million, depicting an increase of 16.92% from the end of 2021. The external debt stock of Federal, States and FCT was US$41,694.91 million, accounting for 40.44% of total debt stock. Though the parameter of Debt-to-GDP ratio at 23.20% (and thus below the country's self-imposed limit of 40%) lulls the country into a sense of comfort concerning the sustainability of its debts, the related Debt-to-Revenue at over 90% is discomforting and disconcerting. The need for caution is emphasized.

In the year under review, the Commission remained unable to assert itself through the implementation of Section 42(4) of FRA 2007 which mandates it to collate and publish, on quarterly basis, a list of Governments in the Federation that exceed the limits of their respective consolidated debt stocks. The reason is that the consolidated debt limits of the Governments in the Federation, has still not been set by the President, as specified in Section 42(1) of the FRA 2007. The Commission will continue to engage the Hon. Minister of Finance on the need to advise the President to set the debt limits of the Governments in the Federation.

In a bid to ascertain compliance with provisions of Sections 41 to 44 the FRA, the Commission embarked on the physical inspection of projects and financial records related to a sample of loans obtained by state governments across six geological zones of the country. The results revealed poor debt management practices, including the fact that none of the six states prepared a cost-benefit analysis for the proposed projects before obtaining the loans, as required by Section 44 (1) of the FRA, 2007.

The Commission, in 2022, continued to monitor the remittance of Operating Surpluses of Schedule Corporations (Government-Owned Enterprises), for purposes of implementing Sections 21 -23 FRA, 2007. A collaboration with National Assembly Committees on Finance further enabled the Commission to improve its monitoring of Ministries and Extra-Ministerial Departments' remittances of IGRs into the CRF of the FGN. Though there was considerable improvement in the response of MDAs in this regard, ample room for improvement remains.

For purposes of deepening the Commission's advocacy and capacity building efforts, the Commission participated, at the invitation of some Corporations, in their Management Retreat Programs. Also, awareness and sensitization workshops were held in four (4) geo-political zones with a view to developing a platform for promoting the establishment/domestication of an effective regime of fiscal responsibility advocacies, legislations, principles and practices at the sub-national levels. Fiscal Responsibility sensitization of Youth Corps members at their Orientation Camps across the nation continued in the course of the year. Ditto for collaborative programs with CSOs.

With determined efforts, the Commission continued its engagement with the leadership of the National Assembly, especially the Chairmen of the Finance Committees of both Chambers, on the much-desired amendment which would strengthen the Fiscal Responsibility Act,

2007. Regrettably, the bill, which passed the Public Hearing stage last year, did not make further progress.

As we look towards a decisive 2023, it is gladdening to note that the President of the Federal Republic of Nigeria sustained his record of presenting the next year (2023)'s budget to the National Assembly early in the 4th quarter. Thankfully, the budget was passed and assented to before year end, thus meeting the intendment of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) for a January to December fiscal year.

No new investigation was embarked on, *stricto sensu*, save that the Commission participated in investigative hearings by the National Assembly following which several billions of hitherto unremitted Internally Generated Revenue (IGR) and Operating Surpluses were remitted. Meanwhile, the Commission's strategic relationships with the EFCC and ICPC for purposes of enforcing provisions of the FRA 2007 still subsist.

The Commission's desire for improved funding remained unmet. Ditto for its desire to recruit capable staff that would meet its increased and specialized workload. The work environment also remained a challenge as office space, furniture, technology, vehicles and related work tools continued to be in short supply in 2022.

In closing the Management and staff of the Fiscal Responsibility Commission express their indebtedness and gratitude to the President of the Federal Republic of Nigeria and the National Assembly - particularly the leadership of Committees on Finance in the Senate and the House of Representatives led by Distinguished Senator Solomon Adeola and Honorable James Faleke respectively. Our unqualified gratitude also goes to the Secretary to the Government of the Federation, Boss Mustapha. The year would certainly not have been as bright for the Commission without their keen oversight and support.

We further acknowledge the contributions of the Ministry of Finance, particularly the Honorable Minister of Finance, Budget and National Planning, Dr. Mrs. Zainab Shamsuna Ahmed, for her support to the Commission. The Budget Office of the Federation as well as the Office of Accountant General of the Federation provided the bulk of the data and information analyzed and utilized by the Commission in the course of the discharge of its duties. To the International Monetary Fund and other partners, we remain grateful. There are many others to whom we are indebted and we acknowledge them all in our hearts.

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

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

Yours in Fiscal Responsibility,

Victor C. Muruako, Esq.

INTRODUCTION

1. The key objective of this Report is to fulfill the provision of Section 10 FRA, 2007, which requires the Commission to submit its yearly activities to the National Assembly. It is organized to show the efforts of the Commission towards actualizing its core mandate in 2022.

2. Chapter 1 gives an overview of the mandate of the Fiscal Responsibility Commission.

3. Chapter 2 reports on the monitoring of the budgetary process, as well as the implementation and execution of the 2021 full year Budget and 2022 half year budget; revenue performance and expenditure analysis.

4. Chapter 3 dwells on debt, indebtedness and borrowing. It examines the level of compliance with Sections 41-47 FRA, 2007 by the Federal government, the States and the FCT.

5. Chapter 4 reviews the compliance with Sections 21-24 FRA, 2007 by Scheduled Corporations and other related Agencies through tables showing compliance of remittances to the Consolidated Revenue Fund.

6. Chapter 5 discusses enforcing fiscal responsibility as well as the adoption of rule-based fiscal responsibility practices at the sub-national governments level.

7. Chapter 6 deals with issues of transparency and accountability.

8. Chapter 7 deals with communication, research and the dissemination of Standards.

9. Chapter 8 reports on institutional strengthening and capacity building while challenges and prospects are discussed in Chapter 9.

10. The annexure shows the Audited Financial Statements of the Commission as at 31st December, 2022.

THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

Chapter 1

Chapter One

THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

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

1.1 FUNCTIONS OF THE COMMISSION

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

(1) The Commission shall:

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

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

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

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

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

(2) The Commission shall be independent in the performance of its functions.

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

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

For the purpose of performing its functions under Section 2(1) of the Act, the Commission shall have powers to:

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

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

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

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

MONITORING THE BUDGETARY PROCESS

Chapter 2

Chapter Two

MONITORING THE BUDGETARY PROCESS

The year 2022 brought some good news. The COVID-19 pandemic eased in many countries including Nigeria; but there was also bad news for countries that faced exceptional challenges in 2022. Top of the challenges is Russia's invasion of Ukraine, which brought a lot of consequences, not only for the two countries directly involved, but for many countries around the world, including Nigeria.

The Fiscal Responsibility Commission (FRC) has a mandate to promote a transparent and accountable government financial management framework for Nigeria. With the Mission to ensure that revenue-raising policies, resource allocation decisions, and debt management decisions are undertaken in a prudent, transparent, and timely fashion as provided for in the law, the FRC continued in 2022 to perform its key oversight responsibilities relating to the macroeconomic environment of the country. The Commission also aided legislative oversight over the public finance and economy in general. In addition, the Commission continued in its critical mandate of monitoring and evaluation of the annual budget and related matters to ensure effective expenditure control and prudent management of Nigeria's public resources.

The legal framework governing the preparation and execution of the Medium-Term Expenditure Framework (MTEF) and the annual Federal Government budget in Nigeria is the Fiscal Responsibility Act (FRA), 2007. The Act provides for a 3-year roll-on MTEF and Fiscal Strategy Paper (FSP) as the basis for the preparation and implementation of the annual budget every fiscal year. The provisions of the Act are intended to promote observance and application of international good practice in enhancing prudence, transparency, and accountability in Public Finance Management (PFM).

Meanwhile, standards of global good practice in Public Finance Management are elaborated in two instruments, (i)Public Expenditure and Financial Accountability (PEFA) framework and (ii) Fiscal Transparency Code (FTC) developed by stakeholders, that include the International Monetary Fund and the World Bank. Guided by these instruments, the FRC conducted an analytical overview of the relationship between the provisions of the FRA 2007, the 2021-2023 MTEF/FSP, the 2021 budget and its implementation, the 2022-2024 MTEF/FSP, the 2022 budget and half year 2022 implementation in the context of international best practice.

This chapter presents the result of the analysis and covers the following areas:

i. Preparation and approval of the 2022-2024 MTEF/FSP
ii. Preparation and Approval of the 2022 Annual Budget
iii. The 2022 Budget
iv. 2022 Budget Assumptions
v. Budgetary Execution and Achievement of Targets
vi. Annual Cash Plan and Disbursement Schedule
vii. Budget Implementation Reports
viii. 2021 Full year Budget performance – Revenue
ix. 2021 Full year Budget performance – Expenditure
x. Assessment of 2021 full year budget performance using PEFA and FTC standards
xi. 2022 Budget performance (half- year) – Revenue
xii. 2022 Budget performance (half-year) – Expenditure
xiii. Assessment of 2022 budget performance(half-year) using PEFA and FTC standards
xiv. Observations and Recommendations
xv. Projects Expenditure Control

2.1 PREPARATION AND APPROVAL OF THE 2022-2024 MTEF/FSP

The Fiscal Responsibility Act 2007 in Sections 11 -14 sets out the process for the preparation and approval of the Medium-Term Expenditure Framework. Being the basis for the preparation of the annual estimates of FG Revenue and Expenditure, it provides the basic structure for the assumptions that underlie the annual budget.

A chief aim of MTEF is to show the thinking and assumptions of the Federal Government regarding its priorities and programs, thereby providing a guide for Ministries, Departments and Agencies (MDAs) of the Federal Government in the formulation of policies and selection of projects/programs.

The MTEF builds the framework for multi-year budgeting, which addresses the deficiency of annual budgeting. Accordingly, and in compliance with the provisions of the Fiscal Responsibility Act (FRA) 2007, the Federal Government of Nigeria (FGN)'s MTEF/FSP 2022-2024 was prepared to highlight the FGN's revenue and expenditure estimates, including its three-year spending plan. The MTEF translates economic plans into public expenditure programs within a coherent multiyear macroeconomic and fiscal framework; it is a transparent planning and budget formulation process that ensures that in the course of preparation of the annual budget, the allocation of limited resources goes to the highest priority areas.The MTEF, which is one of the most important reforms of the budgetary process of Government, ensures that the annual budget reflects Government's social and economic priorities and gives substance to Government's reconstruction and development commitments.

The Minister of Finance, Budget, and National Planning, in section 14 of FRA 2007, is mandated to present the Medium-Term Expenditure Framework to the Federal Executive Council (FEC) for consideration and endorsement before the end of the second quarter (30th June) of each financial year. The endorsed MTEF is then presented to the National Assembly for approval not later than four months to the end of the financial year (30th September).

Consultations with MDAs and relevant stakeholders such as the Central Bank of Nigeria, National Planning Commission, Organized Private Sector and Civil Society Organizations are also required of the Minister. Furthermore, the documentation of the process and inputs from the consultations are also expected to be stated in the MTEF as provided in FRA 2007; while scrutiny and approval of the National Assembly is required as stipulated in Section 11(2) of the FRA 2007.

The 2022-2024 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provided the economic framework for the 2022 Budget, along with the fiscal policy objectives and spending priorities of the Government over the three-year period. Key parameters and assumptions underlying the fiscal policies, as well as the revenue and expenditure profile for the 2022 annual budget are set out therein.

2.1.1 Medium Term Macroeconomic Framework: Parameters and Targets for 2022-2024

Macroeconomic Projections

The 2022-2024 **MTEF/FSP** set out the key parameters as well as other macroeconomic projections believed to drive the medium-term revenue and expenditure framework.

Table2.1: KEY PARAMETERS AND OTHER MACROECONOMIC PROJECTIONS

Description	2020 Budget	2020 Actual	2021 Budget	2021 Revised Forecast	2022	2023	2024
Oil Price Benchmark (US$/b)	28.0	43.0	40.0	40.0	57.0	57.0	55.0
Oil Production (mbpd)	1.80	1.79	1.86	1.86	1.88	2.23	2.22
Exchange Rate (N/$)	360.0	379.0	360.0	410.0	410.15	410.15	410.15
Inflation (%)	14.15	13.20	11.95	15.00	13.00	11.00	10.00
Non-Oil GDP (N'bn)	131,155.5	142,128.4	132,592.2	154,102.1	169,697.4	185,558.3	203,799.2
Oil GDP (N'bn)	8,691.9	10,195.6	10,102.2	14,500.5	14,684.6	15,594.7	17,976.6
Nominal GDP t(N'bn)	139,517.5	152,324.1	142,192.1	168,602.6	184,382.0	201,153.0	221,775.8
GDP Growth Rate (%)	(4.20)	(1.90)	3.00	2.50	4.20	2.30	3.30
Imports	8,988.3	25,560.0	13,439.8	30,348.5	33,188.8	36,207.5	39,919.6
Nominal Consumption (N'bn)	117,913.74	119,919.29	118,887.27	136,568.11	149,349.40	162,933.91	179,638.41

Source: 2022-2024 MTEF/FSP.

According to the ***2022-2024 MTEF/FSP,*** as the global economy continued to recover from the effects of the Covid-19 pandemic, improved oil prices emanating from stronger global demand would result in improved fiscal positions for oil-importing countries like Nigeria.

In the medium term, real GDP growth rate was projected to rise to 4.2% in 2022 before dropping down to 2.3% in 2023 and picking up to 3.3% in 2024. Growth drivers were expected to remain telecommunications, agriculture, cement, and broadcasting. Overall pre-election expenditure towards 2023 General Elections was also tipped to contribute to the growth-drive.

The MTEF projected that Consumption would remain under pressure but would surge in the medium term, growing from a revised N136,568.1 billion in 2021 to N149,349.4 billion by 2022. It was projected to rise to N179,638.4 billion in 2024, reflecting a gradual steadiness in the growth recovery. Investment would continue to drag due to forecast interest rate hikes in advanced economies as well as other domestic challenges including insecurity and perturbed business environment.

Pre-election spending was also forecast to raise government expenditure, while net-exports were projected to decline due to high imports and weakening exports. It was stated that with actual imports in 2020 at N25,560 billion, performing over 100% of the budget projections, the 2021 projections were revised upwards to N30,348.5 billion from N13,439.8 billion. Thereafter, it was projected to grow by about 10% annually in the medium term which was expected to result in a rise in nominal GDP from the revised N184,382.0 in 2021 up to N221,775.8 billion by 2024.

Inflation rate was revised at 15% on average for 2021 (up from 12.25%) but 13% in 2022, 11% in 2023 and 10% in 2024. The MTEF further projected upward pressure on prices to be impacted by sluggish decline in headline rate as at mid-2021, insecurity, rising imports and exchange rate depreciation. In addition, new analysis on the role of fuel, transport and electricity prices and border closure, imported food inflation would put an upward pressure on prices. However, downward pressures were expected to be motivated by base effects, and likely response of CBN to tame inflation amidst expected pre-election season spending.

2.1.2 Medium Term Fiscal Framework (MTFF) Federation Account Revenues

The ***2022-2024 MTEF/FSP*** assumed that based on the key parameters driving the fiscal framework, the net amounts accruable to the Main Pool and VAT Pool Federation Account would be N10.52 trillion and N2.26 trillion respectively in 2022. It projected that the share of oil revenue would be about 51.1% of total Federation Account receipts. Other components of the Federation Account revenues contemplated by the ***2022-2024 MTEF/FSP*** included revenues from Corporate Tax N1.87 trillion, Customs Revenue N1.72 trillion, Special Levies N148.40 billion, Solid Minerals N6.01 billion and Electronic Money Transfer Levy of N209.77 billion.

The document put the share of the Federal Government from the Main Federation Account Pool at N5.51 trillion while the States and Local governments were projected to get N2.80 trillion and N2.16 trillion, respectively in 2022. From the VAT Pool, the Federal Government was projected to receive N339.31 billion, the States N1.13 trillion, and the Local governments N791.73 billion.

Table 2.2: FEDERATION ACCOUNT AND VAT REVENUES (2022 – 2024)

FISCAL ITEMS	2021 Budget Passed by NASS	2022 Proj.	2023 Proj.	2024 Proj.
Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)	**1.86**	**1.88**	**2.23**	**2.22**
Projected Budget Benchmark Price (US$ per barrel)	**40.00**	**57.00**	**57.00**	**55.00**
Average Exchange Rate (N/US$)	**379.0**	**410.15**	**410.15**	**410.15**
NET FEDERATION ACCOUNT (MAIN POOL)	**6,772,148,183,209**	**10,519,239,717,127**	**13,864,798,242,891**	**14,767,515,253,606**
Transfer to Police Trust Fund (0.5% of Fed. Acct.)	41,908,119,186	52,596,198,586	310,554,169,487	363,313,790,195
NET FEDERATION ACCOUNT - MAIN POOL (after 0.5% transfer to Police Trust Fund)	**6,730,240,064,023**	**10,466,643,518,541**	**13,554,244,073,403**	**14,404,201,463,410**
Net Oil Revenue after Costs, Deductions & Derivation	4,146,428,644,688	6,507,790,422,312	9,153,869,764,786	8,652,691,974,196
Net Solid Minerals Revenue after Derivation	5,464,729,697	6,011,202,666	6,612,322,933	7,273,555,226
Net Corporate Tax Distributable	1,405,604,726,453	1,874,850,814,324	2,198,543,496,579	2,417,014,498,120
Net Customs Revenue Distributable	1,047,978,550,179	1,719,828,043,369	1,876,259,987,600	2,068,620,127,352
Net Special Levies Distributable	124,763,413,007	148,397,663,459	318,958,501,506	1,258,601,308,516
Net Electronic Money Transfer Levy		209,765,372,411	241,230,178,273	289,476,213,927

Distribution FGN's Share of Federation Account (52.68%)	3,545,490,465,727	5,513,827,805,567	7,140,375,777,869	7,588,133,330,925
States' Share of Federation Account (26.72%)	1,798,320,145,107	2,796,687,148,154	3,621,694,016,413	3,848,802,631,023
Local Govt.'s Share of Federation	1,386,429,453,189	2,156,128,564,819	2,792,174,279,121	2,967,265,501,463
Account (20.60%)				
Total Federation Account Distribution (Net) (100.00%)	**6,730,240,064,023**	**10,466,643,518,541**	**13,554,244,073,403**	**14,404,201,463,410**
FGN's Share of VAT Pool Account (15%)	255,456,672,381	339,311,839,736	371,471,667,533	408,139,544,122
States Share of VAT Pool Account (15%)	851,522,241,271	1,131,039,465,786	1,238,238,891,776	1,360,465,147,072
Local Govt.'s Share of VAT Pool Account (35%)	596,065,568,889	791,727,626,050	866,767,224,243	952,325,602,950
Total VAT Pool Account Distribution (Net) (100.00%)	**1,703,044,482,541**	**2,262,078,931,572**	**2,476,477,783,552**	**2,720,930,294,144**

Source: 2022-2024 MTEF/FSP.

2.1.3 FGN Revenue Framework

According to the ***2022-2024 MTEF/FSP****, the* aggregate revenue to fund the 2022 Budget would be N7.26 trillion (9% or N626.37 billion more than the 2021 Budget). Of this, N3.16 trillion or 49.1% was projected to come from oil related sources while the balance was to be earned from non-oil sources. The provision for Signature Bonus was down to N280.86 billion from N677.01 billion projected in 2021. It further stated that with the retained revenues of the Government-Owned Enterprises (GOEs), excluding the NNPC and CBN, the aggregate FGN revenue would be N8.36 trillion.

Table2.3: 2022-2024 MTEF: OVERVIEW OF THE REVENUE FRAMEWORK

	FISCAL ITEMS	2021 Budget Passed by NASS	2022 Proj.	2023 Proj.	2024 Proj.
	Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)	**1.86**	**1.88**	**2.23**	**2.22**
	Projected Budget Benchmark Price (US$ per barrel)	**40.00**	**57.00**	**57.00**	**55.00**
	Average Exchange Rate (N/US$)	**379.0**	**410.15**	**410.15**	**410.15**
	AMOUNT AVAILABLE FOR FGN BUDGET (excluding GOEs retained revenue)	**6,637,575,467,981**	**7,263,944,617,205**	**8,762,451,426,482**	**9,215,713,059,757**
a	**Share of Oil Revenue**	**2,011,017,892,674**	**3,156,278,354,821**	**4,439,626,835,921**	**4,196,555,607,485**
b	**Share of Dividend (NLNG)**	**208,540,960,000**	**184,030,182,000**	**189,661,046,400**	**94,830,523,200**
c	**Share of Minerals & Mining**	**2,650,393,903**	**2,915,433,293**	**3,206,976,622**	**3,527,674,285**
d	**Share of Non-Oil Taxes**	**1,488,924,372,031**	**2,132,083,163,179**	**2,477,681,452,754**	**3,166,884,669,164**
	Share of CIT	*681,718,292,330*	*909,302,644,947*	*1,066,293,595,841*	*1,172,252,031,588*
	Share of VAT	*238,426,227,556*	*316,691,050,420*	*346,706,889,697*	*380,930,241,180*
	Share of Customs	*508,269,596,837*	*834,116,601,034*	*909,986,093,986*	*1,003,280,761,766*
	Share of Federation Acct. Levies	*60,510,255,308*	*71,972,866,778*	*154,694,873,230*	*610,421,634,630*
	Share of Electronic Money Transfer Levy (formerly called Stamp Duty)	500,000,000,000	29,367,152,138	36,184,526,741	43,421,432,089
e	Revenue from GOEs	2,173,860,133,098	2,039,567,627,394	2,232,114,703,577	2,341,258,774,100
f	GOEs Operating Surplus (80% of which is captured in Independent Revenue)	(825,023,025,138)	(944,298,935,002)	(814,226,892,523)	(661,031,281,755)
g	Independent Revenue	1,061,898,590,939	1,089,243,957,812	1,220,264,847,149	1,314,264,632,639
h	Transfers from Special Levies Accounts	300,000,000,000	300,000,000,000	300,000,000,000	300,000,000,000
i	Signature Bonus / Renewals / Early Renewals	677,015,511,478	280,855,138,079	-	-
j	Domestic Recoveries + Assets + Fines	32,675,085,307	26,933,139,822	33,587,644,833	33,587,644,833
k	Grants and Donor Funding	354,852,661,650	62,238,096,061	62,238,096,061	62,238,096,061

Source: 2022-2024 MTEF/FSP.

2.1.4 FGN Expenditure Framework

Aggregate Expenditure

The ***2022-2024 MTEF/FSP*** put the estimated FGN's 2022 aggregate expenditure at N13.98 trillion (this includes the provision of N1.44 trillion for GOEs' expenditures, and grants/donor funded projects/programmes amounting to N62.24 billion). This provision is higher than the corresponding 2021 FGN aggregate expenditure estimate of N13.59 trillion by 3% (or about N393.81 billion).

According to the document, the 2022 expenditure estimates included Statutory Transfers of N613.36 billion; non-debt recurrent expenditure of N6.21 trillion (including N350 billion for recurrent component of the Special Intervention Programme). The provisions of N3.61 trillion and N292.71 billion were made for Debt Service and Sinking Fund to retire maturing bonds issued to local contractors/creditors respectively in the 2022 budgeted expenditure. A total of N4.79 trillion (inclusive of N750.04 for GOEs) was provided for personnel and pension costs; an increase of N534.40 billion over 2021. This is 57% of projected aggregate revenues for 2022, it stated.

The provision for Statutory Transfers included N53.93 billion (representing 1% of the consolidated revenue fund) earmarked for the Basic Health Care Provision Fund (BHCPF) and N46.20 billion for the North-East Development Commission (NEDC). In addition, N49.37 billion was set aside in the Service-Wide votes for GAVI/Routine Immunization.

It was further stated that the 2022 provision comprised of N1.76 trillion for MDAs, N366.14 billion capital supplementation, N345.78 billion capital component of Statutory Transfers, N10 billion capital component of the Special Intervention Programme, N425.02 billion capital budget of GOEs, N62.24 billion for donor/grant funded expenditures and N638.32 billion funded by Project-tied loans.

The MTEF stated that the N1.76 trillion available for MDAs' capital was N259.32 billion (representing 12.8%) less than the provision for MDAs in the 2021 Appropriation Act. The provision for development expenditure was constrained by low revenues, increasing personnel and pension, as well as debt service costs, and huge funds used to finance the Federally funded upstream oil and gas projects. In addition, the continual provision of subsidy is a major drainer to overall government revenues.

Table 2.4: OVERVIEW OF THE EXPENDITURE FRAMEWORK

	FISCAL ITEMS	2021 Budget Passed by NASS	2022 Proj.	2023 Proj.	2024 Proj.
Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)		**1.86**	**1.88**	**2.23**	**2.22**
Projected Budget Benchmark Price (US$ per barrel)		**40.00**	**57.00**	**57.00**	**55.00**
Average Exchange Rate (N/US$)		**379.0**	**410.15**	**410.15**	**410.15**
STATUTORY TRANSFER		**496,528,471,273**	**613,358,534,525**	**701,945,427,979**	**727,110,522,689**
DEBT SERVICE		**3,124,380,000,000**	**3,609,241,188,415**	**4,933,150,900,077**	**6,167,302,672,992**
SINKING FUND		200,000,000,000	292,711,793,135	247,726,644,470	232,002,962,545
RECURRENT (NON-DEBT)		**5,641,970,060,680**	**6,205,011,154,753**	**6,412,803,897,746**	**6,490,915,089,182**
a	Personnel Costs (MDAs)	3,046,464,689,489	3,469,178,444,276	3,573,253,797,604	3,573,253,797,604
b	Personnel Costs (GOEs)	701,162,016,535	750,038,374,499	779,313,511,833	833,990,459,384
c	Overheads (MDAs)	325,878,658,542	335,655,018,298	335,655,018,298	335,655,018,298
d	Overheads (GOEs)	312,081,710,125	261,269,575,246	302,338,675,825	325,772,919,710
e	Pensions, Gratuities & Retirees Benefits	504,191,130,679	567,002,149,814	584,012,214,308	584,012,214,308
f	Other Service Wide Votes (including GAVI/Immunization)	337,191,855,311	406,867,592,621	423,230,679,878	423,230,679,878
h	Presidential Amnesty Programme	65,000,000,000	65,000,000,000	65,000,000,000	65,000,000,000
SPECIAL INTERVENTIONS (Recurrent)		**350,000,000,000**	**350,000,000,000**	**350,000,000,000**	**350,000,000,000**
AGGREGATE CAPITAL EXPENDITURE		**4,374,199,343,849**	**3,616,302,881,369**	**3,601,944,294,870**	**3,618,459,488,186**
a	Capital Supplementation (see appendix)	695,898,390,000	366,137,096,061	366,137,096,061	366,137,096,061
b	Capital Expenditure in Statutory Transfers	249,049,989,627	354,784,001,633	439,552,139,816	463,601,102,811
c	Special Intervention Programme (Capital)	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
d	Amount Available for MDAs Capital Expenditure	2,019,119,204,546	1,759,804,022,579	1,759,804,022,579	1,759,804,022,579
e	GOEs Capital Expenditure	335,593,381,300	425,024,504,882	450,385,464,550	442,851,694,870
f	Grants and Donor Funded Projects	354,852,661,650	62,238,096,061	62,238,096,061	62,238,096,061
g	Multi-lateral / Bi-lateral Project-tied Loans	709,685,716,725	638,315,160,152	513,827,475,803	513,827,475,803
Capital Expenditure (Exclusive of Transfers)		**4,125,149,354,222**	**3,261,518,879,736**	**3,162,392,155,054**	**3,154,858,385,375**
TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans)		**11,529,505,061,490**	**11,907,193,935,785**	**13,412,153,897,316**	**14,655,747,083,016**

Source: 2022-2024 MTEF/FSP.

2.1.5 Fiscal Deficit and Deficit Financing

The ***2022-2024 MTEF/FSP*** stated that deficit would be mainly financed by new foreign and domestic borrowings of N4.89 trillion, N90.73 billion from Privatization Proceeds, and N638.32 billion drawdowns on existing Project-tied loans.

Table 2.5: DEFICIT, FINANCING AND CRITICAL RATIOS

FISCAL ITEMS	2021 Budget Passed by NASS	2022 Proj.	2023 Proj.	2024 Proj.
Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)	**1.86**	**1.88**	**2.23**	**2.22**
Projected Budget Benchmark Price (US$ per barrel)	**40.00**	**57.00**	**57.00**	**55.00**
Average Exchange Rate (N/US$)	**379.0**	**410.15**	**410.15**	**410.15**
Fiscal Deficit (excluding GOEs and Project-tied Loans)	**(4,891,929,593,509)**	**(4,643,249,318,580)**	**(4,649,702,470,834)**	**(5,440,034,023,259)**
Total Fiscal Deficit (including GOEs and Project-tied Loans)	**(5,601,615,310,234)**	**(5,622,628,240,967)**	**(5,277,679,787,790)**	**(5,876,249,080,680)**
GDP	**142,694,417,135,112**	**184,381,975,950,038**	**201,152,972,963,443**	**221,775,815,344,900**
DEFICIT/GDP (excluding GOEs and Project-tied Loans)	**(3.43%)**	**(2.52%)**	**(2.31%)**	**(2.45%)**
DEFICIT/GDP (including GOEs and Project-tied Loans)	**(3.93%)**	**(3.05%)**	**(2.62%)**	**(2.65%)**
TOTAL FGN EXPENDITURE	**13,588,027,886,175**	**13,981,841,550,564**	**15,458,019,025,327**	**16,772,189,632,782**
Total Non-Debt Expenditure	**10,263,647,886,175**	**10,079,888,569,014**	**10,277,141,480,779**	**10,372,883,997,245**
Capital Expenditure as % of Non-Debt Expenditure	43%	36%	35%	35%
Capital Expenditure as % of total FGN Expenditure	32%	26%	23%	22%

Capital Expenditure (Inclusive of Transfers, but exclusive of GOEs Capital & Project-tied loans) as % of FGN Expenditure		29%	21%	20%	18%
Recurrent Expenditure as % of total FGN Exp (incl. GOEs + Project-tied Loans)		68%	74%	77%	78%
Debt Service to Revenue Ratio (incl. GOEs + Project-tied Loans)		39%	43%	48%	57%
Deficit as % of FGN Revenue (incl. GOEs + Project-tied Loans)		70%	67%	52%	54%
ADDITIONAL FINANCING					
a	Sales of Government Property	-	-	-	-
b	Privatization Proceeds	205,153,707,813	90,731,800,000	13,770,000,000	6,237,000,000
c	Non-Oil Asset Sales	-	-	-	-
d	Multi-lateral / Bi-lateral Project-tied Loans	709,685,716,725	638,315,160,152	513,827,475,803	513,827,475,803
e	New Borrowings	**4,686,775,885,696**	**4,893,581,280,815**	**4,750,082,311,988**	**5,356,184,604,877**
	Domestic Borrowing	*2,343,387,942,848*	*2,446,790,640,407*	*2,375,041,155,994*	*2,678,092,302,438*
	Foreign Borrowing	*2,343,387,942,848*	*2,446,790,640,407*	*2,375,041,155,994*	*2,678,092,302,438*

2.1.6. MEDIUM TERM OBJECTIVES, POLICIES AND STRATEGIES

The Fiscal Strategy Paper highlighted the macroeconomic and fiscal policy objectives of the government over the period 2022-2024 and the strategies to be implemented to achieve them. In the medium term, government aimed at accelerating economic growth, facilitating job creation and preservation, achieving macroeconomic stability, and promoting poverty reduction and equity.

Macroeconomic Policy Objectives

Government's economic objectives included:

i. Stimulating active private sector participation and inclusive economic growth.
ii. Creating adequate productive employment and preserving jobs.
iii. Ensuring macroeconomic stability; and
iv. Promoting poverty reduction and equity.

The MTEF indicates that to achieve these objectives, well-aligned fiscal, monetary and trade policies were to be implemented in a very coordinated manner. Detailed explanation and analysis of how these would be achieved were extensively proffered.

Fiscal Policy Objectives and Strategies

According to the MTEF, the thrust of Government's fiscal policy in the medium-term is to sustain reforms, enhance fiscal resilience and ensure fiscal and debt sustainability. This was to be achieved through the following:

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

2.2 PREPARATION AND APPROVAL OF THE 2022 ANNUAL BUDGET

Sections 18 and 19 of the Fiscal Responsibility Act 2007 prescribe that the Medium-Term Expenditure Framework shall be the foundation for the Annual Budget preparation and approval.

In examining the 2022 Annual Budget, the Commission sought to ensure that it is in line with the MTEF 2022-2024, as required by the FRA 2007.

Table 2.6: Major Components of 2022 Budget in comparison with 2021 Budget

S/No	ITEM	2021	2022
1	Oil Price Benchmark	USD 40.0	USD 73
2	Oil Production	1.86 mbpd	1.60 mbpd
3	Foreign Exchange Rate	₦379.0 - 1 USD	₦410.15 - 1 USD
4	Gross Oil Revenue	₦5,185.57 billion	₦9,369.96 billion
5	Gross Non-Oil Revenue	₦4,602.23 billion	₦6,659.34 billion
6	Independent Revenue	₦1,061.90billion	₦2,616.22 billion
7	FGN Aggregate Revenue (Excl. GOEs)	₦6,637.58 billion	₦8,240.78 billion

8	FGN Aggregate Expenditure (Excl. GOEs)	₦11,529.51 billion	₦14,447.76 billion
9	Fiscal Deficit (Excl. GOEs)	(₦4,891.93) billion	(₦6,194.40) billion

Source: BOF, 2021, 2022

Table 2.6 above shows the major budget components for 2021 and 2022.
The presentation and assent to the 2022 budget continued in the pattern of the January – December budget year. For the year 2022, the President formally presented a budget of N16.39 trillion to the joint session of the National Assembly on 7th October 2021.

Table 2.7 below shows the budget submission dates and assent by the President from 2016 to 2023.

Table 2.7: Time of Submission and approval of Budgets 2016 - 2023

Fiscal Year	Date Budget Presented to NASS	Date Budget Signed by the President	Time Between Budget Presentation and Presidential Assent	Accented to before beginning of fiscal year (Jan)?
2016	22nd December, 2015	6th May, 2016	5 Months	No
2017	14th December, 2016	12th June, 2017	6 Months	No
2018	7th November, 2017	20th June, 2018	7 Months	No
2019	19th December, 2018	27th May, 2019	5 Months	Yes
2020	8th October, 2019	17th Dec, 2019	2 Months	Yes
2021	8th October, 2020	21st Dec, 2020	2 Months	Yes
2022	7th October, 2021	31st Dec, 2021	2 Months	Yes
2023	7th October, 2022	31st Dec, 2022	2 Months	Yes

Source: Compiled by FRC

2.3 THE 2022 BUDGET

The 2022 budget which was titled "Budget of Economic Growth and Sustainability" was presented on the 7th of October, 2021, and was signed into law on the 31st of December, 2021. Just like in the previous year, the 10th Assembly kept to the agreement of an "early submission, early passage" of the 2022 budget to maintain the January – December fiscal year.

The Annual Budget was prepared taking into consideration the key parameters and policies/strategies contained in the 2022–2024 Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) and allocations to MDAs were guided by the strategic objectives of the National Development Plan of 2021 to 2025 which are:

a. Diversifying the economy with robust MSME growth.
b. Investing in critical infrastructure.
c. Strengthening security and ensuring good governance.
d. Enabling a vibrant, educated, and healthy populace.
e. Reducing Poverty and
f. Minimizing regional, economic, and social disparities.

2.4 2022 BUDGET ASSUMPTIONS

The following are the assumptions for the 2022Budget:

Oil Revenue	
Benchmark oil price	US$73
Oil production	1.60mbpd
Naira/US$ Exchange rate	N410.15/$
Non-oil Revenue	
Company income tax	30%
VAT	7.5%

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

Based on the budget assumptions above, the summary highlight of the approved 2022 budget of N14,447.76 billion (excluding GOEs and Project-tied loans) is presented below.

Table 2.8: Highlights of 2022 Budget and 2022-2024 MTEF

ITEM	2022 BUDGET		2022 - 2024 MTEF	
	Nbn	% to Aggregate	Nbn	% to Aggregate
Recurrent (Non-debt) Expenditure	6,023.57	34.78	6,205.01	44.38
Sinking Fund	270.71	1.56	292.71	2.09
Debt Servicing	3,685.38	21.28	3,609.24	25.81
Statutory Transfer	803.6	4.64	613.36	4.39
Capital Expenditure (Excl of Transfer)	3,664.50	21.16	3,616.30	25.86
Aggregate Expenditure (Excluding GOEs and Project-tied Loans)	14,447.76	83.42	11,907.19	85.16
Aggregate Expenditure (Including GOEs and Project-tied Loans)	17,319.70	100	13,981.84	100

Source: BOF and OAGF, 2022

2.5 BUDGETARY EXECUTION AND ACHIEVEMENT OF TARGETS

Schedule Corporations and other agencies' conduct towards compliance with FRA 2007 has considerably improved in the year under review. Chapter 4 gives more details on this.

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

2.6 ANNUAL CASH PLAN AND DISBURSEMENT SCHEDULE

The Annual Cash Plan enables the initial budget policy targets to be met and contributes to the smooth implementation of both fiscal and monetary policies. Section 25 of FRA 2007 requires that it should be prepared in advance by the Accountant-General of the Federation, showing projected monthly cash flows for the financial year which may be revised periodically to reflect actual cash flows.

FRA 2007, in Section 26, also requires that a Disbursement Schedule be prepared by the Minister of Finance within 30 days of the signing of the Appropriation Act and must be derived from the Annual Cash Plan. The need to ensure efficient and effective management of revenue and expenditure across government agencies towards the achievement of targets is highlighted in these sections.

The Annual Cash Plan should be the basis for monthly projections and plans in the light of actual revenues and expenditures. Operating the Appropriation Act without a Cash Plan and Disbursement Schedule in the manner prescribed by FRA 2007 has resulted in arbitrariness in budget implementation which further leads to underfunding of projects in the budget.

2.7 BUDGET IMPLEMENTATION REPORTS

Sections 30 and 50 of the FRA 2007 requires the Budget Office of the Federation (BOF) to prepare quarterly Budget Implementation Reports (BIRs). The Reports are to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). They are also to be circulated widely to all stakeholders and the public through electronic and other media. The BIRs for first, second and third quarters of 2022 were made available to the FRC. However, the Commission has received neither the 4th Quarter BIR nor the 2022 full year Budget Implementation Report as at the time of producing this annual report, being June 2023.

In the light of the foregoing, this report covers the 2021 full year, and 2022 half-year.

2.8 2021 FULL YEAR BUDGET PERFORMANCE HIGHLIGHTS – REVENUE

2.8.1 Assessment of Gross Oil, Non-Oil Revenue and Deficit Financing Items

The 2022 – 2024 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provided the economic framework for the 2022 Budget, along with Fiscal Policy objectives and spending priorities of the Government over the 3-year period.

Table 2.9: Comparison of 2022 - 2024 MTEF with 2022 Annual Budget and 2021 - 2023 MTEF with 2021 Annual Budget: Revenue

Revenue Detail	2022 Projections		MTEF Vs Budget		2021 Projections		MTEF Vs Budget	
	MTEF	Budget	Variance		MTEF	Budget	Variance	
	Nbn	Nbn	Nbn	%	Nbn	Nbn	Nbn	%
FGN Share of Oil Revenue	3,156.28	2,190.37	965.91	44.10	1984.06	2,011.02	-26.96	-1.34
FGN Share of Dividend (NLNG)	184.03	195.72	-11.69	-5.97	198.09	208.54	-10.45	-5.01
FGN Share of Minerals and Mining	2.92	2.92	0.00	0.00	2.65	2.65	0.00	0.00
FGN Share of Non-Oil Revenue	2,132.08	2,132.08	0.00	0.00	1488.92	1488.92	0.00	0.00
Share of Company Income Tax (CIT)	909.30	909.30	0.00	0.00	681.72	681.72	0.00	0.00
Share of Value Added Tax (VAT)	316.69	316.69	0.00	0.00	238.43	238.43	0.00	0.00
Share of Custom Duties	834.12	834.12	0.00	0.00	508.27	508.27	0.00	0.00
Share of Federation Account Levies	71.97	71.97	0.00	0.00	60.51	60.51	0.00	0.00
Revenue From GOEs	2,039.57	0.00	2,039.57		2,173.86			
GOEs Operating Surplus, 80% of which is captured in Independent Revenue	-944.30	0.00	-944.30		-825.02			
Independent Revenue	1,089.24	2,616.22	-1,526.98	-58.37	961.90	1,061.90	-100.00	-9.42
Transfers from Special Levies Account	300.00	300.00	0.00	0.00	300.00	300.00	0.00	0.00
Signature Bonus, Renewals. Early Renewal	280.86	280.86	0.00	0.00	343.38	677.02	-333.64	-49.28
Domestic Recoveries, Assets, Fines	26.93	26.93	0.00	0.00	32.68	32.68	0.00	0.00
Stamp Duties	29.37	0.00	29.37		500.00	500.00	0.00	0.00
Education Tax (TETFUND)	0.00	306.00	-306.00	-100.00				
Grants and Donor Funding	62.24	63.38	-1.14	-1.80	337.06	354.85	-17.79	-5.01
Total Revenue Available for FGN Budget (Excluding GOEs)	**7,263.94**	**8,240.78**	**-976.84**	**-11.85**	**7,497.58**	**6,637.58**	**860.00**	**12.96**

Source: 2022 – 2024 MTEF & FSP and 2021-2023 MTEF and FSP

The 2022 Budget of Economic Growth and Sustainability commenced on the first day of the year. It was however necessary to send an amended budget proposal to address some crucial issues, especially the significant increase in fuel subsidy. The table above highlights and compares the revenue components projected in the MTEF and approved budgets for 2022 and 2021 Fiscal Years.

Oil Revenue

Table 2.9 above compares the amount projected for the Revenue components in both the 2021 - 2023 and 2022 - 2024 MTEFs and the Approved budgets for the base years of 2021 and 2022 respectively.

In the MTEFs, the shares of oil revenue were ₦1,984.06 billion in 2021 and ₦3,156.28 billion in 2022 while in the budgets, the sums of ₦2,011.02 billion and 2,190.37 billion were projected respectively. This denotes a variance of ₦965.91 billion (44.10%) and ₦-26.96 billion (-1.34%) respectively.

FGN's share of dividend (NLNG) indicated that there was a variance of ₦-11.69 billion (-5.97%) and ₦-10.45 billion (-5.01%) in 2021 and 2022 respectively from the projected amounts of ₦185.03 billion and ₦198.09 billion in the MTEF against the budgeted amounts of 195.72 billion and ₦208.54 billion respectively.

The sums of ₦2.65 billion and ₦2.92 billion were the same in both the MTEFs and the Budgets as Share of Minerals and Mining for 2021 and 2022 correspondingly.

Non-Oil Revenue

The table reveals that the Non-oil Revenue of ₦1,488.92 billion was projected both in the MTEF and the Budget for the Fiscal Year 2021 and ₦2,132.08 billion for the Fiscal Year, 2022.

The amounts projected in the MTEF for all other revenue heads under the Non-Oil Revenue Head were the same in the Budgets for 2021 and 2022 except for Revenue from GOEs which was only projected in the MTEFs.

Independent Revenue

The table further indicates that Independent Revenue of ₦1,061.90 billion and ₦2,616.22 billion was projected in the budget against the projected amount of 961.90 billion and ₦1,089.24 billion in the MTEF for the Fiscal years of 2021 and 2022 respectively. These represent variances of -₦100 billion (-9.42%) and -₦1,526.98 billion (-58.37%).

The sums of ₦343.38 billion and ₦280.86 billion were projected in the MTEF against ₦677.02 billion and ₦280.86 billion in the MTEF for Signature Bonus, Renewals and Early Renewals revenue sub-heads. This shows a variance of -₦333.64 billion (-49.28%) for 2021 and no variance in 2022.

Grants and Donor Funding revenue subhead was also increased by ₦17.79 billion (5.01%) and ₦1.14 billion (1.80%) because of deviation from the amounts of 354.85 billion and 63.38 billion projected in the budget against ₦337.06 billion and ₦62.24 billion in the MTEF for 2021 and 2022 correspondingly.

Under the Independent Revenue head, the following sub-heads: Transfers from special levies account had the same amounts of ₦300 billion in both MTEF and Budgets for 2021 and 2022. Domestic Recoveries + Assets + Fines had ₦32.68 billion for the MTEF and Budget projections in 2021 and ₦26.93 billion in the MTEF and Budget projections for 2022, while stamp duties had ₦500 billion in both MTEF and Budget for 2021 and ₦29.37 billion in MTEF for 2022. There was no projection for Stamp duties in the Budget of 2022.

Furthermore, there was a projection of ₦306 billion for Tertiary Education Trust Fund (TETFUND) in 2022 Budget even though nothing was projected in the MTEF for that year or the preceding year.

Oil Revenue Performance for the Year 2021.
Table 2.10 below shows that, Gross Oil Revenue of ₦4,702.80billion was realized for the year 2021 as against the prorated budget projection of ₦5,185.57 billion for the same period. This denotes a short fall of ₦482.77 (9.31%) from all the revenue sub-heads except for Crude Oil and Gas sales, Royalties (Oil &Gas) and exchange gains surpassed their annual budget projections with ₦205.19 billion, ₦621.59 billion, and ₦0.07 billion respectively.

Non-Oil Revenue for the Year 2021.
The same Table 2.10 below reveals that the Gross Non-Oil Revenue of ₦5,134.53 billion was achieved in the year 2021 as against ₦4,602.23 billion projected in the budget for the same period. This shows an increase of ₦532.30 billion (11.54%) for the year. There was an impressive performance from all Non-Oil Revenue sub-heads except for Special levies which had a shortfall of ₦48.89 billion (30.33%) as against the annual budget projection of ₦134.83 billion.

By the trend of the figures recorded, performance in the year 2021 for the Gross projected Revenue of ₦8,787.80 billion was achieved at the end of the year 2021 with ₦9,837.33 as the actual revenue recorded and an increase of ₦49.53 billion especially the contribution from the Non-Oil Revenue.

Table 2.10: Performance of Gross Oil and Non-Oil Revenue for the Year 2021.

REVENUE ITEMS	BUDGET ₦bn	ACTUAL ₦bn	VARIANCE ₦bn	% OF VARIANCE (ACTUAL VS BUDGET)
A) OIL REVENUE				
Crude Oil and Gas Sales	630.05	835.23	205.19	32.57
Petroleum Profit Tax &Gas taxes 30% CITA	2148.52	1392.09	756.42	(35.21)
Royalties (Oil & Gas)	1685.72	2307.31	621.59	36.87
Concessional Rentals	6.05	3.74	-2.31	(38.22)
Gas Flared Penalties	130.42	98.55	-31.88	(24.44)
Incident Oil Revenue	499.74	15.81	-483.94	(96.84)
Miscellaneous (Pipeline Fees)	57.56	22.50	-35.06	(60.91)
Exchange Gain	27.50	27.57	0.07	0.02
Sub-Total	5185.57	4702.80	-482.77	(9.31)
B) NON-OIL REVENUE				
Value Added Tax	1838.35	2072.85	234.51	12.76
Company Income Tax	1496.53	1721.41	224.88	15.03
Custom, Excise Duties	1132.52	1246.32	113.80	10.05
Special Levies	134.83	93.94	-409.89	(30.33)
Sub-Total	3602.23	5134.53	532.30	11.57
TOTAL	**8787.80**	**9837.33**	**49.53**	**2.26**

Source: Budget Office of the Federation

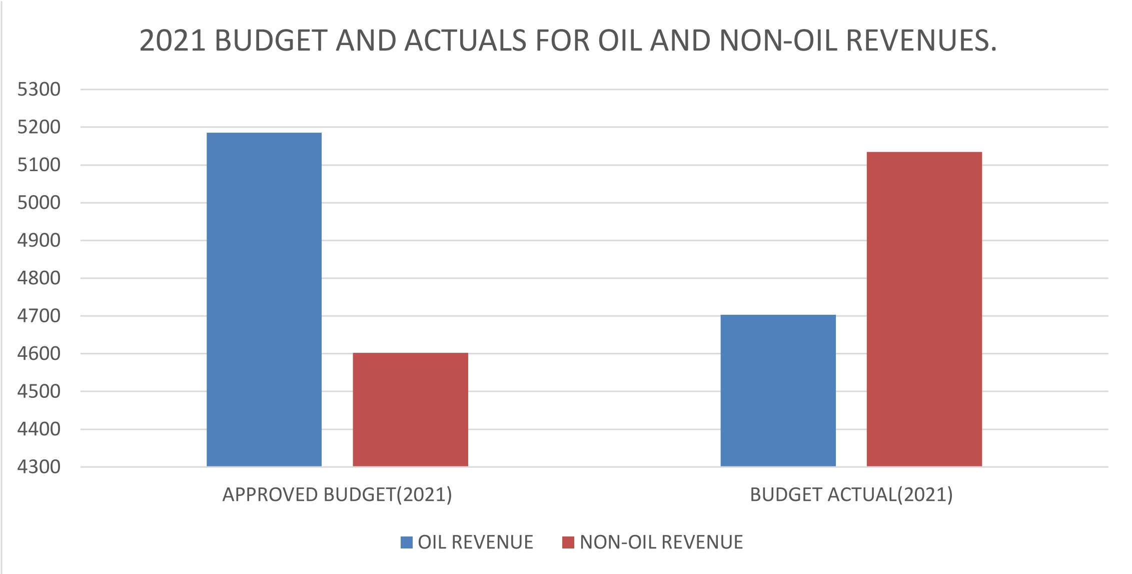


Fig. 1:2021 Budget and Actuals for Oil and Non-oil Revenues

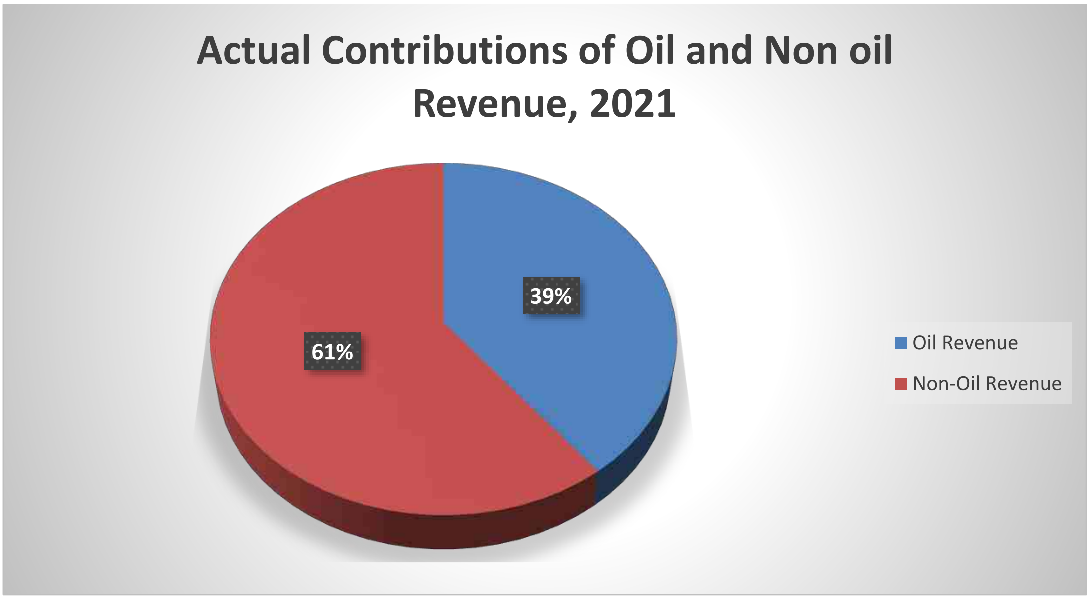


Fig. 2:Actual Contributions of Oil and Non-Oil Revenue, 2021

FGN Budget Revenue Performance for 2021 Fiscal Year

According to the 2021 Budget Framework, the sum of ₦6,637.58 billion excluding GOEs was projected to fund the Federal Budget, indicating a quarterly share of ₦1,659.39 billion, but a total of ₦4,626.57 billion was realized at the same period under review. This amount denotes a shortfall of ₦2,011.01 billion (30.30%)

ANALYSIS OF FGN REVENUE CATEGORIES FOR 2021 FISCAL YEAR

Oil Revenue

A breakdown of the Oil Revenue indicates that, the sum of ₦990.00 billion was realized from the share of oil revenue as at the end of 2021. This was lower than the estimated figure of ₦2,011.02 billion by ₦1,021.02 billion (50.77%).

FGN's share of Dividend (NLNG) of ₦208.54 billion was projected for the year, and the same amount was received for the period.

Table 2.11:FGN REVENUE PERFORMANCE FOR 2021

REVENUE CATEGORY	2021		ACTUAL V BUDGET	
	BUDGET	ACTUAL	VARIANCE	
	Nbn	Nbn	Nbn	%
FGN Share of Oil Revenue	2,011.02	990.00	-1,021.02	-50.77
FGN Share of Dividend	208.54	208.54	0.00	0.00
FGN Share of Minerals and Mining	2.65	3.30	0.65	24.53
FGN Share of Non-Oil Revenue	1,488.92	1,654.19	165.27	11.10
Company Income Tax (CIT)	681.72	787.39	105.67	15.50
Value Added Tax (VAT)	238.43	265.29	26.86	11.27
Custom Duties	508.27	559.34	51.07	10.05
Share of Federation Account Levies	60.51	42.16	-18.35	-30.33
Revenue From GOEs	2,173.86	0.00	-2,173.86	-100.00
GOEs Operating Surplus, 80% of which is captured in Independent Revenue	-825.02	0.00	825.02	-100.00
Independent Revenue	1,061.90	1,251.28	189.38	17.83
Transfers from Special Levies	300.00	138.00	-162.00	-54.00
Signature Bonus, Renewals. Early Renewals	677.02	381.27	-295.75	-43.68
Domestic Recoveries, Assets, Fines	32.68	0.00	-32.68	-100.00
Stamp Duties	500.00	0.00	-500.00	-100.00
Grants and Donor Funding	354.85	0.00	-354.85	-100.00
Total Revenue Available for FGN Budget (Excluding GOEs)	**6,637.58**	**4,626.52**	**-2,011.06**	**-30.30**

Source:BIR 2021 Fourth Quarter and Consolidated

The sum of ₦3.30 billion was received as share of Minerals and mining for the year against the projection of ₦2.65 billion, indicating an increase of ₦0.64 billion (24.33%).

Non- Oil Revenue

The same table above reveals that, the Non-Oil Revenue of ₦1,654.19 billion was achieved in the year against ₦1,488.92 billion budgeted for the period. This represented an increase of

₦165.26 billion (11.10%) as at the fourth quarter. This increase was because of the performance of all the Non-Oil Revenue sub-heads with the Share of Federation account levies which had a shortfall of ₦18.35 billion (30.33%) as against the projected amount of ₦60.51 billion.

Independent Revenue

The table further indicates that, the Independent Revenue of ₦1,251.28 billion was realized in the year 2021, against ₦1,061.90 billion projected for the period. This represented an increase of ₦189.38 billion (17.83%) as at the fourth quarter.

The Transfers from Special Levies Accounts for the year was projected at ₦300.00 billion. At the end of the period, the sum of ₦138 billion was received. This represents a shortfall of ₦162 billion (54%).

The Signature Bonus, Renewals and Early Renewals Revenue categories for the year were projected at ₦677.02 billion, while only ₦381.27 billion was achieved during the period. This indicates a shortfall of ₦295.75 billion (43.68%).

There were no records of contributions from Domestic Recoveries, Stamp Duty, and Grants & Donor Funding, towards financing the budget in the Budget Implementation Report for 2021. Furthermore, receipts of Revenues and Operating Surplus from GOEs were also not recorded.

2.8.3 FISCAL DEFICIT AND DEFICIT FINANCING

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

Fiscal Deficit

Budget deficit in the 2021 – 2023 MTEF was projected at ₦5,160.43 billion, this amount including GOEs and Project-tied loans and ₦4,486.32 billion was projected excluding the GOEs and project-tied loans in MTEF of same period. However, in the Annual Budget of 2021, the sum of ₦5,874.66 billion was budgeted excluding GOEs and Project-tied loans. This amount denotes a variance of ₦1,388.34 billion which translates to 30.95%deviation from the MTEF projection.

Deficit Financing

The Financing Items penciled down to finance the fiscal deficit in 2021 – 2023 MTEF were:

i. Privatization Proceeds
ii. Multi- lateral/Bi-lateral Project-tied loans
iii. Domestic Borrowing
iv. Foreign Borrowing

Table 2.12 below indicates the projected values allocated to the Deficit Financing Items (DFI) in 2021-2023 MTEF and 2021 Budget as well as the total Fiscal Deficit including GOEs and Project-tied loans. The sum of ₦205.15 billion was projected both in the 2021-2023 MTEF and 2021 Budget to be financed from Privatization Proceeds. While in the case of Multi and Bi-lateral loans, the sum of ₦709.69 billion budgeted in 2021 against the projected sum of ₦674.11 in the 2021-2023 MTEF. This depicts the variance of ₦35.58 billion translates to 5.28% change.

The same table also reveals that, the sum of ₦2,744.44 billion was in the 2021 budget for both Domestic and Foreign Borrowing as against the value of ₦2,140.58 billion projected in 2021-2023 MTEF. This indicates a variance of ₦603.89 billion representing 28.21%.

It is interesting to note that, the loan restructured was not part of the deficit financing items in the 2021-2023 MTEF but in 2021 budget, the sum of ₦45.63 billion was allocated to it.

Table 2.12. Comparison and Analysis of Fiscal Deficit and Deficit Financing Items

Fiscal Items	Projections		Variance (MTEF 2021 - 2023 vs 2021 Budget)	
	2021-2023 MTEF (NBn)	**2021 Budget(NBn)**	**(NBn)**	**%**
Fiscal Deficit				
Fiscal Deficit (excluding GOEs and Project-tied loans)	4,486.32	5,874.66	1,388.34	30.95
Total Fiscal Deficit (including GOEs and Project-tied loans)	5,160.43		-	--

Deficit Financing Items				
Privatization Proceeds	205.15	205.15	0.00	0
Multi- lateral/Bi-lateral Project-tied loans	674.11	709.69	35.58	5.28
Restructured Loan		45.63	45.63	0
Domestic Borrowing	2,140.58	2744.44	603.89	28.21
Foreign Borrowing	2,140.58	2744.44	603.86	28.21

Source: 2021-2023 MTEF and 2021 BIR

Fiscal Balance for the year 2021

The 2021 Budget Deficit (Inclusive of Government Owned Enterprises and Project- tied Loans) was projected at ₦5,160.43 billion. This value represents 3.64% of the estimated Gross Domestic Product (GDP) for the 2021 fiscal year.

Budget Deficit Projection and Performance of the Budget Deficit Financing Items

Budget deficit is the difference between all the receipts and all the expenses in both terms. In balanced budget, the revenue and expenditure must be equal. During the period under review (2021). Deficit financing is part of the expected receipts to fund the budget. It is, therefore, imperative to measure its performance/contributions in funding the annual budget against the projected values. Under-performance of the deficit-financing items will affect the funding of the budget, resulting in low budget performance, which may lead to the poor execution of projects or programs of Government. Table 2.13. below shows the projected fiscal deficits and actual financing for the year 2021.

Table 2.13. Budget Deficit and Deficit Financing Items

Items	2021 Budget		2021 Actual	Variance(Actual Vs Budget) 2021	
	Annual(NBn)	Quarterly(NBn)		NBn	%
Fiscal Deficit(Excluding GOEs Budgeting & project-tied Loans)	(5.874.66)	(1,468.67)	(6,436.19)	(561.3)	9.56
Financing Items:					
Privatization proceeds	205.15	51.29	0.00	(205.15)	(100.00)
Multi-lateral/ Bi-lateral project-tied Loans	709.69	177.42	0.00	(709.69)	(100.00)
Restructured Loan	45.63	11.41	0.00	(45.63)	(100.00)
Foreign Borrowing	2,744.44	686.11	1,623.60	(1,120.84)	(40.84)
Domestic Borrowing	2,744.44	686.11	2,895.49	151.05	5.50

Deficit Financing

The Deficit in the 2021 fiscal year was projected to be finance from the financing items in Table 2.13 above. The budgeted sum was N6,449.35 billion, to be financed as follows:

i. Privatization proceeds N205.15 billion (3.2%)
ii. Multi-lateral/ Bi-lateral project-tied Loans N709.69 billion (11.0%)
iii. Restructured Loan N45.63 billion (0.7%)
iv. Foreign Borrowing N2,744.44 billion (42.6%)
v. Domestic Borrowing N2,744.44billion (42.6%)

The annual projected deficit financing figures allocated to the financing sources shows that, Foreign and domestic borrowing were allocated the highest amount of N2,744.44 billion each translating to 42.6% of the annual budgeted amount. Multi-lateral/Bi-lateral loans followed with N709.69 billion (11.0%), while Privatization proceeds had N205.15 billion (3.2%). The least amongst the sources was Restructured Loan with N45.63 billion (0.7%) which was not part of the financing sources in the 2021-2023 MTEF, although it did not materialize during the 2021 fiscal year as the deficit-financing source.

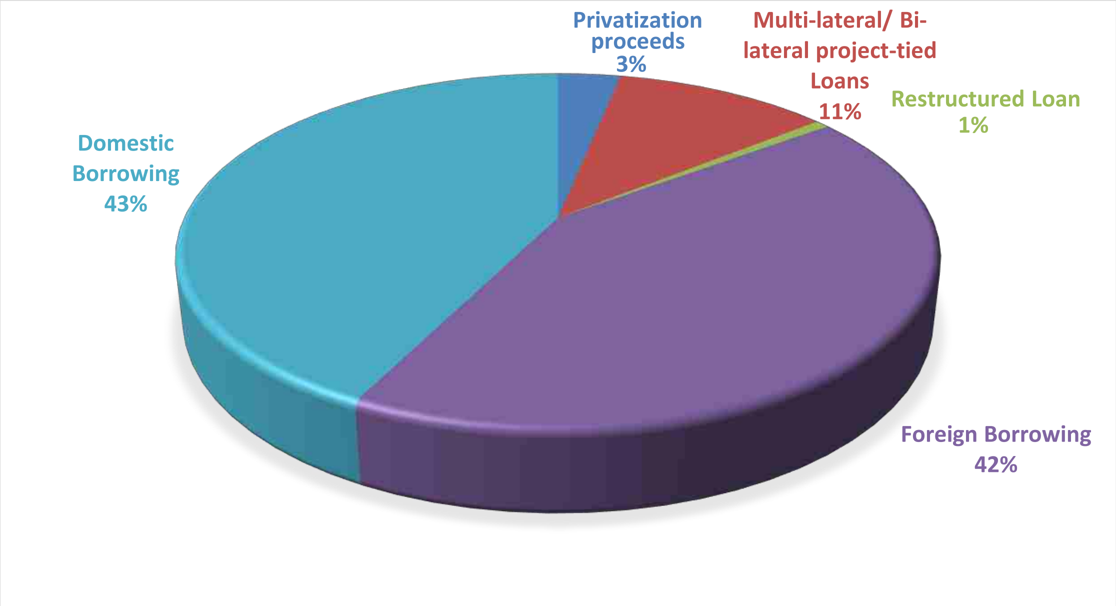


Fig.3Annual Budget for Deficit Financing items, 2021

Implementation and Performance of the Deficit Financing sources in 2021 Fiscal year

The Budget Deficit projection in year 2021 was ₦6,449.35 billion in which only ₦4,519.09 was achieved from only two sources out of the four-deficit financing items listed in the budget. This translates to 70.07% implementation.

Domestic borrowing contributed 64.07% (₦2,895.49) billion while Foreign Borrowing had ₦1,623.60 (35.93%) of the ₦4,519.09 billion deficit financing achieved during the 2021 fiscal year.

It is instructive to note that the sum of ₦2,744.44 billion was budgeted to be sourced from domestic borrowing but at the end of the 2021 fiscal year, the sum of ₦2,895.49 billion materialized with a variance of ₦151.05 billion (5.05%). This may be attributed to the recent reclassification of Nigeria as a Lower-Middle-Income country which caused limited funding access from concessional borrowing (Multi-lateral and Bi-lateral loans), there was more reliance on market-based financing (domestic borrowing) with high interest rates and short amortization period.

Budget, Actual and Variance of 2021 Deficit Financing Items

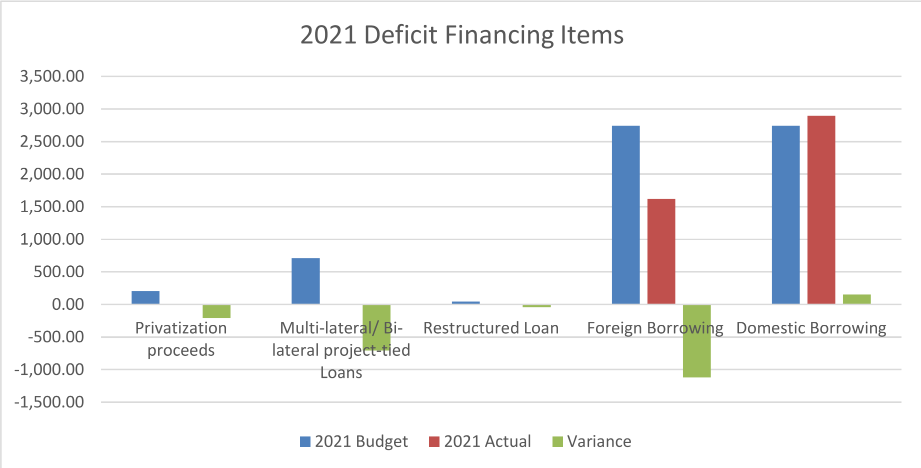


Fig. 4:2021 Deficit Financing Items

2.9. 2021 FULL YEAR BUDGET PERFORMANCE ANALYSIS - EXPENDITURE

2.9.1 General Overview (Analysis and Observations from Table 2.14 below)

Table 2.14. Budget and Actual Expenditure, 2021

S/NO	ITEMS	2021 APPROVED BUDGET	2021 ACTUAL EXPENDITURE	VARIANCE: ACTUAL VS BUDGET IN ₦bn	VARIANCE: ACTUAL VS BUDGET IN %
	EXPENDITURE:	₦bn	₦bn	₦bn	%
1	**RECURRENT**				
2	Personnel Cost	3,046.47	3,046.47	-	-
3	CRF Cost	504.19	356.12	- 148.07	- 29.37
4	Overhead Cost	325.88	375.41	49.53	15.20
5	Other Service Wide Votes (+ Gavi/Immunization)	460.52	403.79	- 56.73	- 12.32
6	Other Service Wide Votes (+ COVID 19 Crisis Intervention Fund)				
7	Presidential Amnesty Programme	65.00	59.59	- 5.41	- 8.32
8	Special Intervention (Recurrent)	350.00	216.60	- 133.40	- 38.11
9	Payments from Special Accounts				
10	**Sub-Total Non-Debt**	**4,752.06**	**4,457.97**	- 294.09	- 6.19
11	Domestic Debt Service	2,183.49	2,054.44	- 129.05	- 5.91
12	Foreign Debts	940.89	946.29	5.40	0.57
13	Total Debt Service	3,124.38	3,000.73	- 123.65	- 3.96
14	Interest on Ways & Means		1,220.33	1,220.33	
15	Sinking Fund to Retire Maturing Loans	200.00	0.60	- 199.40	- 99.70
16	**Sub-Total (Debts)**	**3,324.38**	**4,221.65**	**897.27**	**26.99**
17	**Total Recurrent Expenditure**	**8,076.44**	**8,679.62**	**603.18**	**7.47**
18	**CAPITAL EXPENDITURE**				
19	Capital Dev. Fund (Main)-2020 in 2021	-	618.92	618.92	
20	Capital Dev. Fund (Main)-2021	2,778.52	1,610.58	- 1,167.94	- 42.03
21	Capital Supplementation	695.90	283.41	- 412.49	- 59.27
22	Special Intervention (Capital)	10.00	9.56	- 0.44	- 4.40
23	COVID-19 Crisis Intervention Fund - Incremental Capital	100.00	-	- 100.00	- 100.00
24	COVID-19 Intervention Across the Federation				
25	Capital Expenditure in Statutory Transfers	249.05	-	- 249.05	- 100.00
26	Grants and Donor Funded Projects	354.85	-	- 354.85	- 100.00
27	**Total Capital Expenditure**	**4,188.32**	**1,903.55**	**- 2,284.77**	**- 54.55**
28	**Total Capital Expenditure (Exclusive of Transfers)**	**3,939.27**	**1,903.55**	**- 2,035.72**	**- 51.68**
29	**TRANSFERS**				
30	Statutory Transfers	496.53	496.52	- 0.01	- 0.00
31	**TOTAL FGN BUDGET (Exclusive of GOEs Budget & Project-tied Loans)**	**12,512.24**	**11,079.70**	**- 1,432.54**	**- 11.45**

Source: OAGF and Budget Office of the Federation, 2021.

Note: 1. The total Expenditure does not include Multi/Bi-lateral Project-tied Loans. 2. The changes in Annual Budget figure was as result of inclusion of Supplementary Budget.

The following were observed and analyzed from the table above.

a. At the end of 2021, the Annual Budget with inclusion of the Supplementary Budget totaled ₦12,512.24billion while the actual expenditure incurred was ₦11, 079.70billion.

b. This led to a negative variance of ₦1,432.54bn. That is, a negative percentage variance of 11.45% on the general total. Which means generally, expenditure performed below the budgeted sum in the year 2021 with 11.45%.

c. It was also observed that every individual expenditure head performed below its budgeted amount, that is, ended up at the end of the financial year with a negative variance at different capacity except Personnel Cost, Overhead Cost and Foreign Debts with nil variance, ₦49.53bn (15.20%) and ₦5.40bn (0.57%) respectively.

d. Generally, Total Capital Expenditure (exclusive Transfer) was the worst hit of this negative variance with the sum of ₦2,035.72bn and a negative percentage variance of 51.68%.

e. While generally, Total Recurrent Expenditure had a positive variance with the sum of ₦603.18bn at 7.47%.

f. Some other expenditure heads were also introduced during the 2021 financial year. Meaning they were not budgeted for. Namely, Interest on Ways and Means, and Capital Development Fund (Main)-2020 in 2021.

Observations and Analysis of 2021 Sub-Totals of Budget and Actual Expenditure Expressed in Percentages of Their Grand Totals, and Variances: Actual Vs Budget

A glance at Figures 5, 6 and 7 below raises the following observations and further analysis: looking at the sub-totals.

1. Four percent (4%) of the total budgeted figure was allocated to Statutory Transfers and approximately that was incurred from the total actual expenditure incurred.

2. Recurrent Expenditure:
   i. Debts – twenty-seven percent (27%) of the total budget on expenditure was planned for on Debts but approximately thirty–eight (38%) of total expenditure incurred was spent on debts.
   ii. Non-Debts – had a thirty-eight percent (38%) budget in the annual plan from the on-set but forty percent (40%) of total expenditure was actually incurred on it at the end of the year.

3. Total Capital Expenditure (exclusive of Transfers) had a thirty-one percent (31%) budget plan from onset, but seventeen percent (17%) was actually incurred on it. That is, a negative variance of approximately fourteen percent (14%) from the sub-totals angle in percentages, which supports the worst hit under-performance that was earlier observed from the general overview.

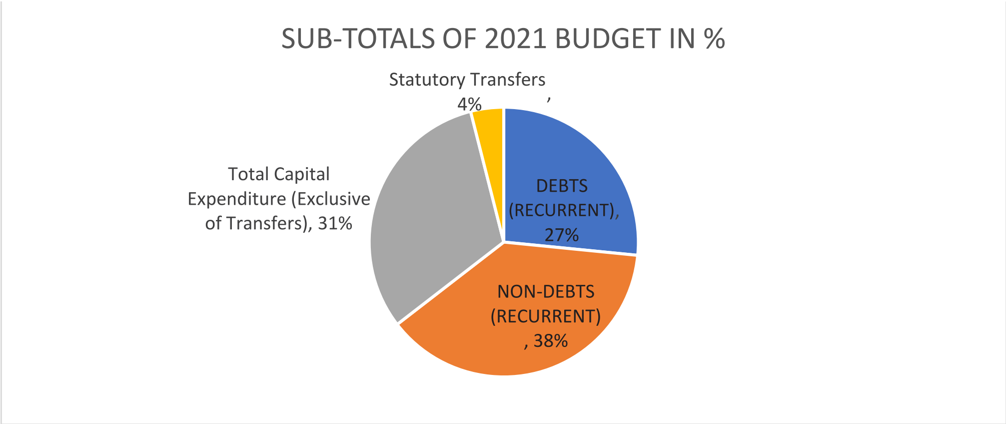


Fig. 5Sub-totals of 2021 Budget in % (percentage)

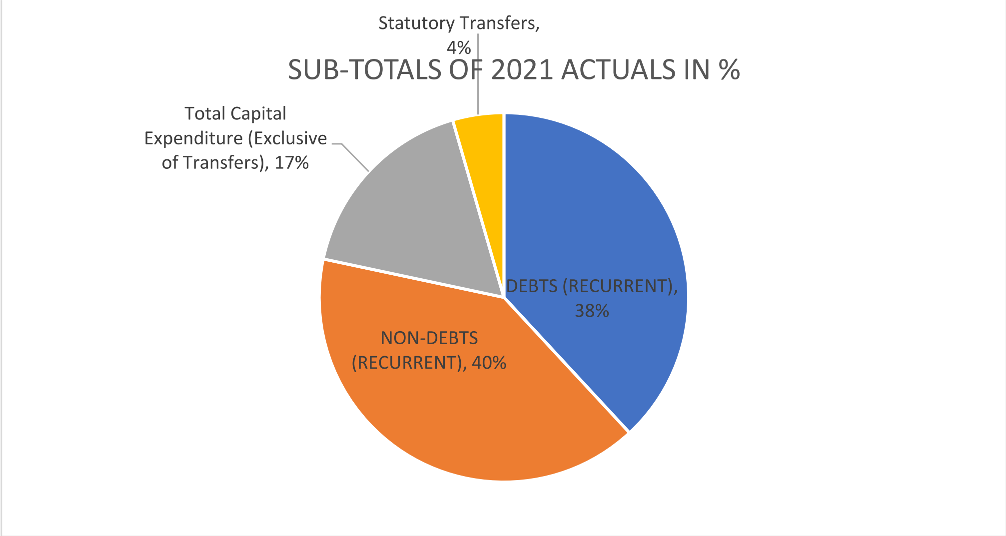


Fig. 6:Sub-totals of 2021 Actuals in % (percentage)

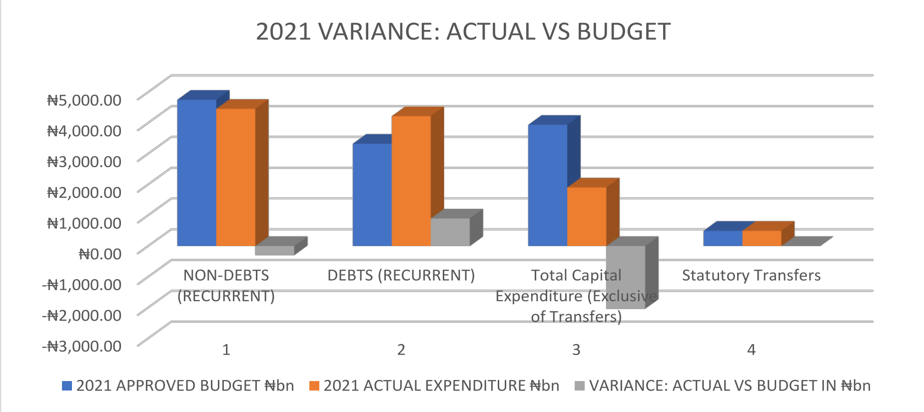


Fig 7:2021 Variance: Actual Vs Budget

Comparison, Analysis and Observations in 2020 and 2021 Actual Expenditures

Table 2.15 and figure 8 below reveal the following:

i. There was a general increase of actual expenditure incurred when comparing 2021 and 2020. The total actual expenditure for 2021 stood at ₦11,079.70bn while that of 2020 was ₦10,017.26. That is a positive percentage variance of 10.61% at the sum of ₦1,062.44bn.

ii. Whereas in all the sub-totals for 2021, there were various degrees of increase (positive variances) in expenditure incurred when compared with that of 2020; except for Non-Debts (Recurrent Expenditure) as displayed in the figures above.

S/NO	ITEMS	2020 ACTUAL EXPENDITURE ₦bn	2021 ACTUAL EXPENDITURE ₦bn	VARIANCES ON ACTUALS 2021 VS 2020 IN ₦bn
1	NON-DEBTS (RECURRENT)	₦4,645.21	₦4,457.97	-₦187.24
2	DEBTS (RECURRENT)	₦3,342.26	₦4,221.65	₦879.39
3	Total Capital Expenditure (Exclusive of Transfers)	₦1,601.76	₦1,903.55	₦301.79
4	Statutory Transfers	₦428.03	₦496.52	₦68.49

Table 2.15: 2020 AND 2021 ACTUAL EXPENDITURES

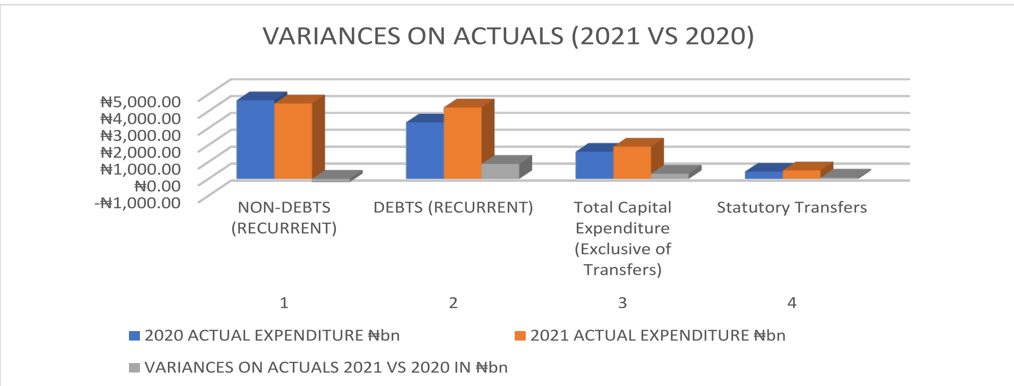


Fig. 8:Variance on Actuals (2021 Vs 2020)

2.10 ASSESSMENT OF 2021 FULL YEAR REVENUE AND EXPENDITURE PERFORMANCE USING PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) FRAMEWORK AND FISCAL TRANSPARENCY CODE (FTC)

I. Budget Reliability

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

The 2021 Budget projections and performance of the Oil and Non-Oil revenue as highlighted in Table 2.10 above clearly shows that there was revenue outturn (i.e., the change in revenue between the approved budget and the end of the year actual).

For instance, the Gross Oil Revenue of ₦4,702.80 billion (actual) was realized as against ₦5,185.57 billion prorated budget projection for the year. This denotes a shortfall of ₦482.77 billion. On the other hand, Gross Non-Oil was ₦5,134.53 billion as against ₦4,602.23 billion in the budget and it showed an increase of ₦532.30 billion (11.57%).

Table 2.13 above further shows that the actual Fiscal Deficit (Excluding GOEs Budgeting & project-tied Loans) for 2021 fiscal year was ₦6,436.19 billion against the sum of ₦5,874.66 billion in the budget of same year. This clearly shows a variance of ₦561.53 billion higher than the budgeted amount which translated to 9.56%.

Similarly, the deficit financing from domestic borrowing was ₦2,895.49 billion against the estimated sum of ₦2,744.44 billion. This means the actual amount exceeded the projected amount by ₦151.05 billion which is equivalent to 5.50%.

The foreign borrowing shows a variance of ₦1,120.84 billion (40.84%) from the actual amount of ₦1,623.60 billion as against the budgeted sum of ₦2,744.44 billion. This reveals under-financing on the part of foreign borrowing.

The remaining 3 (three) Deficit Financing Items, Privatization Proceeds, Multi/Bi-lateral loans and Restructured Loan, the sum of ₦205.15 billion, ₦709.69 billion, and ₦45.63 billion respectively were allocated against them in 2021 fiscal year budget. At the end of the 2021 fiscal year, no finance came from them.

This means that the ₦4,519.09 billion was achieved only from two sources out of five deficit financing items listed in the budget. This translates to 70.07% implementation. Domestic borrowing contributed 64.07% (₦2,895.49) billion while foreign borrowing had ₦1,623.60 (35.93%) of the ₦4,519.09 billion deficit financing achieved during the 2021 fiscal year.

The performance of the actual Deficit financing items at the end of 2021 fiscal year showed deviations from annual estimated figures. The outcome of the budgeted amounts could not achieve the set targets and therefore, the budget was not reliable.

The aggregate expenditure outturn reflects 88.55% (that is, ₦11,079.70bn) of the original total FGN Budget (exclusive of GOEs Budget & Project-tied Loans), which was ₦12,512.24bn. This is a negative variance of over 11%. How reliable can this budget of 2021 be said to be then?

The reliability of the FGN Budget can be improved upon.

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

In view of the actual figures realized at the end of the fiscal year 2021, especially on oil revenue and the unutilized deficit financing items, the target was not achieved; invariably, the MTBF, the annual budget projections and the actual implementation were not the same.

ii. Transparency of Public Financing

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

In the case of 2021 budget deficit and budget deficit financing items, there was no comprehensive information in the approved budget on when and what to privatize within the fiscal year to fund the deficit. The 2021 consolidated budget implementation report was published late beyond the provisions of section 30(2) of the FRA 2007.

FTC requirement of Medium-Term Budget Framework (MTBF)
"Budget documentation includes the outturns of the two preceding years and the medium-term projection of revenues, expenditures, and financing by economic and by Ministry or program".

The Consolidated Budget Implementation Report for 2021 fiscal year on the deficit financing does not include GOEs and the project-tied loans. The GOEs and the project-tied loans should be part of the actual performance since they were included in the estimated Aggregate Revenue and deficit figures.

iii. Management of Assets and Liabilities

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

A look at the Consolidated Budget Implementation Report clearly shows that, at the end of the 2021 fiscal year the planned deficit financing from domestic borrowing was exceeded by N151.05 billion against the projected amount of N2,744.44 billion. This increased the level of exposure by **5.50%** at the end of the year 2021.

Consistency with previous estimates: PEFA benchmarks
By PEFA standard, the budget documents provide an explanation of all changes to expenditure estimate. The Consolidated BIR for 2021 fiscal year shows that there was a change in deficit financing for domestic borrowing from N2,744.44 billion projected to N2,985.46 billion actuals, but no explanation was given for the variance in the report.

iv. Policy-based fiscal strategy and budgeting

PEFA: *The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections*.
By the provision of section 19 of the FRA 2007, the estimates of revenue and expenditure (Annual budget) shall be accompanied by the following documents.

a. ***A copy of the underlying revenue and expenditure profile for the next two financial years.***

b. ***A report setting out actual and budgeted revenue and expenditure and detailed analysis of the performance of the budget for the 18 months up to June of the preceding financial year.***

c. ***A revenue framework broken down into monthly collection targets prepared based on the predetermined Reference Commodity price as contained in Medium-Term Expenditure Framework.***

d. ***Measures on cost, cost control and evaluation of result of programmes financed with budgetary resources.***

e. ***A fiscal target appendix derived from the underlying Medium-Term Expenditure Framework setting out the following targets for that fiscal year:***

    i. ***Target inflation rate,***

    ii. ***Target fiscal account balances,***

    iii. ***Any other development target deemed appropriate; and***

f. ***A fiscal Risk Appendix evaluating the fiscal and other related risks to the annual budget and specifying measures to be taken to offset the occurrence of such risks.***

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

i. ***A revenue framework broken down into monthly collection targets prepared based on the predetermined Reference Commodity price as contained in Medium-Term Expenditure Framework.***

ii. ***A fiscal Risk Appendix evaluating the fiscal and other related risks to the annual budget and specifying measures to be taken to offset the occurrence of such risks.***

FTC: Macroeconomic risks

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

The 2021 budget document only includes the fiscal forecasts to major macroeconomic assumptions, but no alternative scenarios and probabilistic forecasts of fiscal outcomes were included.

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

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

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

i. Predictability and control in budget execution

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

The actual budget implementation for the year under review (2021) shows under performance based on the forecast/budgeted values allocated to the budget items/variables except for personnel cost which was adequately manage within the projection.

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

The Consolidated BIR contained Revenue Outturns, the Revenue sub-heads and deficit financing items for the year ended 2021 as highlighted in table 2.10 and 2.13 above shows variations between the forecast revenue and the actual revenue. For instance, the Gross Oil Revenue of N 4,702.80 billion (actual) was realized at the end of the 2021 fiscal year against N 5,183.57 billion budgeted for the same period. This denotes a short fall of N 482.77 billion which translates to 9.31%.

Similarly on the Domestic borrowing, the sum of N2,895.49 billion was borrowed against the approved estimated amount of N2,744.44 billion. This indicated a variance of N151.05 billion higher at the year end.

There was no explanation of the reasons for the variance within the period.

vi. Accounting and Reporting:

PEFA: *"Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management and reporting needs."*

As at May 2022, only half-year Budget Implementation Report (BIR) of 2021 was published. The in-year budgets reports are very poor, particularly on its timeliness and comprehensiveness. There is poor consistency as regards in-year budget reports with budget coverage. There was no timely use of corrective measures.

To this extent, Annual Financial Reports were not complete, timely and consistent with generally accepted accounting principles and standards. Though, we are proud of establishing a single treasury account and improving its operations in general.

2.11 ASSESSMENT OF BUDGET IMPLEMENTATION FOR FIRST HALF-YEAR 2022 FISCAL YEAR

2.11.1 Assessment on Oil, Non-Oil Revenue and Deficit Financing Items

Oil Revenue Performance for the Half-Year 2022.

Table 2.16 below shows that Gross Oil Revenue of ₦2,172.35billion was realized for half-year 2022 as against the prorated projection of ₦4,684.98 billion for the first half of the year. This denotes a short fall of ₦2,512.63 billion (53.63%) against the 2022 half year budget estimate but an increase of ₦272.56 billion (14.35 percent) above the half year actual gross oil revenue recorded in 2021.

Most of the Oil Revenue items fell below their respective half year projections. Petroleum Profit and Gas Taxes of ₦909.56 billion, Royalties (Oil & Gas) of ₦750.93 billion, Concessional Rentals of ₦1.88 billion, Gas Flared Penalty of ₦39.19 billion, Incidental Oil Revenue (Royalty Recovery & Marginal Field Licenses) of ₦22.04 billion and Miscellaneous (Pipeline fees etc.) of ₦7.94 billion fell below their half year projections of ₦2,786.15 billion, ₦1,277.0 billion, ₦3.21 billion, ₦55.27 billion, ₦97.54 billion and ₦28.78 billion by ₦1,876.59 billion (67.35%), ₦526.07 billion (41.20%), ₦1.32billion (41.26%), ₦16.08billion (29.09%), ₦75.51 billion (77.41%) and ₦20.84 billion (72.40%) respectively except for Crude Oil and Gas sales that surpassed the half-year budget projection with ₦489.38 billion(52.35%).

The Oil revenue performance improved when compared to the same period in 2021. Most of the revenue sources and the non-oil revenue items performed better when compared to the same period in 2021. The improvement in the performance of the oil revenue could be attributed to the increase in the price of crude in the international market due to the ongoing Russia and Ukraine war, which disrupted production/supply chain. While the increase in non-oil revenue sources could be credited to inflation and increase in economic activities after the phases of lockdowns due to the different waves of COVID-19.

Non-Oil Revenue for the Half-Year 2022

Table 2.16 below shows that the gross non-oil revenue in the first half of the year amounted to ₦3,236.60 billion; a decrease of ₦93.07 billion (2.80%) below the half year's estimate of ₦3,329.67 billion. There was slight underperformance of most of the non-oil revenue items when compared to their corresponding budget estimates. Solid Minerals & Other Mining Revenue amounted to ₦4.60 billion, representing an increase of ₦1.12 billion (32.36%) above its half year projection. On the other hand, Value Added Tax of ₦1,188.75 billion, Electronic money Transfer Levy (EMTL) of ₦60.12 billion, Customs & Excise Duties of ₦753.17 billion and Special Levies of ₦54.47 billion fell short of their 2022 projected half year estimates by ₦32.15 billion (2.63 percent), ₦45.29 billion (42.97 percent), ₦176.12 billion (18.95 percent) and ₦25.72 billion (32.07 percent) respectively except for Corporate Tax (Company Income Tax)which showed an increase of ₦186.20 billion (18.73%) as against its half-year budget projection of ₦993.89 billion. The net distributable revenue however stood at ₦3,277.27 billion in the first half of 2022, representing a shortfall of ₦2,091.31 billion.

By the trend of the figures recorded, the projected amount for Gross Revenue from Oil and Non-Oil in the budget for half-year 2022 amounted to ₦8,014.65 billion while ₦5,408.95billion was recorded as the actual revenue. Hence, a decrease of ₦2,605.70 billion with the remarkable contribution from the Non-Oil Revenue, especially Corporate Tax (Company Income Tax) was recorded.

Table 2.16: Performance of Gross Oil and Non-Oil Revenue for the Half-Year_2022

REVENUE ITEMS	BUDGET(ANNUAL) ₦bn	HALF YEAR (BUDGET) ₦bn	HALF YEAR (ACTUAL) ₦bn	VARIANCE ₦bn	% OF HALF YEAR ACTUAL VS HALF YEAR BUDGET
A) OIL REVENUE					
Crude Oil and Gas Sales	824.06	437.03	489.38	52.35	11.98
Petroleum Profit Tax &Gas taxes 30% CITA	5572.31	2786.15	909.56	-1876.59	(67.35)
Royalties (Oil & Gas)	2554.00	1277.00	750.93	-526.07	(41.20)
Concessional Rentals	6.41	3.21	1.88	-1.32	(41.26)
Gas Flared Penalties	110.54	55.27	39.19	-16.08	(29.09)
Incident Oil Revenue	195.05	97.54	22.04	-75.51	(77.41)
Miscellaneous (Pipeline Fees)	57.56	28.78	7.94	-20.84	(72.40)
Exchange Gain	-	-	-48.58	-48.58	
Sub-Total	9,369.96	4684.98	2172.35	-2512.63	(53.63)
B) NON-OIL REVENUE					
Corporate Tax	1,987.78	993.39	1180.99	186.20	18.73
Value Added Tax	2,441.80	1220.90	1188.75	-32.15	(2.63)
Electronic Money Transfer Levy(EMTL)	210.82	105.41	60.12	-45.29	(42.97)
Main Federation Account	1,858.57	929.29	753.17	-176.12	(18.95)
Special Levies	160.37	80.18	54.47	-25.72	(32.07)
Sub-Total	6,659.34	3329.67	3236.60	-93.07	(2.80)
TOTAL	**16,029.3**	**8014.65**	**5408.95**	**-2605.70**	

Source: Budget Office of the Federation

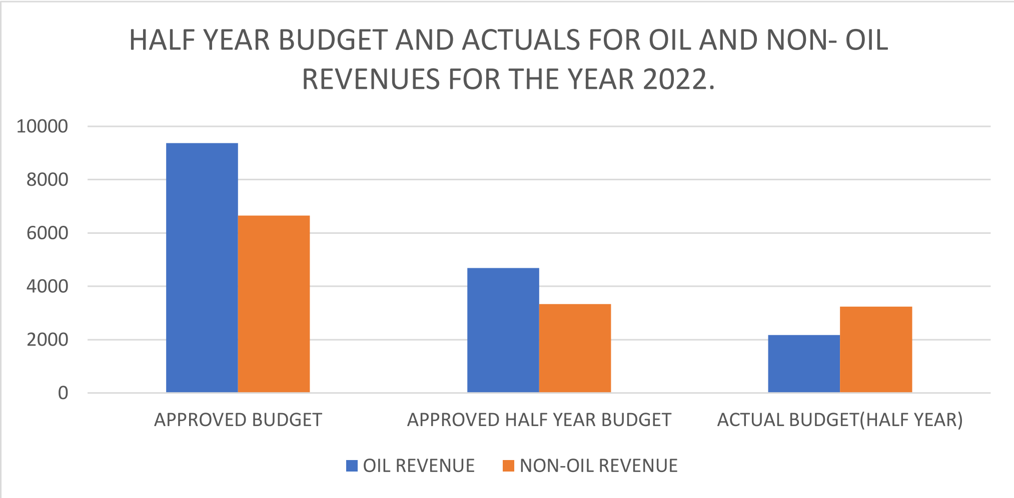


Fig. 9:Half Year Budget and Actuals for Oil and Non-Oil Revenues for the Year 2022

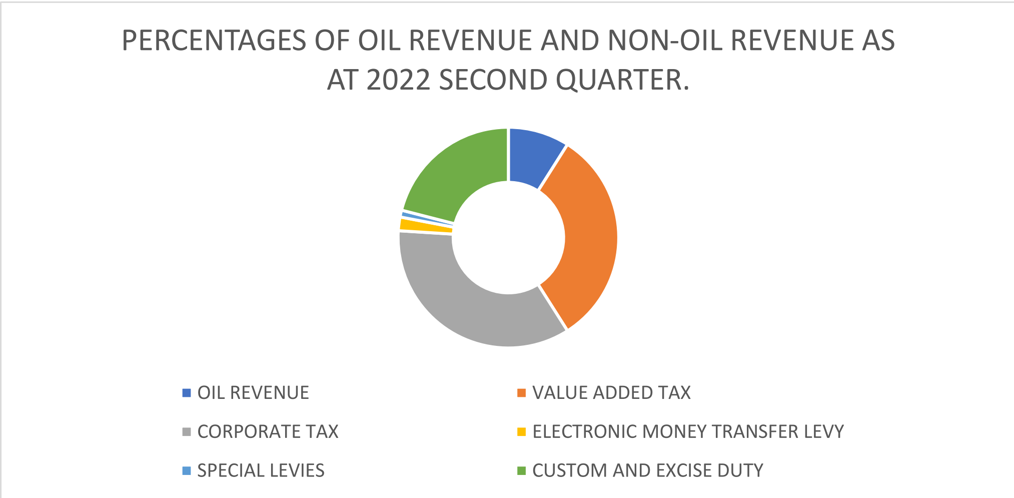


Fig. 10:Percentages of Oil Revenue and Non-Oil Revenue as at 2022 Second Quarter

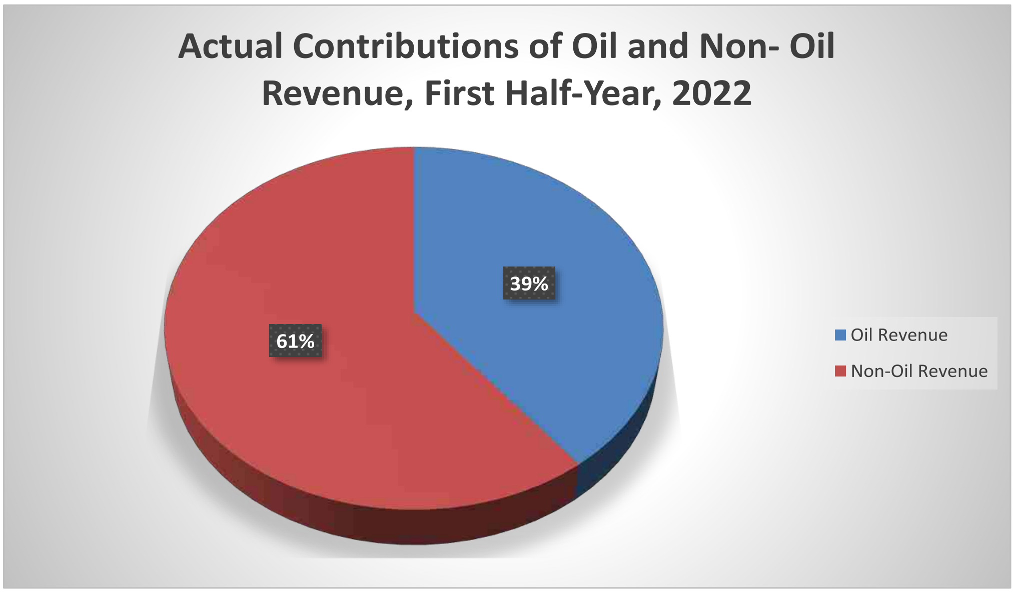


Fig.11:Actual Contributions of Oil and Non-Oil Revenue, First Half-Year, 2022

2.11.2 FGN Budget Revenue Performance for first half – year, 2022

Based on the 2022 Budget Framework, the sum of ₦8,240.78 billion excluding GOEs was projected to fund the Federal Budget indicating a quarterly share of ₦2,060.19 billion. Accordingly, the sum of ₦4,120.39 billion was projected to fund the Federal Budget for the second quarter of 2022. However, a total of ₦2,402.23 billion was realized at the same period under review. This amount denotes a shortfall of ₦1,718 billion (41.70%).

FGN Performance Analysis of Revenue Categories for first half – year, 2022

i. Oil Revenue

A breakdown of the Oil Revenue indicates that, the sum of ₦653.52 billion was realized from the share of oil revenue as at the second quarter of 2022. This was lower than the estimated figure of ₦1,095.19 billion by ₦441.67 billion (40.33%).

FGN's share of Dividend (NLNG) of ₦97.86 billion was projected for the first half – year while ₦93.70 billion was received. This denotes a shortfall of ₦4.16 billion (4.25%) within the period.

Table 2.17: FGN Revenue Performance for 2022 Half-Year

REVENUE CATEGORY	2022		ACTUAL V BUDGET	
	BUDGET	ACTUAL	VARIANCE	
	Nbn	Nbn	Nbn	%
FGN Share of Oil Revenue	1,095.19	653.52	-441.67	-40.33
FGN Share of Dividend	97.86	93.70	-4.16	-4.25
FGN Share of Minerals and Mining	1.46	1.93	0.47	32.19
FGN Share of Non-Oil Revenue	1,066.04	951.52	-114.52	-10.74
Company Income Tax (CIT)	454.65	450.88	-3.77	-0.83
Value Added Tax (VAT)	158.30	154.08	-4.22	-2.67
Custom Duties	417.06	346.52	-70.54	-16.91
Share of Federation Account Levies	35.99	0.00	-35.99	-100.00
Share of Oil Price Royalty	48.47	0.00	-48.47	-100.00
Independent Revenue	1,308.11	466.84	-841.27	-64.31
Transfers from Special Levies	150.00	65.14	-84.86	-56.57
Signature Bonus, Renewals. Early Rene	140.43	140.43	0.00	0.00
Domestic Recoveries, Assets, Fines	13.47	0.00	-13.47	-100.00
Stamp Duties	14.68	13.62	-1.06	-7.22
Grants and Donor Funding	31.69	0.00	-31.69	-100.00
Education Tax (TETFUND)	153.00	15.54	-137.46	-89.84
Total Revenue Available for FGN Budget (Excluding GOEs)	**4,120.39**	**2,402.23**	**-1,718.16**	**-41.70**

Source:BIR 2022 Second Quarter and half year

The sum of ₦1.93 billion was received as share of Minerals and mining for the first half-year against the projection of ₦1.46 billion, indicating an increase of ₦0.47 billion (32.19%).

i. Non- Oil Revenue

The same table below reveals that, the Non-Oil Revenue of ₦951.52 billion was achieved in the first half-year against ₦1,066.04 billion budgeted for the period. This represented a decrease of ₦114.52 billion (10.74%) as at the second quarter of 2022.

This shortfall was because of the underperformance of the Non-Oil Revenue sub-heads of CIT, VAT, Custom/Excise Duty and Special Levies, which had shortfalls of ₦3.77 billion (0.83%), ₦4.22 billion (2.67%), ₦70.54 billion (16.91%) and 84.86 billion (56.57%) as against the projected amounts of ₦454.64 billion, ₦158.30 billion, ₦417.06 billion and ₦150 billion respectively.

ii. Independent Revenue

The same table indicates that, the Independent Revenue of ₦466.84 billion was realized in the first half-year of 2022, against ₦1,308.11 billion projected for the period. This represented a decrease of ₦841.27 billion (64.31%) as at the second quarter.

The Transfers from Special Levies Accounts for the first half-year was projected at ₦150.00 billion. At the end of the period, only ₦65.14 billion was received. This represents a shortfall of ₦84.86 billion (56.52%).

The Signature Bonus, Renewals and Early Renewals Revenue categories for the first half – year were projected at ₦140.43 billion, and the same amount was achieved during the period. The sum of ₦13.62 billion for Stamp duty was received as against ₦14.68 billion projected for the period, representing a slight shortfall of ₦1.06 billion or 7.22%.

Education Tax (TETFUND) was projected at 153 billion for the period and only a paltry sum of 15.54 billion was received representing an underperformance of 137 billion (89.84%).

There were no records of contributions from GOEs, Domestic Recoveries and Grants & Donor Funding, towards financing the budget in the half year Budget Implementation Report for 2022.

Table 2.18: Comparison of FGN Actual Revenue Performance for Half Year 2022 against 2021

REVENUE CATEGORY	2021 HALF YEAR ACTUAL	2022 HALF YEAR ACTUAL	HALF YEAR 2022 VS HALF YEAR 2021 VARIANCE	
	Nbn	Nbn	Nbn	%
FGN Share of Oil Revenue	538.31	653.52	115.21	21.40
FGN Share of Dividend	78.20	93.70	15.50	19.82
FGN Share of Minerals and Mining	1.67	1.93	0.26	15.57
FGN Share of Non-Oil Revenue	778.18	951.52	173.34	22.28
Company Income Tax (CIT)	397.02	450.88	53.86	13.57
Value Added Tax (VAT)	129.00	154.08	25.08	19.44
Custom Duties	234.02	346.52	112.50	48.07
Share of Federation Account Levies	18.14	0.00	-18.14	-100.00
Independent Revenue	558.13	466.84	-91.29	-16.36
Transfers from Special Levies	111.60	65.14	-46.46	-41.63
Signature Bonus, Renewals. Early Rene	245.27	140.43	-104.84	-42.74
Domestic Recoveries, Assets, Fines	0.00	0.00	0.00	0.00
Stamp Duties	0.00	13.62	13.62	0.00
Grants and Donor Funding	0.00	0.00	0.00	0.00
Education Tax (TETFUND)	0.00	15.54	15.54	0.00
Total Revenue Available for FGN Budget (Excluding GOEs)	**2,311.36**	**2,402.23**	**90.87**	**3.93**

Source:BIR 2021 Second Quarter and half year and BIR 2021 Second Quarter and half year

It is observed from the table above that oil revenue performance improved when compared to the levels in 2021 for the revenue sources and broad category in the second quarter of 2022. The Non-oil revenue items of Company Income tax, Value added tax and Custom Duties also performed better when compared to their respective levels in 2021. The increase in performance of the oil revenue could be credited to the increase in the price of crude in the international market due to the ongoing Russia and Ukraine war which disrupted production/supply chain. While the increase in non-oil revenue sources could be attributed to inflation and increases in economic activities after the phases of lockdowns due to the different waves of COVID-19.

However, Independent Revenue, transfers from Special Levies and Signature Bonus, Renewals and early renewals all performed below their corresponding values in 2021.

2.11.3 FISCAL DEFICIT AND DEFICIT FINANCING

Comparison and Analysis of Fiscal Deficit and Deficit Financing Items in 2022 – 2024 MTEF and 2022 FGN Budget

Fiscal Deficit

Budget deficit in the 2022 – 2024 MTEF/FSP was projected at ₦5,622.63 billion, this amount including GOEs and Project-tied loans and ₦4,643.25 billion was projected excluding the GOEs and project-tied loans in MTEF of same period. However, in the 2022 Budget, the sum of N6,206.98 billion was budgeted excluding GOEs and Project-tied loans. This amount denotes an increase of ₦1,563.73 billion which translates to 33.67% deviation from the MTEF projection.

Deficit Financing

The Financing Items projected to finance the fiscal deficit in 2022 – 2024 MTEF were:

i. Privatization Proceeds
ii. Multi- lateral/Bi-lateral Project-tied loans
iii. Domestic Borrowing
iv. Foreign Borrowing

Table 2.19 below shows the projected values allocated to the Deficit Financing Items (DFI) in 2022-2024 MTEF and 2022 Budget as well as the total Fiscal Deficit including GOEs and Project-tied loans. The sum of N90.73 billion was projected both in the 2022-2024 MTEF and 2022 Budget to be financed from Privatization Proceeds. While in the case of Multi and Bi-lateral loans, the sum of ₦1,155.82 billion budgeted in 2022 against the projected sum of ₦638.32 billion in the 2022-2024 MTEF. This depicts an increase of ₦517.50 billion which translates to 81.07%.

The same table also reveals that, the sum of ₦2,446.80 billion was projected in the 2022 – 2024 MTEF/FSP for both Domestic and Foreign Borrowing, while in 2022 budget the sum of ₦3,533.74 billion and ₦2,569.93 billion were projected for Domestic and Foreign borrowing respectively. This indicates an increase of ₦1,086.94 billion (44.42%) and ₦123.13 billion (5.03%) respectively as against the projection in the MTEF/FSP.

Table 2.19: Comparison and Analysis of Fiscal Deficit and Deficit Financing Items

Fiscal Items	Projections		Variance (MTEF 2022 - 2024 vs 2022 Budget)	
	2022-2024 MTEF (Nbn)	2022 Budget (Nbn)	(Nbn)	%
Fiscal Deficit				
Fiscal Deficit (excluding GOEs and Project-tied loans)	4,643.25	6,206.98	1,563.73	33.67
Total Fiscal Deficit (including GOEs and Project-tied loans)	5,622.63		-5,622.63	-100
Deficit Financing Items				
Privatization Proceeds	90.73	90.73	0.00	0
Multi- lateral/Bi-lateral Project-tied loans	638.32	1,155.82	517.50	81.07
Domestic Borrowing	2,446.80	3,533.74	1,086.94	44.42
Foreign Borrowing	2,446.80	2,869.93	123.13	5.03

Source: 2022-2024 MTEF and FRC

Fiscal Balance for the year 2022

The 2022 Budget Deficit (Inclusive of Government Owned Enterprises and Project- tied Loans) was projected at ₦7,350.22 billion. This value represents 3.98% of the estimated Gross Domestic Product (GDP) of ₦184,381.96 billion for the 2022 fiscal year.

Budget Deficit Projection and Performance of the Budget Deficit Financing Items

Budget deficit is the difference between all the receipts and all the expenses in both terms. In a balanced budget, the revenue and expenditure must be equal. During the period under review (2022), there was deficit in the FGN's annual budget. Deficit financing is part of the expected receipts to fund the budget. It is therefore imperative to measure its performance/contributions in funding the annual budget against the projected values. Underperformance of the deficit-financing items will affect the funding of the budget, resulting in low budget performance which may lead to poor execution of projects or programs of Government. Table 2.20 below shows the projected and actual fiscal deficits for half year 2022.

Table 2.20: Budget Deficit and Deficit Financing Items

Items	2022 Budget			Half year,2022 Actual	Variance (Half year Actual Vs Budget) 2022	
	Annual (NBn)	Quarterly (NBn)	Half Year		NBn	%
Fiscal Deficit (Excluding GOEs Budgeting & project-tied Loans)	(6,206.98)	(1,551.75)	(3,103.49)	5,499.29	(2,395.80)	77.20
Financing Items:						
Privatization proceeds	90.73	22.68	45.37	0.00	(45.37)	(100.00)
Multi-lateral/ Bi-lateral project-tied Loans	1,155.82	288.96	577.91	0.00	(577.91)	(100.00)
Foreign Borrowing	2,569.93	642.48	1,284.97	510.21	(774.75)	(60.29)
Domestic Borrowing	3,533.74	883.43	1,766.87	2,300.00	533.13	30.17
Fiscal Deficit (Including GOEs Budgeting & project-tied Loans)/Total	7,350.22	1,837.56	3,675.11	2,810.21	(864.90)	(23.53)

Source: Half year, 2022 BIR

Deficit Financing

Deficit Financing for the 2022 fiscal year was projected to be achieved basically from the financing items in Table 2.20 above. The budgeted deficit sum of N7,350.22 billion was to be financed as follows:

i. Privatization proceeds - ₦90.76 billion (1.23%)
ii. Multi-lateral/ Bi-lateral project-tied Loans- ₦1,155,82 billion (15.73%)
iii. Foreign Borrowing - ₦2,569.93 billion (34.96%)
i. Domestic Borrowing - ₦3,533.74 billion (48.08%)

The annual projected deficit financing figures allocated to the financing sources shows that, Foreign and Domestic Borrowing had the highest amount of ₦2,569.93 billion and ₦3,533.74 billion which translates to 34.96% and 48.08% of the annual budgeted amount respectively. Multi-lateral/Bi-lateral loans followed with ₦1,155.82 billion (15.73%), while Privatization proceeds was the least amongst the financing sources with ₦90.76 billion (1.23%) of the total projected deficit for year 2022.

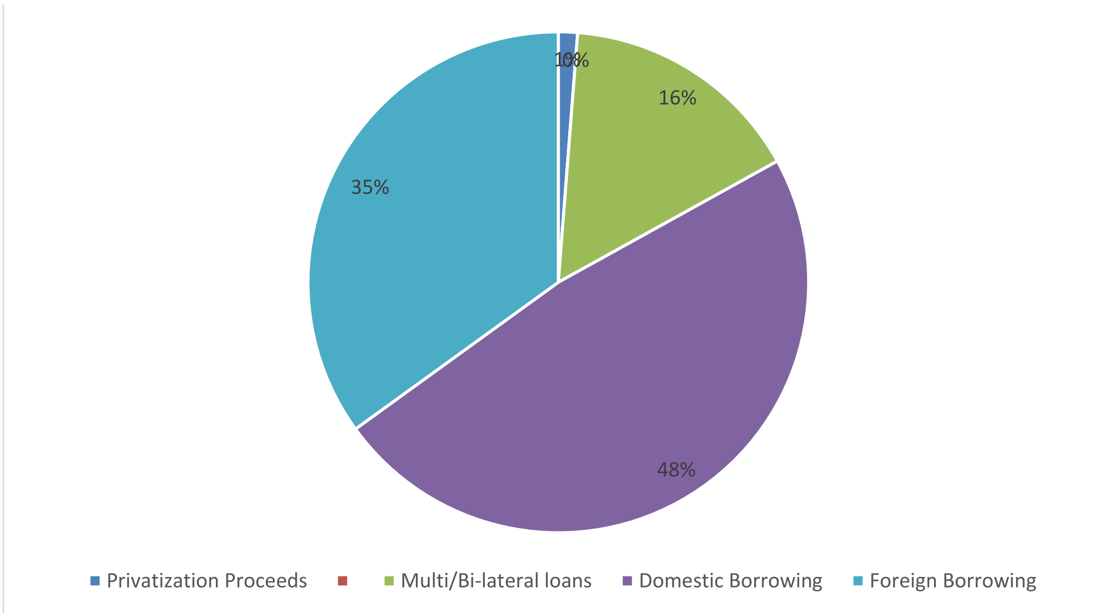


Fig.12:Annual Budget for Deficit Financing items, 2022

Implementation and Performance of the Deficit Financing Sources in 2022 Fiscal Year

The Budget Deficit projection in year 2022 was ₦7,350.22 billion in which only ₦2,810.21 was achieved from only two out of the four deficit financing sources projected in the budget. This translates to 38.23% implementation in the first half year.

Domestic Borrowing contributed ₦2,300.00 billion (81.84%) while foreign borrowing had ₦510.21 billion (18.16%) of the ₦2,810.21 billion deficit financing achieved during the 2022 fiscal year.

It is instructive to note that, the sum of ₦1,766.87 billion and ₦1,284.97 billion were budgeted to be achieved in the first half year 2022 from Domestic and Foreign borrowing respectively. The sum of ₦2,300.00 billion was achieved in the first half year of 2022 against the budgeted sum of ₦1,766.87 billion with an increase of ₦533.13 billion (30.17%). In the case of foreign borrowing, the sum of ₦510.21 billion was achieved as against ₦1,284.97 billion with a decrease of ₦774.75 billion (60.29%). These variances may be attributed to the recent reclassification of Nigeria as a Lower-Middle-Income country which caused limited funding access from concessional borrowing (Multi-lateral and Bi-lateral loans), there was more reliance on market-based financing (Domestic borrowing) with high interest rates and short amortization period.

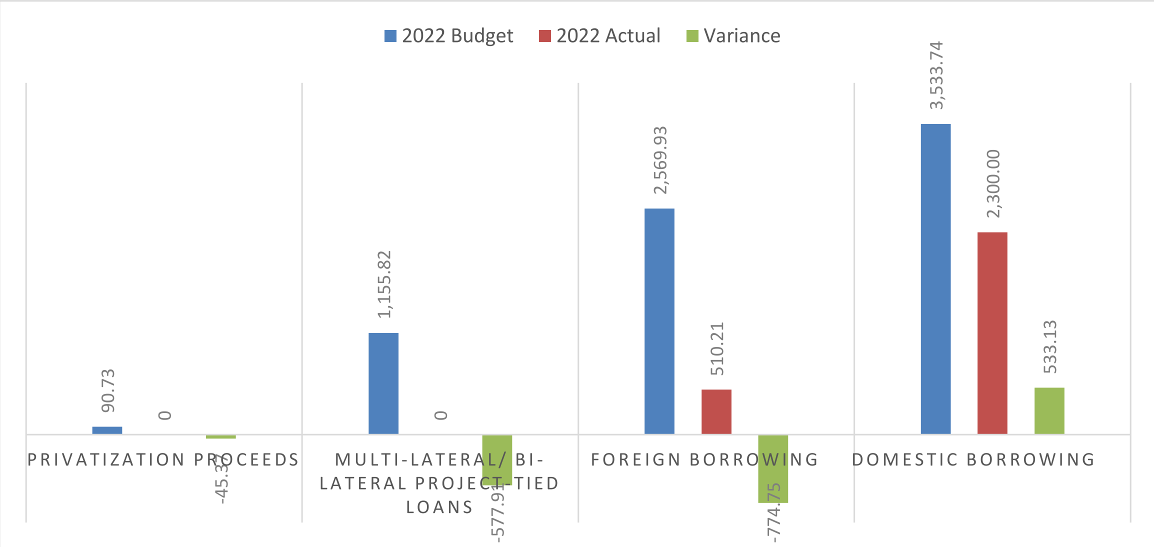


Fig. 13: Budget, Half Year Actual and Variance of 2022 Deficit Financing Items

ASSESSMENT OF THE 2022 HALF YEAR REVENUE PERFORMANCE USING PEFA AND FTC

2022 FGN HALF-YEAR BUDGET EXPENDITURE PERFORMANCE ANALYSIS

Observations and Analysis from the General Overview

Note: As of July 2023, when this report was prepared, only half-year Budget Implementation Report was made public.

Table 2.21 and 2.22 below, clearly show the following:

1. The 2022 half-year Total FGN Budget (exclusive of GOEs Budget & Project-tied loans) sum up to ₦7,223.88bn while its actual corresponding expenditure was ₦7,913.98bn.

2. This led to an increase over the budgeted sum. That is, a positive variance of ₦690.10bn which is a 9.55% of the budgeted sum.

3. Despite this general increase over the budgeted sum, all the expenditure heads had negative variances of various degrees except Overhead Cost, Domestic Debts Service and Statutory Transfers which had positive variances at different figures, while Presidential Amnesty Program had a nil variance.

4. It was also observed that there were newly introduced expenditure heads. They were not included in the initial budget plan but during execution of the 2022 budget, they were brought in. They are, namely: Interest in Ways and Means, and Capital Development Fund (Main)-2021 in 2022.

5. Apart from the above, looking at the sub-totals; only the non-Debt sub-total performed below the budgeted for the half-year budget implementation with the sum of ₦561.32bn. That is, a negative variance of 18.64%.

6. Every other sub-total had a positive variance with the Total Capital Expenditure (exclusive of Transfers) having the highest positive percentage variance of 33%.

Table 2.21: 2022 Half-Year Expenditure Performance

S/NO	ITEMS	2022 ANNUAL BUDGET	2022 HALF YEAR BUDGET	2022 HALF YEAR ACTUAL EXPENDITURE	VARIANCE: ACTUAL VS BUDGET IN ₦bn	VARIANCE: ACTUAL VS BUDGET IN %
	EXPENDITURE:	₦bn		₦bn	₦bn	%
1	**RECURRENT EXPENDITURE**					
2	Personnel Cost	3,655.77	1,827.89	1,716.37	- 111.52	- 6.10
3	CRF Pensions	577.86	288.93	191.05	- 97.88	- 33.88
4	Overhead Cost	371.73	185.87	251.03	65.17	35.06
5	Other Service Wide Votes (+ Gavi/Immunization)	987.92	493.96	259.52	- 234.44	- 47.46
6	Presidential Amnesty Programme	65.00	32.50	32.50	-	-
7	Tetfund-Recurrent	15.30	7.65	-	- 7.65	- 100.00
8	Special Intervention (Recurrent)	350.00	175.00	-	- 175.00	- 100.00
9	**Sub-Total Non-Debt**	**6,023.57**	**3,011.79**	**2,450.47**	**- 561.32**	**- 18.64**
10	Domestic Debts Service	2,562.15	1,281.08	1,333.41	52.34	4.09
11	Foreign Debts	1,123.23	561.62	549.70	- 11.92	- 2.12
12	Total Debt Service	3,685.38	1,842.69	1,883.12	40.43	2.19
13	Interest on Ways & Means	-	-	714.74	714.74	
14	Sinking Fund to Retire Maturing Loans	270.71	135.36	-	- 135.36	- 100.00
15	**Sub-Total (Debts)**	**3,956.09**	**1,978.05**	**2,597.85**	**619.81**	**31.33**
16	**Total Recurrent Expenditure**	**9,979.66**	**4,989.83**	**5,048.33**	**58.50**	**1.17**
17	**CAPITAL EXPENDITURE**					
18	Capital Dev. Fund (Main)-2021 in 2022	-	-	1,240.31	1,240.31	
19	Capital Dev. Fund (Main)-2022	2,750.89	1,375.45	1,043.13	- 332.32	- 24.16
20	Capital Supplementation	455.59	227.80	162.22	- 65.58	- 28.79
21	Special Intervention (Capital)	7.00	3.50	-	- 3.50	- 100.00
22	TETFUND Capital Expenditure	290.70	145.35	-	- 145.35	- 100.00
23	Grants and Donor Funded Projects	63.38	31.69	-	- 31.69	- 100.00
24	FGN Share of Oil Price Royalty Transferred to NS	96.94	48.47	-	- 48.47	- 100.00
25	**Total Capital Expenditure**	**3,664.50**	**1,832.25**	**2,445.67**	**613.42**	**33.48**
26	**TRANSFERS**					
27	Statutory Transfers	803.60	401.80	419.98	18.18	4.52
28	**TOTAL FGN BUDGET (Exclusive of GOEs Budget & Project-tied Loans)**	**14,447.76**	**7,223.88**	**7,913.98**	**690.10**	**9.55**

Source: OAGF and Budget Office of the Federation

Note: The total Expenditure does not include Multi/Bi-lateral Projected loans.

Table 2.22: 2022 Half-Year Expenditure Performance (Summary)

S/NO	ITEMS	2022 HALF-YEAR BUDGET ₦bn	2022 HALF-YEAR ACTUAL EXPENDITURE ₦bn	VARIANCE: ACTUAL VS BUDGET IN ₦bn	VARIANCE: ACTUAL VS BUDGET IN %
1	NON-DEBTS	₦3,011.79	₦2,450.47	-₦561.32	- 18.64
2	DEBTS	₦1,978.05	₦2,597.85	₦619.81	31.33
3	Total Capital Expenditure (Exclusive of Transfers)	₦1,832.25	₦2,445.67	₦613.42	33.48
4	Statutory Transfers	₦401.80	₦419.98	₦18.18	4.52

2.11.5 Observations and Analysis on 2022 Half-Year Sub-Totals of Budget and Actual Expenditure Expressed in Percentages of Their Grand Totals, and Their Variances: Actual Vs Budget

Figures 14, 15 and 16 below reveal the following:

i. The allocations planned for amongst the sub-totals are Total Capital Expenditure (exclusive of Transfers) 25%; Debts 27%; Non-Debts 42% and Statutory Transfers 6%. While during the execution of this half-year budget, Total Capital Expenditure (exclusive of Transfers) stood at 31%; Debts 33%; Non-Debts 31% and Statutory Transfers 5%.

ii. That the Non-Debts Expenditure was the worst hit during the half-year 2022 budget execution.

iii. That every other sub-total performed above its budget at different levels.

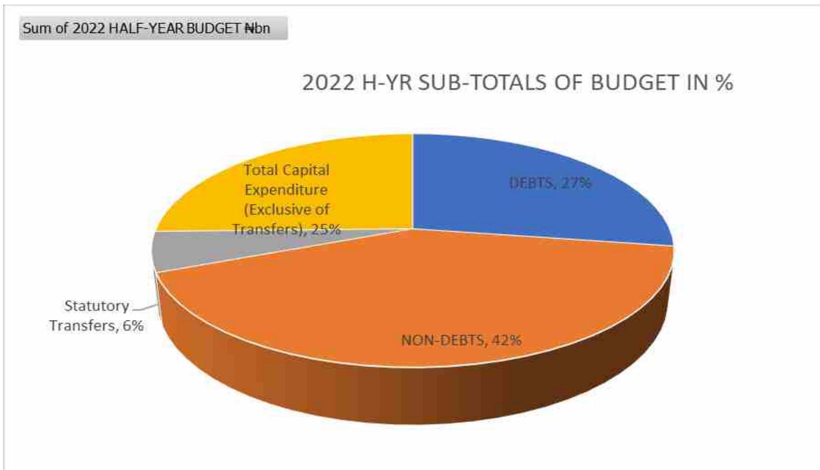


Fig. 14:2022 Half-Year Sub-totals of Budget in %

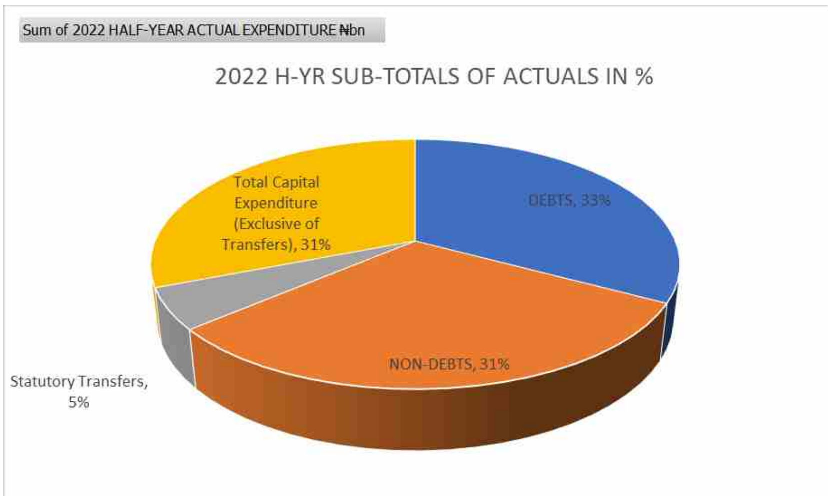


Fig. 15:2022 Half Year Sub-totals of Actuals in %

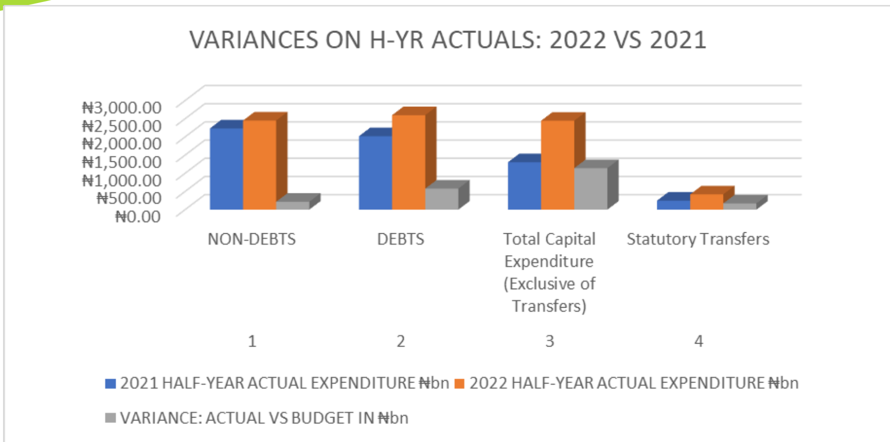


Fig.16: Variances on Half-Year Actuals: 2022 Vs 2021

2.11.6 Comparison between 2021 and 2022 Half-Year Actual Expenditures

Table 2.23 and figure 17 indicate that:

a. Every sub-total of the half-year actual expenditure of 2022 had positive variances when compared with its immediate previous year, 2021.

b. That is, there is a general rise across all sub-totals in 2022 half-year budget execution.

Table 2.23: 2021 and 2022 half-year performance of the Expenditure

S/NO	ITEMS	2021 HALF-YEAR ACTUAL EXPENDITURE ₦bn	2022 HALF-YEAR ACTUAL EXPENDITURE ₦bn	VARIANCE: ACTUAL VS BUDGET IN ₦bn
1	NON-DEBTS	₦2,234.05	₦2,450.47	₦216.42
2	DEBTS	₦2,020.17	₦2,597.85	₦577.68
3	Total Capital Expenditure (Exclusive of Transfers)	₦1,304.51	₦2,445.67	₦1,141.16
4	Statutory Transfers	₦248.26	₦419.98	₦171.72

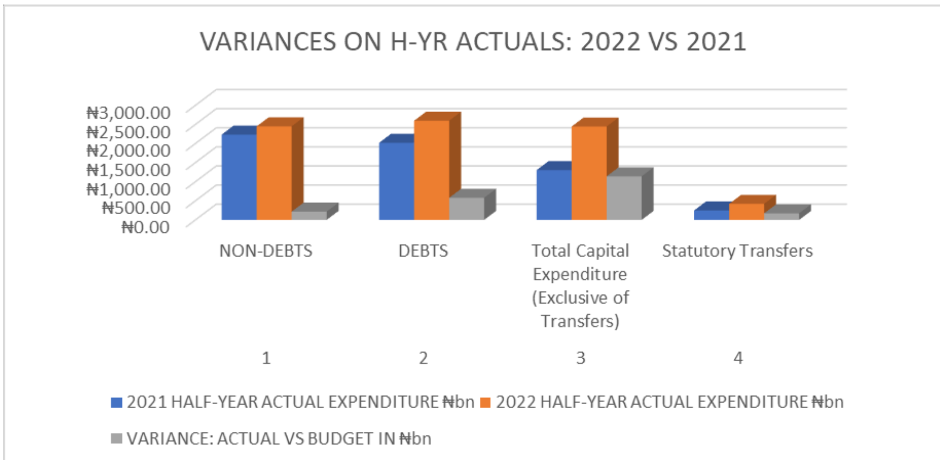


Fig. 17:Variances on Half year Actuals: 2022 Vs 2021

2.12 ASSESSMENT OF REVENUE AND EXPENDITURE PERFORMANCE USING PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY(PEFA) FRAMEWORK AND FISCAL TRANSPARENCY CODE(FTC) – 2022 HALF YEAR

i. Budget Reliability

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

The 2022 half-year budget projections and performance for oil and non-oil revenue as highlighted in Table 2.17 above clearly showed that there was revenue outturn (i.e., the change in revenue between the original approved budget and end-of-year outturn - PEFA) in the first half-year 2022.

For instance, the Gross Oil Revenue of N2,172.35 billion (actual) was realized in the first half-year as against N4,684.98 billion prorate budget projection for the same period. This denotes a short fall of N2,512.63 billion (53.63%). On the other hand, Gross Non-Oil Revenue of N3,236.60 billion was achieved in the first half-year against N3,329.67 billion budgeted for the period. This revealed a shortfall of N93.07 billion (2.80%).

Similarly, table 2.20 above further shows that, the actual half-year deficit financing of ₦2,810.21 billion came from Foreign and Domestic borrowing. The sum of ₦510.21 billion (18.16%) and ₦2,300 billion (81.84%) were the actual finances within the period under review as against the estimated sum of ₦3,051.84 billion.

It is instructive to note that the sum of ₦1,766.87 billion was estimated to come from Domestic borrowing for the first half year 2022 but the sum of N2,300.00 billion was the actual finance for the period under review. This exceeded the projected amount by ₦533.13 billion (30.17%).

On the side of the foreign borrowing, the sum of N1,284.97 billion was budgeted whilst the sum of N510.21 billion was realized in the period under review with a shortfall of N774.75 billion (60.29%).

The trend of the actual Gross Revenue and the Deficit financing on quarterly basis already showed deviations from the quarterly estimated figures. Therefore, the reliability on the budget and achievement of the set targets for the period under review were not met.

The 2022 half-year aggregate budget expenditure is ₦7,223.88billion but its outturn ₦7,913.97billion reflects a 109.55% of its original budget. Which is an increase/positive variance with the sum of ₦690.09billion (9.55%).

Whereas the reallocations between the main budget categories during execution had various degrees of variances contributed. Some Expenditure composition outturn variances were positive, some negative and some with nil variances.
The reliability of the FGN Budget can therefore be improved on.

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

In view of the trend, actual figures of the Aggregate Revenue, the unutilized financing items and projects and programs left for the remaining last half year indicate that the target for the deficit financing may not be achieved; invariably, the MTBF may not likely be the same with the annual budget projections at the end of the fiscal year, 2022.

ii. Transparency of Public Financing

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

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

iii. Management of Assets and Liabilities

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

A look at the first half-year of Budget Implementation Report for 2022, clearly shows that, the mid-year deficit financing from domestic borrowing was exceeded by N533.13 billion as against the projected N1,766.87 billion. This increased the level of exposure by 63.17% at the end of the second quarter of 2022.

On the foreign borrowing, there was an under-financing of N774.75 billion (60.29%) of N 1,284.97 billion projected for the first half-year 2022.

iv. Consistency with previous estimates: PEFA benchmarks

By PEFA standard, the budget documents provide an explanation of all changes to expenditure estimate. The Budget Implementation Report (BIR) for the first half-year 2022 shows that there was a change in deficit financing for domestic borrowing from N1,766.87 billion projected to N2,300.00 billion (actual) and foreign borrowing of N1,284.97 billion was budgeted whilst the sum of N510.21 billion was realized with a shortfall of N774.75 billion (60.29%) for the period under review, but no explanation was given in the report.

v. Policy-based fiscal strategy and budgeting

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

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

a. A copy of the underlying revenue and expenditure profile for the next two financial years;

b. A report setting out actual and budgeted revenue and expenditure and detailed analysis of the performance of the budget for the 18 months up to June of the preceding financial year;

c. A revenue framework broken down into monthly collection targets prepared on the basis of the predetermined Reference Commodity price as contained in Medium-Term Expenditure Framework;

d. Measures on cost, cost control and evaluation of result of programs financed with budgetary resources;

e. A fiscal target appendix derived from the underlying Medium-Term Expenditure Framework setting out the following targets for that fiscal year:

- ***i. Target inflation rate,***
- ***ii. Target fiscal account balances,***
- ***iii. Any other development target deemed appropriate; and***

f. A fiscal Risk Appendix evaluating the fiscal and other related risks to the annual budget and specifying measures to be taken to offset the occurrence of such risks.

The 2022 budget documentation was not accompanied by all the documents as required by the above stated provisions, particularly:

i. ***A revenue framework broken down into monthly collection targets prepared on the basis of the predetermined Reference Commodity price as contained in Medium-Term Expenditure Framework;***

ii. ***A fiscal Risk Appendix evaluating the fiscal and other related risks to the annual budget and specifying measures to be taken to offset the occurrence of such risks.***

vi. Fiscal Strategy Adoption: PEFA benchmark

The Government has adopted, submitted to the legislature, and published current fiscal strategy that includes explicit time based quantitative fiscal goals and targets together with quantitative objectives for at least the budget year and the following two fiscal years. (MTEF 2022 -2024)

FTC: Macroeconomic risks

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

The budget document only included the fiscal forecasts to major macroeconomic assumptions, but no alternative scenarios and probabilistic forecasts of fiscal outcomes were included in the 2022 budget.

The analysis of the potential fiscal risks for oil and non-oil revenues and possible measures to control or mitigate them were not included in 2022 budget.

The budget deficit for the fiscal year 2022 was N6.2 trillion. This represents 3.64% of the estimated GDP for the year. This contravened the provisions of Section 12(1) of FRA, 2007. " *Aggregate expenditure and the aggregate amount appropriated by the National Assembly for each financial year shall not be more than the estimated aggregate revenue plus deficit, not exceeding three percent of the estimated GDP or any sustainable percentage as may be determined by the National Assembly for each financial year*".
In as much as the Finance Act of 2020 provides for scenarios where this deficit may exceed three percent of the estimated GDP, the Budget Document was not specific on the scenarios that led to the increase in the deficit.

vii. Predictability and control in budget execution

Good forecasting of Macroeconomic variables and control in budget execution is very important as it helps in achieving the set targets in a fiscal year.

The actual budget implementation for the first half-year under review (2022) shows under performance based on the forecast/budgeted values allocated to the budget items/variables (significant variance) for same period under review.

Still observed in the 2022 half-year budget execution, the government is committed to its stock of arrears as performance of Debt-Servicing is over 31% increase.

Regarding predictability of in-year resource allocation, one could say that it is still poor. For instance, there was a reduction in personnel cost execution in 2022 half-year budget execution while it was a nil variance in 2021. Also, total capital expenditure (excluding statutory transfers) in 2022 had a drastic positive variance, unlike in 2021 with a drastic negative variance.

FTC: Macroeconomic forecast

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

The 2022 First half-year BIR contained Revenue Outturns, the Revenue sub-heads and deficit financing for the first half-year as highlighted in tables 9 and 12 above. Reveals that, the Gross Oil Revenue of N2,172.35 billion (actual) was realized in the first half-year as against N4,684.98 billion prorate budget projection for the same period. This denotes a shortfall of N2,512.63 billion (53.63%). Similarly on the Domestic borrowing, the sum of N2.300.00 billion was borrowed as against the approved estimated amount of N1,766.87 billion. This indicated a variance of N533.13 billion (30.17%) at the end of the first half-year.

There was no explanation on the reasons for the variance within the period under review.

viii. Accounting and Reporting

PEFA: "*Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management and reporting needs*."

As of 31st July, 2023 only half-year of 2022 budget implementation report has been published. This is not good enough on comprehensiveness, accuracy, and timeliness of information on budget execution; it does not allow adequate monitoring of budget performance and, if necessary, timely use of corrective measures.

It therefore shows that Annual Financial Reports are not complete, timely and consistent with generally accepted accounting principles and standards, although, there is the general improvement on treasury operations.

2.13 RECOMMENDATIONS

In view of the foregoing assessment and observations, it is recommended as follows:

Preparation of MTEF/FSP

1. The macroeconomic, fiscal and monetary forecasts contained in the MTEF should be subject to review by another entity other than the preparing entity.
2. Government should include a range of fiscal forecast scenarios based on alternative macroeconomic assumptions in the MTEF.
3. The FGN needs to focus on non-oil revenue as this has proven to be more stable than oil-revenues.
4. The Government should allocate and spend more on productive infrastructure to achieve economic growth.
5. The President should set the consolidated public debt limit in line with Section 42 of FRA, 2007, to avoid unnecessary borrowings.
6. Projects and Programs involving Public Private Partnerships should be included in the MTEF.
7. The Government should reduce borrowing by enhancing its revenue generating base and ensure that MDAs remit the accurate operating surplus as and when due.
8. There should be timely preparation and submission of the MTEF to the National Assembly to enable scrutiny before presenting the annual budget.

Annual Budget

9. The government should include sensitivity analysis, alternative scenarios, and probabilistic forecasts of fiscal outcomes in both MTEF and the Annual Budget. This would reduce the probability of risks occurring and enhance the credibility of the forecasts to avoid optimism bias which would invariably translate to achieving the set targets.

10. In line with Section 19 of the FRA 2007, the Annual Budget should be accompanied by:
    i. A revenue Framework broken down into monthly collection targets prepared based on the Predetermined Reference Commodity Price as contained in the MTEF.
    ii. A Fiscal Risk Appendix evaluating the fiscal and other related risks to the Annual Budget and specifying measures to be taken to offset the occurrence of suck risks.
11. Government should ensure that the macroeconomic, fiscal and monetary forecasts as well as their underlying assumptions in the Annual Budget are as much as possible, derived from the MTEF.
12. The National Assembly should hasten and conclude the amendment of the FRA 2007 to provide for timelines for the preparation and passage of budget.
13. Government should always implement the budget within the appropriated limit.

Budget Implementation

14. The Consolidated Budget Implementation Report should clearly state with details, explanation of all changes to expenditure estimates if there is any.
15. Government should ensure that the sum appropriated for a specific purpose is used solely for the purpose specified in the Appropriation Act.
16. The Consolidated Budget Implementation Report on Deficit Financing should include GOEs and Project-tied loans.
17. Government should utilize the other deficit financing sources to fund the budget not only domestic borrowing.

Audit and Reporting

18. The FGN should ensure timely preparation, publication and dissemination of the annual financial report.
19. The Office of the Auditor-General for the Federation (OAuGF) should prepare and submit to the National Assembly within 3 months of the receipt of the financial reports and audit reports for the last three completed fiscal years.

2.14 PROJECTS EXPENDITURE CONTROL

The Commission's 2022 activities in the area of Projects Expenditure Control commenced with the distribution to MDAs of the report of the 2021 Projects Verification Exercise of Selected FGN Capital Projects.

The report contained a number of observations and findings, following which the under listed MDAs were invited to provide further information to the Commission:

- Nigerian Building and Road Research Institute (NBRRI)
- National Emergency Management Agency (NEMA)
- Federal Medical Centre, Yenagoa, Bayelsa State

In year 2022, a total number of seventeen (17) MDAs were written, requesting information on their projects to enable the Commission analyze the status of capital projects across the MDAs and plan the 2022 Projects Verification Exercise. Fifteen (15) of the MDAs, listed below, made submissions to the Commission:

1. Federal Ministry of Works and Housing
2. Federal Ministry of Health
3. Federal Ministry of Agricultural and Rural Development
4. Federal Ministry of Water Resources
5. Nigerian Police Force
6. Nigerian Correctional Services
7. Nigerian Security Civil Defense Corps
8. Nigerian Immigration Service
9. Federal Fire Service
10. Universal Basic Education Commission
11. Federal Capital Development Agency
12. Small and Medium Enterprise Development Agency of Nigeria
13. Federal Capital Territory Water Board Abuja
14. Abuja Geographic Information System
15. Abuja Environmental Protection Board.

Agencies that did not respond:

1. National Primary Health Care Development Agency.
2. Federal Ministry of Aviation.

Following an analysis of the information provided by the 15 MDAs, fifty-five (55) projects across seven (7) MDAs were selected for onsite verification.

PHYSICAL VERIFICATION OF SELECTED FGN CAPITAL PROJECTS

The Fiscal Responsibility Commission, in fulfilling its mandate as contained in the FRA 2007, under Section 2, subsection 1a and Section 30, carried out Physical Verification Exercise of selected FGN Capital Projects in the 6 geopolitical zones of the country from

January 23 through February 4, 2023. Though a 2022 exercise, it could only be undertaken in the first quarter of 2023, as a result of budget releases. Amidst the security challenges in the country, FRC's Project Verification Exercise for 2022 was successful and this section contains the report of the exercise.

The exercise covered projects spread across Works and Housing, Water Resources, Health, Nigeria Correctional Services and Nigeria Immigration Services in the 6 zones.
The aim of the exercise was to verify compliance of MDAs with provisions of the Fiscal Responsibility Act (FRA) 2007. More specifically, the exercise sought to:

- verify that procurement processes are adhered to in awarding contracts;
- confirm judicious utilization of government fund released for the projects.
- compare budgetary provisions with actual expenditures on projects;
- ascertain reasons for abandoned and delayed projects, if any;
- encourage citizens' participation and interest in projects located in their domains; and
- Verify the existence of the selected capital projects, physically.
- Produce a report that will serve as a reference tool and guide FG decision-making.

Methodology

In order to achieve the objectives of the exercise, the following methodology was adopted:

- Requesting and obtaining financial and technical data from MDAs on projects embarked upon within the 3 preceding years;
- Reviewing submissions from MDAs to establish budget performance;
- Physical verification of projects along with MDA officials, Contractors and Consultants;
- Obtaining progress reports on each project from MDA officials/Client Agency, Contractors, Consultants and other stakeholders to guide decision-making;
- Reporting on each project visited - including findings and recommendations.

Challenges and Constraints

The exercise encountered the following challenges:

- Lack of vital and timely data from MDAs;
- MDAs providing non-technical guides to accompany FRC teams to projects;
- Failure of some contractors to be present at project sites;
- Security challenges discouraging access to certain project sites.

In what follows, we present a summary of the report of the Physical Verification Exercise according to the 6 geo-political zones.

NORTH-CENTRAL

1. Dualization of Suleja-Minna Road, phase 1 in Niger state. C/No. 6077
2. Construction of Iluke–Ayetoro Kiri-Abugi-Eggan Road in Kogi state. C/No. 6765.
3. Tada Shonga Irrigation Project, Kwara state
4. Construction of one Block of 6 nos. of 2 Bedroom flats at (NSCDC) Niger state Command
5. Construction of Nigeria Immigration Service Command Office Complex at Lokoja, Kogi state
6. Construction of 1 (One) block of 24 units 1 bedroom block of flats for officers of Nigerian Correctional Service
7. Construction of solid concrete standard perimeter fence at Kabba Custodial Centre at Lokoja
8. University of Ilorin Teaching Hospital (UITH), Kwara state
    a. Completion of Radiotherapy Building
    b. Construction and equipping of New Oxygen Plant
    c. Construction and furnishing of school complex (student's blocks of hostels, classrooms, auditorium and furniture/accessories.

Fig. 1Stretch of the constructed carriageway of the Suleja-Minna road in Niger State

Fig.2 View showing 150mm thick crushed stone base course of Iluke – Ayetorokiri- Abugi- eggan road in kogi State

NORTH-EAST

1. Rehabilitation of Numan-Jalingo federal highway in Adamawa/Taraba State
2. Rehabilitation of Cham-Numan Section of Gombe–Yola Road in Adamawa State 46 kilometers road
3. Construction of Bauchi Immigration Service State Command Office Complex Durum
4. Construction of State Command administrative complex with in-built cells and armoury, Nigeria Security and Civil Defence Corps Bauchi State
5. Construction of Command Office Complex, Gombe State
6. Construction of Potiskum water supply phase 1
7. Construction of Potiskum water supply phase 2
8. Damaturu Water Supply Project, at Malam Matari &Amp; service area (Lot A)
9. Damaturu Water Supply Project, at Murfakalam (Lot B)
10. Damaturu Water Supply Project, at Samsuma (Lot C)
11. Federal Medical Centre, Jalingo, Taraba State

A. Construction and Furnishing of Neo-natal wing of maternal and child care complex
B. Construction and furnishing of theatre complex
C. Construction and equipping of Accident and Emergency complex

12. Construction of 3 nos. of 8-clasrooms block at Police Secondary School, Kumo, Gombe State
13. Construction of Standard Perimeter Fence (Phase I} Jalingo

Fig. 20 Inner view of the Command Office Complex, Gombe State

NORTH-WEST

1. Rehabilitation of Abuja-Kaduna Zaria-Kano dual carriageway, Section II Contract No.6350 in Kaduna State
2. Construction of Kaduna eastern bypass with spur to Rabah road, C/No.5346
3. National Eye Centre Kaduna
   a. Rehabilitation/repairs of block D, block J and transit hostel
   b. Renovation of 14 rooms in transit hostel
   c. Renovation of block J (lecture theatre)
   d. Procurement of medical equipment
   e. Supply of Optical Coherence Tomography Angiography
4. Construction of Nigeria Immigration Service staff quarters, Kaduna
5. Federal Teaching Hospital, Katsina
   a. Remodeling and expansion of A&E complex
   b. Construction of 6-Suite modular theatre
   c. Procurement of Pediatrics unit equipment
   d. Construction of Oncology and Radiotherapy Complex
6. Construction of 1 no. administrative block at Nigeria Police Force secondary school, Kabo, Kano State
7. Construction of 300-seater capacity lecture theatre at Nigeria Police Force secondary school, Kano, Kano State

8. Construction of 1no. block of classrooms and laboratories at Nigeria Police Force secondary school, Kano, Kano State
9. Construction of staff quarters (1 no. block of 18 flats – two storey building at NIS, Hotoro, Kano

Fig. 32 Renovated Block D (female Students Hostel) at National Eye Centre, Kaduna State

SOUTHEAST

1. Rehabilitation of Achingali-Udoobi- Udo-Na–Umunwanwa- Ubakala road including bridges across Imo River in Imo-State, contract no: 6760
2. Federal Medical Centre Umuahia, Abia State
   a. Completion of on-going construction of modern Accident/Emergency department with modern intensive care unit
   b. Construction of 1.5km internal ring road
   c. Construction of two storey house officers building with flats
   d. Rehabilitation of Newborn Unit
3. Construction of Adada river dam, Enugu, Enugu State
4. Rehabilitation of Nsukka-Obollo-Ikem-Ehamufu-Nkalagu road, contract no.5962
5. Construction of Nigeria Immigration Service, State Command office complex, Owerri, Imo-State

6. Construction of 10 nos. classrooms at Enugu training school of Nigeria Security and Civil Defence Corps, Orji-River, Enugu- state
7. Reconstruction of Oso-Owutu Road in Ebonyi State, contract no:6577.
8. University of Nigeria Teaching Hospital (UNTH) Enugu-State
   A. Construction of 1 no. 2storey office complex for administration department.
   B. Construction of 1 no. bungalow, access road &street light for Nuclear Medicine Unit
   C. Administrative building for training school of nursing, midwifery and medical laboratory
   D. Construction of 1 no, two storeys building for thoracic centre of excellence
   E. Multi-purpose pharmacy building

Fig. 47Completed two storey house officers building with flats FMC, Umuahia, Abia state

SOUTH-SOUTH

1. University of Port Harcourt Teaching Hospital (UPTH) Projects
   a. Construction of Integrated Kidney Dialysis and Transplantation Centre,
   b. Construction of ENT Building,
   c. Supply and installation of dental units, and
   d. Construction of psychiatric building
2. Reconstruction of Nung Udoe- Etinan- Ekom Iman road in Akwa- Ibom state with contract no 6236.

3. Rehabilitation of Calabar-Obang-Ekang Road, (Section1), Cross River State
4. Rehabilitation of Ogoja-Abuochiechi road Cross Riverstate (Mbok Junction-Ogoja-Abuochech)
5. Construction of Nkari Dam, Akwa Ibom state
6. Construction of Nigerian Immigration Service Command Office Complex at Greater Port Harcourt, Rivers State
7. Construction of Jetty with piling, fencing (290m Perimeter), landscaping (176m^2), construction of boy's quarters (4 Rooms BQ) and metal works at Ibaka control post, Akwa-Ibom State
8. Construction of Medium Custody Block (At1) at 3000 Capacity MSCC Bori, Nigerian Correctional Service, Rivers State
9. Construction of Medium Custody Block (At3) at 3000 Capacity MSCC Bori, Nigerian Correctional Service, Rivers State

Fig. 55 Entrance to the ENT Building UPTH, Rivers State

SOUTHWEST

1. Rehabilitation of Ila Orangun–Ora-Ilale–Ekan Meje Road with spur to Oke Ila in Osun state and Kwara state border
2. Rehabilitation of Osogbo – Ilesha Road and addendum (Km.0+000 – Km.31+025) in Osun State

3. Construction of prototype command office complex at Ondo state command headquarters, Akure, Ondo state (Nigerian Immigration Service)
4. Construction of student's hostel block (One Story Building) at Nigerian Correctional Academy, Ijebu-Igbo, Ogun state (Nigerian Immigration Service)
5. Construction of standard perimeter fence at Medium Security Custodial Centre (MSCC) Ile-Ife (Nigerian Immigration Service)
6. Federal Medical Centre (FMC), Owo, Ondo state
   a. Construction of infectious disease/ isolation ward
   b. Construction of Geriatric Care Centre, Oka Akoko, Ondo state
   c. Completion of Construction of Accident & Emergency complex, Owo Ondo state
7. Federal Medical Centre (FMC), Abeokuta, Ogun State
   a. Construction of radiotherapy centre
   b. Construction of, and equipping of, pediatric children Accident & Emergency building
   c. Construction and equipping of isolation centre
   d. Construction of Medical Director's office.
8. Construction of State Command Administrative Complex with in-built cell and armoury of Nigeria Security and Civil Defence Corps (NSCDC), Osogbo, Osun State
9. Ogbese Multi-Purpose dam project in Ekiti state

Fig. 65 Overview of the completed NIS Command Office Complex, Akure, Ondo state

Following the exercise, the teams made observations and recommendations which are contained in the report. However, general observations and recommendations have been summarized and presented hereunder:

General Observations and Findings

- Insecurity and activities of armed bandits have affected the progress of projects.
- Theft/vandalization of valuable equipment and materials on site is frequently reported.
- Inflation on prices of construction materials have been leading to variation of contract sums.
- Lack of coordination between the design unit and the procurement unit especially in hospitals.
- Adequate information is not obtained as sometimes State Controllers of Works are not carried along in road projects domiciled in their states of coverage.
- Inadequate releases/inadequate budgetary allocation for projects.
- Unavailability of Project Contractors, Consultants and other Project Officials for the exercise even when duly informed by the MDA
- While quality of some work has been adjudged to be commendable, some have been poorly done. Structural defects and poor finishing have been observed on some projects and poor-quality construction materials were used for some.
- Lack of expertise and capacity on the part of contractors was observed.
- Persistent communal clashes in some communities resulted in the death of some the contractor's staff.
- The high cost of materials occasioned by instability in foreign exchange rate was reported.
- Non-usage of already completed buildings as a result of lack of access road leading to termite infestation and vandalization was recorded.
- Financial details of some projects were not made available to FRC teams.
- Contract duration of most projects were observed to have elapsed
- The mandatory Monday sit-at-home enforcement by non-state actors in the South-East is affecting the pace of activities on project sites.
- Project documents were not made available for sighting by FRC team at some sites.

General Recommendations

- Timely release of funds/payment of certificates should be normalized.
- Security agencies should prioritize their coverage of sites of FG projects in order to improve access of contractors to their sites.

- Awarding MDAs should ensure adequate supervision and follow up on projects in other to avoid poor job status and abandonment.
- Alternative sources of energy, which will cost less compared to the cost of fossil fuels for powering generators should be explored on water supply schemes.
- Management of Federal Teaching Hospitals should ensure they prioritize projects they undertake each year, strictly monitor them and deliberately engender maintenance culture, to prolong the life and use of their completed projects.
- Awarding institutions should endeavour to include the provision of access road as part of the contract for projects situated in areas without access road, to ensure that the project can be used after completion.
- Federal Teaching Hospitals are encouraged to find alternative sources of funding, local and international, to augment budget releases to equip hospitals with required facilities.
- Federal Government should direct the Infrastructure Concession and Regulatory Commission (ICRC), FMH and the Federal Teaching Hospitals to work out special Public Private Partnership guidelines that will accelerate the acquisition and operation of high-end medical equipment, due to the cost of purchase, management and operations of such equipment.
- Client MDAs must ensure that contractors, consultants, and other project officials are on site during verification exercises to provide proper briefings. This will give visiting teams a 360-degree view of a project, thus deepening the FG's insight.
- The Federal Ministry of Works should ensure timely and effective communication between its HQ and its state offices, to enable its State Controllers stay up to date with information on financial commitments to projects. This will enhance the effectiveness of supervision by state offices.

DEBT, INDEBTEDNESS AND BORROWING

Chapter 3

Chapter Three

DEBT, INDEBTEDNESS AND BORROWING

3.1 INTRODUCTION

The framework, rules and conditions for indebtedness and borrowings by any tier of Government in the Federation, are contained in Parts IX and X of the Fiscal Responsibility Act (FRA), 2007.

Part IX of the Act specifically contains the framework and rules governing public debt and indebtedness, while Part X provides the conditions for borrowing by any tier of Government in the Federation.

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

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

To ensure that borrowings by Governments in the Federation are for only capital expenditure and human development as specified in section 41(1)(a) of FRA, 2007, the Commission constantly monitors the purpose of intended loans (domestic and external) and the utilization of such borrowings. In a bid to ensure compliance with the provisions of Sections 41 and 44 of the FRA, 2007, the Commission, in 2022, embarked on the following actions and activities:

- Obtaining information on borrowings by State Governments from commercial banks in the country.
- Requesting State Governments to furnish it with the details of the utilization of borrowing from commercial banks.
- Analyzing submissions made by the State Governments and embarking on the verification of the borrowings by the following States: Lagos, Ogun, Niger, Imo, Edo and Nasarawa, encompassing five geo-political zones in the Country.

The exercise was aimed at ascertaining the actual utilization of the loans and to test the level of compliance with the provisions of the FRA, 2007. The general observations, findings and recommendations for the exercise are presented under section 3.7 of this report.

It is instructive to note that Section 42(4) of FRA, 2007 mandates the Commission to collate and publish, on quarterly basis, a list of Governments in the Federation that exceed the limits of their respective consolidated debt stocks. However, in 2022, it was not possible for the Commission to verify the compliance of each Government with this provision of the FRA, 2007. This is because the consolidated debt limits of the Governments in the Federation are yet to be set by the President, as specified in Section 42(1) of the FRA, 2007.

Even as the Commission has written several times to the Hon. Minister of Finance on the need to advise the President to set the debt limits of the Governments in the Federation, the situation remains the same. However, the Commission will continue to engage and collaborate with the Hon. Minister of Finance and the Debt Management Office, to ensure that this consolidated debt limit is set. This is expected to enable the Commission to collate and publish on quarterly basis, a list of Governments in the Federation that have exceeded the limits of their respective consolidated debt stocks consequent upon Section 42(4) of FRA,2007.

3.3 ANALYSIS OF PUBLIC DEBT AND SUSTAINABILITY IN 2022

Tables 3.1 and 3.2 below, is a summary of debt balances of the Governments in the Federation in 2022, as well as the debt trend from 2018 – 2022:

Table 3.1 Summarized Public Debt Balances as at December 31, from 2018 – 2022

Debt Stock	2018 ₦ million	2019 ₦ million	2020 ₦ million	2021 ₦ million	2022 ₦ million	% of Total Public Debt (2022)
External Debt: FG & States	7,759,229.99	9,022,421.64	12,705,618.48	15,855,231.25	18,702,251.88	40.44%
Domestic Debt: FGN	12,774,405.70	14,272,644.79	16,023,885.38	19,242,557.11	22,210,364.60	48.02%
Domestic Debt: States & FCT	3,853,436.05	4,106,314.86	4,186,010.99	4,458,244.14	5,337,751.46	11.54%
Total Public Debt	**24,387,071.74**	**27,401,381.29**	**32,915,514.85**	**39,556,032.50**	**46,250,367.94**	**100%**

Source: DMO

Note:

Domestic Debt Stock for two (2) States: Katsina and Taraba were as at September 30 2022, while Rivers State was at September 30 2021. All other States and FCT were as at December 31, 2022

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

	2018	2019	2020	2021	2022
US$ Million	79,436.72	84,053.32	86,392.54	95,779.64	103,218.99
₦GN Million	24,387,071.94	27,401,381.29	32,915,514.85	39,556,032.50	46,250,367.94
GDP NG ₦ Million	127,747,888.63	140,767,010.00	152,316,126.10	176,039,307.97	199,336,043.78
% of GDP	19.09%	19.47%	21.61%	22.47%	23.20%

Source: DMO

Note: CBN Exchange Rate used in converting the: US$ to NG₦

2018: 1US$ to 307 NG₦
2019: 1US$ to 326 NG₦
2020: 1US$ to 381 NG₦
2021: 1US$ to 412.99 NG₦
2022: 1US$ to 448.08 NG₦

As can be seen in Table 3.1 above, the total public debt stock of Nigeria at the end of 2022 was ₦46,250,367.94 million. It depicts an increase of ₦6,694,335.44 million or 16.92% when compared to ₦39,556,032.50 million public debt stock of the country at the end of 2021. Out of the total public debt stock of Nigeria at the end of 2022, the external debt stock of Federal, States and FCT was US$41,694.91 million, equivalent to ₦18,702,251.88 million. This amount accounts for 40.44% of the nation's total public debt balance at the end of 2022.

The domestic debt stock of the Federal, States and FCT as at the end of 2022 was ₦27,548,115.96 million, representing 59.56% of the total public debt stock of the country in the period under review.

The proportion of the country's external and domestic debt stocks to the total public debt stock of the country as at 31st December, 2022 were 40.44%, and 59.56% respectively. This indicates that the total public debt stock in 2022 comprised of more domestic debt than external debt. The implications of higher domestic debt to external debt include, but not limited to, the crowding out of borrowers. This transfers risks to banks that issue loans on longer maturity, fixed-interest rates, leading to reduced returns. As a result of the risks posed by this scenario to holders of pensions, annuities and life insurance policies, governments in the Federation should be cautious in obtaining domestic loans.

Section 41(1) (b) provides, "*Government shall ensure that the level of debt as a proportion of national income is held at a sustainable level…"* From Table 3.2 above, the total Public Debt/GDP ratio as at 31st December 2022 was 23.20%, which is less than both the global benchmark of 40% and the 56% threshold for countries in Nigeria's peer group. The implication of this, is that, using this parameter, Nigeria's total public debt balance of ₦46,250,367.94 million as at end of 2022 was still sustainable. This means the Country still had fiscal space for further borrowing. This notwithstanding, there is need for the nation to thread with caution, as rising public debt is more likely to jeopardize envisaged national economic growth.

3.4 DEBT PROFILE OF FEDERAL AND STATE GOVERNMENTS

In order to properly analyze the debt profile of the Governments in the Federation, it is pertinent to present their respective debt stocks, as indicated in Table 3.3 below:

Table 3.3 : Debt Profile of Federal and State Governments as at December31,2022

State and FCT	External Debt	External Debt (448.08/US$)	Domestic Debt	Total Public Debt	% of Grand Total
	US$	₦	₦	₦	₦
Abia	94,279,804.06	42,244,670,572.17	103,710,011,090.63	145,954,905,,693.84	0.32%
Adamawa	104,604,525.81	46,871,195,924.94	124,000,573,916.51	170,871,769,841.46	0.37%
Akwa-ibom	44,846,320.30	20,094,739,200.02	219,265,319,660.24	239,360,058,860.26	0.52%
Anambra	103,824,427.39	46,521,649,666.87	77,487,683,347.04	124,009,332,77195	0.27%
Bauchi	165,779,487.95	74,282,472,960.64	143,638,075,199.37	217,920,548,160.01	0.47%
Bayelsa	60,394,724.44	27,061,668,127.08	146,371,493,447.19	173,433,161,574.27	0.38%
Benue	29,938,978.80	13,415,057,620.70	141,294,318,833.79	154,709,376,454.49	0.33%
Borno	18,101,408.65	8,110,879,187.89	96,135,894,362.56	104,246,773,550.45	0.23%
Cross-River	209,525,677.85	93,884,265,731.03	197,210,152,707.36	291,094,418,438.39	0.63%
Delta	59,871,451.27	26,827,199,885.06	304,245,915,945.65	331,073,115,830.71	0.72%
Ebonyi	58,572,170.14	26,245,017,996.33	76,496,806,095.94	102,741,824,092.27	0.22%
Edo	261,153,246.26	117,017,546,584.18	110,591,684,782.43	227,609,231,366.61	0.49%
Ekiti	105,588,932.98	47,312,289,089.68	117,147,875,751.50	164,460,164,841.18	0.36%
Enugu	120,855,747.39	54,153,043,290.51	91,856,182,849.75	146,009,226,140.26	0.32%
Gombe	32,482,206.51	14,554,627,093.00	139,322,895,697.91	153,877,522,790.91	0.33%
Imo	51,094,668.50	22,894,499,061.48	204,224,291,725.13	227,118,790,786.61	0.49%
Jigawa	26,987,918.67	12,092,746,597.65	43,952,167,579.02	56,044,914,176.67	0.12%
Kaduna	573,743,456.66	257,082,968,060.21	83,294,928,661.31	340,377,896,721.52	0.74%
Kano	100,666,105.82	45,106,468,695.83	122,361,942,618.03	167,468,411,314.86	0.36%
Katsina	53,915,636.07	24,158,518,210.25	62,374,809,154.32	86,533,325,364.57	0.19%
Kebbi	40,931,744.98	18,340,696,290.64	61,310,171,246.00	79,650,867,536.64	0.17%
Kogi	52,797,055.36	23,657,304,565.71	93,621,765,035.49	117,279,069,601.20	0.25%
Kwara	44,866,579.57	20,103,816,973.73	109,382,057,027.36	129,485,874,001.09	0.28%
Lagos	1,250,061,511.83	560,127,562,220.79	807,208,634,237.88	1,367,336,196,458.67	2.96%
Nasarawa	52,998,091.94	23,747,385,036.48	71,437,890,993.83	95,185,276,030.31	0.21%
Niger	69,230,447.29	31,020,778,821.70	95,590,899,934.18	126,611,678,755.88	0.27%
Ogun	136,259,743.02	61,055,265,652.40	270,450,024,234.79	331,505,289,887.19	0.72%
Ondo	90,682,501.23	40,633,015,151.14	77,150,360,913.76	117,783,376,064.90	0.25%
Osun	91,779,393.97	41,124,510,850.08	148,366,712,357.73	189,491,223,207.81	0.41%
Oyo	72,236,123.44	32,367,562,191.00	161,180,878,265.05	193,548,440,456.05	0.42%
Plateau	32,399,275.34	14,517,467,294.35	149,013,440,711.35	163,530,908,005.70	0.35%
Rivers	87,134,070.90	39,043,034,488.87	225,505,011,357.00	264,548,045,845.87	0.57%
Sokoto	36,557,770.64	16,380,805,868.37	90,595,002,766.24	106,975,808,634.61	0.23%
Taraba	46,470,133.79	20,822,337,548.62	87,959,866,608.42	108,782,204,157.04	0.24%
Yobe	22,514,198.36	10,088,162,001.15	90,776,488,122.65	100,864,650,123.80	0.22%
Zamfara	28,861,053.20	12,932,060,717.86	112,197,059,996.35	125,129,120,714.21	0.27%
FCT	24,361,837.47	10,916,052,133.56	81,022,168,940.36	91,938,221,073.92	0.20%
SUB-TOTAL	**4,456,368,427.85**	**1,996,809,341,361.95**	**5,337,751,456,173.93**	**7,334,561,021,325.15**	15.87%
FGN	37,238,553,444.58	16,685,851,027,447.40	22,210,364,693,258.00	38,896,215,720,705.40	84.13%
Total	**41,694,921,872.43**	**18,682,660,592,598.40**	**27,548,116,952,023.90**	**46,230,776,644,622.60**	100.00%

Note:

i. **Domestic Debt Stock for thirty-three (33) States: Abia, Adamawa, Akwa-ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Cross-River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger,Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Yobe, Zamfara and the FCT are as at December 31, 2022.**

ii. **Domestic Debt Stock figure for Katsina and Taraba states were as at September 30,2022.**

iii. **Domestic Debt figure for Rivers State was as at September 30, 2021**

Analyzing Table 3.3 above, the combined total public debt stock of the 36 States and FCT at the end of 2022 was ₦7,334,561,021,325.15 representing 15.87% of the total public debt of the country at the end of 2022. According to the report under reference, the domestic debt stock figures for 33 (thirty-three) States: Abia, Adamawa, Akwa-Ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Cross-River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Yobe, Zamfara and the FCT are as at December 31, 2022. However, The domestic debt for Katsina and Taraba states were as at September 30,2022 and the balance figure for Rivers was as at September 30,2021.

Lagos, with a total debt stock of ₦1,367,336,196,458.67, representing 18.64% was the most indebted state in the country as at the end of 2022. Kaduna state was the second most indebted state with a total debt stock of ₦340,377,896,721.52, accounting for 4.64% of the country total public debt stock at the end of 2022. The third highest indebted state in the country at the end of 2022 was Ogun state, with a total debt stock of ₦331,505,289,887.19, representing 4.52% of the combined total public debt stock of Nigeria at the end of 2022.

On the other hand, Jigawa state had the least debt stock in the Federation at the end of 2022, with a total debt stock of ₦56,044,914,176.67, accounting for 0.76% of the debt stock of the Nation at the end of 2022. Kebbi had the second least debt stock of ₦79,650,857,536,64, representing 1.09% of the cumulative debt stock of the country at the end of 2022. The third least indebted state at the end of 2022 was Katsina having a total debt stock of ₦86,533,325,364.57, accounting for 1.18% of the total debt stock of the country at the end of 2022.

3.5 ANALYSIS OF THE DEBTS OF STATE GOVERNMENTS AS PROPORTION OF THEIR NET STATUTORY REVENUE IN 2022

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

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

Table 3.4: Proportion of Total Debt to Net Statutory Revenue of the 36 States in 2022

State	Total Public Debt	Total Net Revenue, 2022	Debt To Total Net Revenue	Excess Of The 50% Threshold
	₦	₦	%	%
Abia	145,954,905,693.84	59,350,762,522.94	245.92	195.92
Adamawa	170,871,769,841.46	58,834,041,157.70	290.43	240.43
Akwa- Ibom	239,360,058,860.26	276,943,954,615.69	86.43	36.43
Anambra	124,009,332,771.95	70,026,623,449.57	177.09	127.09
Bauchi	217,920,548,160.01	58,457,601,861.60	372.78	322.78
Bayelsa	173,433,161,574.27	229,814,255,998.52	75.47	25.47
Benue	154,709,376,454.49	60,243,850,590.82	256.81	206.81
Borno	104,246,773,550.45	72,064,470,120.14	144.66	94.66
Cross River	291,094,418,438.39	44,878,187,388.08	648.63	598.63
Delta	331,073,115,830.71	311,401,487,874.57	106.32	56.32
Ebonyi	102,741,824,092.27	53,807,926,429.88	190.94	140.94
Edo	227,609,231,366.61	87,498,335,891.07	260.13	210.13
Ekiti	164,460,164,841.18	44,865,988,956.99	366.56	316.56
Enugu	146,009,226,140.26	61,668,372,724.11	236.77	186.77
Gombe	153,877,522,790.91	48,259,908,622.37	318.85	268.85

Imo	227,118,790,786.61	66,840,524,262.65	339.79	289.79
Jigawa	56,044,914,176.67	70,546,889,802.39	79.44	29.44
Kaduna	340,377,896,721.52	70,555,197,840.84	482.43	432.43
Kano	167,468,411,314.86	96,265,985,300.38	173.96	123.96
Katsina	86,533,325,364.57	66,289,092,247.81	130.54	80.54
Kebbi	79,650,867,536.64	62,878,137,980.04	126.67	76.67
Kogi	117,279,069,601.20	58,442,968,339.93	200.67	150.67
Kwara	129,485,874,001.09	42,873,650,696.31	302.02	252.02
Lagos	1,367,336,196,458.67	160,928,933,449.86	849.65	799.65
Nasarawa	95,185,276,030.31	54,493,451,948.11	174.67	124.67
Niger	126,611,678,755.88	63,284,204,470.65	200.07	150.07
Ogun	331,505,289,887.19	43,315,023,311.32	765.34	715.34
Ondo	117,783,376,064.90	75,890,388,298.43	155.20	105.20
Osun	189,491,223,207.81	34,988,429,955.43	541.58	491.58
Oyo	193,548,440,456.05	67,428,349,315.14	287.04	237.04
Plateau	163,530,908,005.70	46,460,783,643.58	351.98	301.98
Rivers	264,548,045,845.87	270,537,485,480.34	97.79	47.79
Sokoto	106,975,808,634.61	58,035,826,960.07	184.33	134.33
Taraba	108,782,204,157.04	50,060,700,510.83	217.30	167.30
Yobe	100,864,650,123.80	53,917,126,947.68	187.07	137.07
Zamfara	125,129,120,714.21	54,460,278,706.80	229.76	179.76
Total	7,242,622,798,252.26	3,106,609,197,672.64	233.14	183.14

Source: DMO/FRC

Note: The Total Net Revenue excludes IGR

Table 3.4 above shows the proportion of the consolidated public debt of the States to their respective total net revenue in 2022.

The information contained in the above table shows that all the 36 States surpassed the DMO threshold of 50%. They are thus respectively in contravention of this extant guideline.

The table indicates that Lagos State had the highest Debt-to-Total Net Revenue in the country of 849.65%, surpassing the DMO 50% threshold by 799.65% at the end of 2022. Conversely, Jigawa State had the least Debt-to-Total Net Revenue of 79.44%, exceeding the DMO threshold, by 29.44% at the end of 2022.

3.6 CAPITAL MARKET BORROWING BY SUB-NATIONAL GOVERNMENTS

Analysis of the Outstanding Bonds Issued by State Governments as at 31st December, 2022

The report from Securities and Exchange Commission (SEC) shows that 6 State Governments had outstanding bonds to the tune of ₦301.292 billion and ₦193.453 billion representing the principal and coupon amount respectively as at 31st December, 2022 as highlighted in table 3.5 below.

The report further reveals that Lagos State had the highest bond balance of ₦454.75 billion (Principal and Coupon) for 3 different transactions which translates to 91.92% of the total outstanding bond of the 6 State Governments as at 31st December, 2022.

Ondo State followed Lagos State with the outstanding amount of ₦15.4 billion translating to 3.12% of the total outstanding amount.

The least out of the 6 States is Gombe State which had an outstanding amount of ₦1.52 billion equivalent to 0.31% of the total outstanding amount of ₦494.75 billion for the 6 State Governments.

Table. 3.5: Outstanding Bond Issued by the State Governments as at 31st December,2022

STATE/ISSUER	AMOUNT ISSUED (N'Billions)	DATE ISSUED	MATURITY DATE	COUPON RATE %	OUTSTANDING BALANCE (N'Billions)	% OF THE TOTAL
BAUCHI	15.00	09/12/2014	09/12/2026	15.50	9.02	1.82
PLATEAU	28.20	30/03/2015	30/03/2025	17.50	10.78	2.18
LAGOS	100.00	29/01/2020	29/01/2030	12.25	149.70	30.26
LAGOS	137.33	20/12/2021	20/12/2031	13.00	242.80	49.08
LAGOS	38.77	11/08/2017	11/08/2027	17.25	62.25	12.58
GOMBE	20.00	10/02/2012	30/03/2023	15.50	1.52	0.31
ONDO	14.80	17/01/2020	17/01/2027	13.00	15.43	3.12
KOGI	5.00	01/12/2013	30/12/2023	15.00	1.37	0.28
KOGI	3.00	01/03/2015	31/03/2025	17.00	1.87	0.38
TOTAL	362.10				494.75	100.00

Source: SEC

3.7 REVENUE PROFILE OF THE STATE GOVERNMENTS IN NIGERIA

In order to assess the State Governments based on Debt Management Office (DMO) Revised Guideline on Public Debt Management, 2012, there is need to analyse the respective revenue profile of the 36 States and FCT. For the purpose of clarity, the Guideline provides the procedure for public debt assessment in Nigeria. Specifically, Section F(C) of the Guideline provides that the total amount of loans outstanding at any particular time including the proposed loan shall not exceed 50 percent of the actual revenue of the body concerned, for the preceding 12 months.

To assess the State Governments' compliance with the aforementioned provision, it is imperative to analyze their respective revenue profile in 2022, their debt stocks at the end of 2022, as well as the debt/revenue ratio.

Table 3.6 Total Net Revenue of the 36 States in 2022

S/n	State	Total Net Revenue, 2022 (₦)	% of Total	Ranking
1	Abia	59,350,762,522.94	1.91	20th
2	Adamawa	58,834,041,157.70	1.89	21st
3	Akwa- Ibom	276,943,954,615.69	8.91	2nd
4	Anambra	70,026,623,449.57	2.25	12th
5	Bauchi	58,457,601,861.60	1.88	22nd
6	Bayelsa	229,814,255,998.52	7.40	4th
7	Benue	60,243,850,590.82	1.94	19th
8	Borno	72,064,470,120.14	2.32	9th
9	Cross River	44,878,187,388.08	1.44	32nd
10	Delta	311,401,487,874.57	10.02	1st
11	Ebonyi	53,807,926,429.88	1.73	28th
12	Edo	87,498,335,891.07	2.82	7th
13	Ekiti	44,865,988,956.99	1.44	33rd
14	Enugu	61,668,372,724.11	1.99	18th
15	Gombe	48,259,908,622.37	1.55	30th
16	Imo	66,840,524,262.65	2.15	14th
17	Jigawa	70,546,889,802.39	2.27	10th
18	Kaduna	70,555,197,840.84	2.27	11th
19	Kano	96,265,985,300.38	3.10	6th
20	Katsina	66,289,092,247.81	2.13	15th
21	Kebbi	62,878,137,980.04	2.02	17th
22	Kogi	58,442,968,339.93	1.88	23th
23	Kwara	42,873,650,696.31	1.38	35th
24	Lagos	160,928,933,449.86	5.18	5th
25	Nasarawa	54,493,451,948.11	1.75	25th
26	Niger	63,284,204,470.65	2.04	16th
27	Ogun	43,315,023,311.32	1.39	34th
28	Ondo	75,890,388,298.43	2.44	8th
29	Osun	34,988,429,955.43	1.13	36th
30	Oyo	67,428,349,315.14	2.17	13th
31	Plateau	46,460,783,643.58	1.50	31st
32	Rivers	270,537,485,480.34	8.71	3rd
33	Sokoto	58,035,826,960.07	1.87	24th
34	Taraba	50,060,700,510.83	1.61	29th
35	Yobe	53,917,126,947.68	1.74	27th
36	Zamfara	54,460,278,706.80	1.75	26th
	Total	**3,106,609,197,672.64**		

Source: OAGF/FRC

The information contained in Table 3.6 above excludes Internally Generated Revenue (IGR) of the State Governments. The table shows that the total net revenue of the 36 states in 2022 was ₦3,106,609,197,672.64, an increase of ₦683,100,205,364.52 or 28.19% over the combined total amount of ₦2,423,508,992,308.12 received by all the 36 States in 2021.

The increase may have been due to the rise in oil revenue price and non-oil revenue in 2022. Table 3.6 above reveals that, Delta State received the highest net revenue of ₦311,401,487,874.57 accounts for 10.02% of the aggregate revenue accruing to the 36 States in 2022. Akwa-Ibom State came 2nd with total net revenue of ₦276,943,954,615.69 representing 8.91% of the combined total revenue of the 36 States in 2022. Rivers State was 3rd, with total net revenue of ₦270,537,485,480.34 and accounted for 8.71% of the combined total revenue of the 36 States in Nigeria, in 2022. It is worthy of note that the three States which received the highest net revenue among the 36 States of the Federation in 2022, namely; Delta, Akwa-Ibom and Rivers State are all oil producing States that enjoy the 13% derivation.

However, Osun State received the least total net revenue of ₦34,988,429,955.43 in 2022, depicting 1.13% of the total statutory revenue of the 36 States. The little net revenue of Osun State was due to the huge deduction from its allocation at source on monthly basis, for loan repayment.

3.8 DEBT VERIFICATION EXERCISE

A vital aspect of the Commission's mandate is to monitor the borrowing and indebtedness of the three tiers of government in the Federation. The aim is to ensure that debts remain sustainable.

Sections 41 and 44 of the FRA, 2007 set out the rules and conditions for borrowing by any Government in the country. Some of the provisions include that:

- Government at all levels must only borrow for capital expenditure and human development
- Any Government in the Federation desirous of borrowing must prepare the cost-benefit analysis, showing the economic and social benefits of the purpose to which, the intended borrowing is to be applied.
- The intended borrowing must be authorized/approved by a proper legislative body. In the case of Federal, by the National Assembly and for the State, by the State House of Assembly.
- The intended loan must have been captured in Appropriation Act (For the Federal, the National Assembly Appropriation Act and for the States, each State Assembly Appropriation Act) for that year.

In order to ascertain compliance with the aforementioned conditions, the Commission embarked on the physical inspection of projects and financial records (verification of the loans procured) to ascertain whether such loans were applied for the purpose to which was obtained.

The loans verified in 2022 are briefly summarized below:

(A) North-Central

Nasarawa State

The utilization of the proceeds of **₦5,000,000,000.00** (Five Billion Naira) bond raised by the Nasarawa State Government from Capital Market in 2014 for the execution of various capital projects in the State.

(B) North-Central

Niger State

The utilization of the **₦540,000,000.00** (Five Hundred and Forty Million, Naira) loan secured by Niger State Government from Zenith Bank Plc. in 2016 for various capital projects in the State.

(C) South - West

Lagos State

The utilization of the **₦15,000,000,000.00** (Fifteen Billion Naira) loan secured by Lagos State Government from First Bank of Nig. Plc in 2015 for various capital projects in the State

(D) South - West

Ogun State

The utilization of the **₦10,000,000,000.00** (Ten Billion Naira) loan secured by Ogun State Government from Access Bank Plc in 2015 for various capital projects in the State

(E) South-East

Imo State

The utilization of the **₦10,000,000,000.00** (Ten Billion Naira) loan secured by Imo State Government from Zenith Bank Plc in 2016 for various capital projects in the State.

(F) South-South

Edo State

The utilization of the **₦10,000,000,000.00** (Ten Billion) Naira loan taken by the Edo State Government from Access Bank Plc in 2015 for various capital projects in the State:

3.8.1: GENERAL OBSERVATIONS AND FINDINGS

The following are observations and recommendation, in respect of the Debt Verification exercise conducted in 2022:

- None of the six states visited prepared a cost-benefit analysis for the proposed projects before obtaining the loans, as required by Section 44 (1) of the FRA, 2007,
- None of the States obtained, from FRC, evidence of compliance with the conditions for borrowing, before obtaining the loan
- Some of the states utilized the proceeds of the loans solely for purposes for which the loans were obtained, while some did not.
- Records of the disbursements of the loans were not properly documented by some of the states.
- In some cases, the total cost of the projects exceeded the loan amount. Therefore, augmentation from the states' treasury was made to complete the projects.
- Most of the projects tied to the loans have been completed, and are in use.
- Some of the States only relied on the approval of the States' Fiscal Responsibility Agencies (where they exist) to procure the loans under reference.
- The interest rates for most of the loans were far above 3%. This is contrary to Section 41(1a) of the FRA, 2007 which specifies that loans to be obtained by any Government in the Federation should be at concessional term of interest rate not exceeding 3%.

3.8.2: GENERAL RECOMMENDATIONS

1. Any State Government desirous to borrow from banks and other financial institutions must seek and obtain from the FRC, proof of compliance with the conditions for borrowing, as contained in the FRA, 2007, before contracting such loan.
2. The National Assembly is called upon to expedite the on-going amendment of the FRA, 2007, as the Bill for the said amendment contains punishments for violations of the provisions in respect of public borrowing and indebtedness.
3. There is need for the President to set the overall limit of the consolidated debt of each government in the Federation, in compliance with Section 42 (1) of the FRA, 2007. This limit is necessary for FRC's routine Debt Verification exercise. Without it, it will be difficult, if not impossible for the Commission to determine and publish, as prescribed under Section 42(4) of the FRA, 2007, on a quarterly basis, a list of the Governments in the Federation that have exceeded the limits of consolidated debt, indicating the amount by which the limit was exceeded.

The projects executed with the loan facilities from the particular banks seem to be of immense importance to the citizens and residents of each of the affected states did not have in place a cost-benefit analysis, detailing the economic and social benefits of the projects to which the borrowings were applied; the fear of poor financial capacity, inaccurate costing, incompetence and lack of knowledge, poor planning and estimation, poor contracting and contractors' practices, frequently design scope changes and errors to mention but a few is not ruled out. Consequently, this may mar the realization of the economic and social benefits of the projects involved and, in turn, not form part of the building blocks that support national growth and development. The Commission is ensuring that any Government in the Federation or its agencies and corporation desirous of borrowing must prepare and present a cost –benefit analysis, detailing the economic and social benefits of the concerned projects.

4. State Governments should take pains to properly negotiate interest rates and other terms of borrowing to a minimal level, though the 3% ceiling specified in Section 44 (1a) seems no longer feasible.
5. In order to ensure good quality of work in projects undertaken with proceeds of borrowing, State Governments should always appoint consultants for such projects.

3.9 DONOR SUPPORT AND INTERNATIONAL COOPERATION

The Fiscal Responsibility Commission considered it necessary in 2022 to analyze and appraise the contributions of International Donor Agencies to the Nigerian economy. To this end, the Commission has repeatedly written to the Honorable Minister of Finance, Budget and National Planning, requesting for the details of the various forms of interventions and assistance (Financial and Technical) given to Ministries, Departments and Agencies (MDAs) in Nigeria by the International Organizations in 2022. However, as at the time of compiling this report, the requested information has not been received from the Honorable Minister.

In a bid to attract international support (technical and financial), the Commission embarked on a follow-up of earlier contacts made with International Monetary Fund; Civil Society Legislative Advocacy Centre (CISLAC); and other supporting Organizations.

It is necessary to note that in 2022, a good number of officers of the Commission attended the following:

1. International Monetary Fund (IMF) AFRITAC West 2 Visual Technical Assistance Mission 11th - 12th April 2022.
2. IMF Fiscal Affairs Department (FAD), Country Capacity Development Mission Support to FRC to establish a Monitoring Framework 16th - 30th August, 2022.
3. One-Day Policy Dialogue on The Modality for Setting a Debt Limit Pursuant to Section

42 of The Fiscal Responsibility Act (FRA),2007 supported by Christian Aid, through CISLAC on 17th November, 2022

The major impact of participation in the above listed trainings and dialogue is the widening of horizon and enhancement of the quality of work of the Commission as well as the work performance of the Commission's Staff.

BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

Chapter 4

Chapter Four

BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

Government Corporations and Agencies listed in the Schedule to the Act (and other additions made thereafter by the Honorable Minister of Finance) are required, in Part IV of the FRA, 2007 titled **Budgetary Planning of Corporations and other related agencies,** to prepare and submit their estimates of revenue and expenditure for the next three financial years to the Honorable Minister of finance not later than the end of the second quarter of every year.

The Part comprises Section 21 to Section 24 of the Act, which states a framework for the treatment of the Operating Surpluses and Deficits of the Government-Owned Corporations listed in the Schedule to the Act and any subsequent additions made by the Honorable Minister of Finance.

This chapter 4 covered the following thematic areas:

- Schedule Corporations (Government-Owned Enterprises/Corporations)
- Remittance of Operating Surplus
- Revenue Hearings of the National Assembly
- Other Government Agencies

4.1 SCHEDULE CORPORATIONS (GOVERNMENT-OWNED ENTERPRISES)

Thirty-one (31) Government-Owned Enterprises were initially listed in the Schedule to the FRA, 2007, with provisions made for "any other Corporation, Agency or Government-owned Company that may be included by the Minister (of Finance) through a local notice." In 2011, the Minister added 6 more Corporations to the Schedule.

Meanwhile, out of the initial 31 (thirty-one} corporations listed, 7 (seven) were privatized or liquidated, subsequently leaving 24 (twenty-four). 6 (six) corporations were further added by the Minister in 2011 taking the number of functional Government-Owned Enterprises listed under the schedule of FRA, 2007 to 30 (thirty) as at the end of 2014.

Furthermore, the Honorable Minister of Finance included 92 (ninety-two) Agencies vide Finance Circular Ref: No. FMF/HMF/2016/1 dated 21st November, 2016. This brought the listed agencies to 122 (one hundred and twenty-two) However, the Honorable Minister of Finance issued another Finance Circular, Ref: No. FMFBNP/OTHERS/IGR/CFR/12/2021 dated 20th December, 2021, where 64 of the 122 agencies were removed and 7, added. This has currently brought the number of Schedule Corporations (Government-Owned Enterprises) to 65 for implementing Sections 21 -23 FRA, 2007.

Estimates of Revenue and Expenditure

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

The estimates of Revenue and Expenditure should contain:

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

It is also required of Schedule Corporations to submit approved Annual Budgets. These budgets are to be derived from the MTEF and should be comprehensive in relation to the financial and accounting structure of the agency and consistent with the Chart of Accounts. Meanwhile, a well-structured budget should also indicate projected Operating Surplus for the year, which will satisfy the requirement for the submission of projected Operating Surplus.

General Reserve Fund

Section 22(1), FRA, 2007 as amended by Section 62(1) of the Finance Act, 2020, states:
"Notwithstanding the provisions of any written law governing the Corporation, each Corporation shall establish a General Reserve Fund and shall allocate thereto at the end of each financial year , one-fifth (20%) of its Operating Surplus for the year, provided that the cost to revenue ratio of each corporation shall not exceed 50% or such other ratio as the Minister, upon the approval of the National Assembly, may approve for that particular Corporation by way of order published in the Official Gazette".

Operating Surplus

Section 22(2), FRA, 2007 as amended by Section 62(2) of the Finance Act, 2020, states:
"*The balance of the Operating Surplus shall be paid to the Consolidated Revenue Fund of the Federation in accordance with financial guidelines or regulations that the Constitution of the Federal Republic of Nigeria, 1999 on a quarterly basis, in accordance with such financial guidelines or regulations that the Minister may issue from time to time in consultation with the National Assembly.*

Furthermore, Financial Circular FMFNBNP/OTHERS/IGR/CFR/12/2021, dated 20th December, 2021, highlighted the following guidelines to be complied with in the computation and remittance of Operating Surplus:

"All partially funded Federal Government Agencies/Parastatals (receiving Capital or overhead allocation from the Federal Government Budget) should limit their annual budgetary expenditure from their internally Generated Revenue (IGR) to not more than 50% of their gross IGR and remit 100% of the remaining 50% to the Sub-Recurrent Account." and

"*All self-funded Federal Government Agencies/Parastatals (receiving no allocation from the Federal Budget) should limit their annual budgetary expenditure to not more than 50% of their gross revenue, and remit 80% of the remaining 50% to the sub-Recurrent Account on quarterly basis as interim or advance payment of Operating Surplus*."

Audited Financial Statements

The FRA 2007, in Section 23, further requires that each corporation, not later than 3 months after the end of its financial year, cause to be prepared and published its audited financial reports in accordance with such rules as may be prescribed from time to time.

Towards monitoring this and other provisions in Part IV of the Act, the Commission carried out the following activities in the period under review.

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

ii. Participated in inquiries on revenue generation and remittances by the Committees on Finance of the Senate and House of Representatives.

iii. Studied and prepared status reports for each Schedule Corporation, raising issues, observations and recommendations.

iv. Visited some Schedule Corporations for further scrutiny towards the determination of Operating Surplus liability.

In the cause of implementing the provisions of Section 21-23 of the FRA, 2007, the Commission established the need for close monitoring of Schedule Corporations for transparency, accountability and prudence in Public Finance Management.

4.2 REMITTANCE OF OPERATING SURPLUS

The Commission in 2022 continued to monitor the remittance of the Operating Surpluses of Schedule Corporations. It is stipulated in Sections 22 and 23, FRA, 2007, as amended by Section 62 of the Finance Act, 2020, the manner in which Schedule Corporations should treat their Operating Surplus/deficit. A Corporation's Annual Audited Accounts and Report are analyzed and Operating Surplus/Deficit is determined for the year succeeding the one being reported on. The Audited Financial Statement must be submitted to the Commission by the 31st March of the succeeding year.

The Commission also, in order to further secure compliance with the remittance of Operating Surplus, intensified efforts at implementing the calculation of Operating Surplus, using the approved Template, across all Schedule Corporations.

The government continued to take advantage of the Treasury Single Account (TSA) to proactively effect direct deductions of Operating Surplus from Schedule Corporations' revenues, in line with provisions of the Finance Act 2021. This has greatly enhanced remittances. In addition, The Commission's collaboration with the OAGF and the Finance Committees of the Senate and House of Representatives, made great impact in ensuring that agencies' liabilities are remitted promptly.

4.3 REVENUE HEARINGS OF THE NATIONAL ASSEMBLY

The National Assembly's MTEF and Revenue hearings featured the Commission greatly as it played a very critical role in providing technical support and data during the proceedings.
The Finance Committees of both the Senate and House of Representatives undertook investigative hearings on Internally Generated Revenue (IGR) and 1% stamp duties remittances to the Federal Inland revenue Service (FIRS) account by MDAs. The hearing, which started on 2nd March, 2022 through 14th April, 2022 had the following highlights

- Sources of Internally Generated Revenue
- 1% Stamp Duties that ought to have been collected from year 2019-2021.
- Agencies' Funding status (whether treasury-funded, partially-funded or self-funded.
- Total number of contracts awarded, contract sum, detailed breakdown of capital appropriations, releases and utilizations for the periods under review (2019-2021) by each agency.
- Evidence of IGR remittances to the CRF.
- Evidence of Stamp duty remittances from 2018 to the CRF.

Over 60 (Sixty) Schedule Corporations, among other agencies, were invited for the investigative hearing, out of which a total of 13 (Thirteen) Schedule Corporations were referred to the Commission for reconciliation. The Corporations were;

- National Automotive Design and Development Council
- Nigeria Upstream Petroleum Regulatory Commission (NUPRC)
- National Business and Technical Education (Board)
- National Agency for Food and Drug Administration and Control
- National Steel Raw Materials Development Agency
- Nigerian Airspace Management Agency
- Nigeria Export Processing Zone Authority
- Voice of Nigeria (VON)
- National Theatre
- Citizenship and leadership Training Centre
- Tafawa Balewa Square Management Board
- Nigerian Civil Aviation Authority (NCAA)
- Federal Airport Authority of Nigeria (FAAN)

During the reconciliation exercise, the following observations and findings were made.

a. It was discovered that most agencies do not remit 100% of their Internally Generated Revenue to the CRF. It was made clear that the Circular directing agencies to remit 25% of IGR is an inferior authority to the Act of Parliament setting up the various agencies.

b. Agencies have improved efforts to verify if contractors have remitted their obligations of 1% stamp duty to the CRF.

c. Some agencies may be fully or partially taken off the National Budget, as their operations can be fully funded via Internally Generated Revenues.

d. Most agencies that remitted Operating Surplus did not collect their Treasury Receipts from OAGF.

Recommendations

a. Agencies need to be encouraged to obtain relevant Finance Circulars and especially the finance circular with Reference number FMFBNP/OTHERS/IGR/CFR/12/21 dated 20th December, 2021 on the subject of Revenue, Expenditure and IGR remittances to the CRF.

b. OAGF is advised to adopt the issuance of e-receipt automatically as payments are made to the CRF.

The Commission is certain that there will be continued improvement because of these collaborations.

4.4 OTHER GOVERNMENT AGENCIES

Pursuant to the powers of the Fiscal Responsibility Commission under sections 2 & 3 (i) of the Fiscal Responsibility Act, 2007, and in line with directive of the Senate Committee on Finance, the Commission sent out requests and reminders to MDAs responsible for FGN's Internally Generated Revenue to submit their Audited Financial Statements for 2014-2021; and revenue returns on a quarterly basis in order to assess their level of compliance with the provisions the Act.

A careful review of the documents submitted revealed that the MDAs had been defaulting in the remittance of their Internally Generated Revenues to the Consolidated Revenue Fund.
A total of N369,370,402.21 Independent Revenue was remitted to the treasury by 7 Ministries and Extra-Ministerial Departments only in 2022 as against N387,293,533.13 remitted by 8 MDAs in 2021. However, it is a somewhat disappointing response despite many requests and reminders for revenue submissions mailed out to these Ministries and the increasing awareness to the MDAs of the need to respond to the Commission's requests for revenue returns.
Table 1 below gives details of the MDAs' revenue returns received in 2022 on quarterly basis.

Table 4.1: Revenue Returns Submitted by MDAs for 2022

S/NO	MDA'S	REVENUE RETURNS FROM MDAs FOR 2022				
		FIRST QTR (₦)	SECOND QTR (₦)	THIRD QTR (₦)	FOURTH QTR (₦)	TOTAL (₦)
1	Federal Ministry of Education	7,605,012.78	23,438,649.13	11,001,165.00	5,971,100.00	**48,015,926.91**
2	Federal Ministry of Environment	8,637,500.00	5,020,000.00	15,582,500.00	7,558,100.00	**36,798,100.00**
3	Federal Ministry of Health	98,008.75	27,736,494.18	23,678,883.96		**51,513,386.89**
4	Federal Ministry of Justice	6,140,948.13	22,445,846.81	15,298,550.00	11,885,722.88	**55,771,067.82**
5	Federal Ministry Of Labour and Productivity	35,517,312.09	-	34,991,678.25	63,545,160.25	**134,054,150.59**
6	Off. of the Auditor-Gen. of the Federation	5,100,000.00	7,510,000.00	3,340,000.00	1,640,000.00	**17,590,000.00**
7	Office of the Secretary to federal Government	2,183,210.00	9,290,890.00	3,153,870.00	10,999,800.00	**25,627,770.00**
						-
	TOTAL	**65,281,991.75**	**95,441,880.12**	**107,046,647.21**	**101,599,883.13**	**369,370,402.21**

Letters were sent to other Federal Government Agencies to submit their Audited Financial Statements for 2014-2021. A total of 90 Agencies were contacted and 56 made their submissions.

Table 2 below gives a summary of the Internally Generated Revenue of 24 non-ministerial agencies extracted from the Audited Financial Statements for 2014-2021.

Table 4.2: Summary Revenue Performance in some agencies for 2014-2021

	INTERNALLY GENERATED REVENUE PERFORMANCE MDAs FOR 2014 - 2021											
S/NO	MDA'S	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL	REMITTANCE	OUTSTANDING
		₦	₦	₦	₦	₦	₦	₦	₦	₦	₦	₦
1	NIGERIAN ELECTRICITY MANAGEMENT SERVICES AGENCY	16,217,423.00	104,076,735.00	215,945,944.92	291,589,921.20	383,858,968.50	460,623,383.00			**1,472,312,375.62**	1,460,623,962.70	**11,688,412.92**
2	NATIONAL TEACHERS INSTITUTE	51,468,148.75	140,467,798.50	31,907,489.50	244,213,186.50	75,554,289.50	-			**543,610,912.75**	249,945,000.00	**293,665,912.75**
3	NATIONAL CENTRE FOR WOMEN DEVELOPMENT	67,685,571.75	244,544,533.50	247,853,434.42	535,803,107.70	-	-			**1,095,886,647.37**	-	**1,095,886,647.37**
4	NIGERIAN INSTITUTE OF ADVANCED LEGAL STUDIES					7,725,115.37	11,317,182.29	47,455,243.29	-	**66,497,540.95**	14,992,844.63	**51,504,696.32**
5	NIGERIAN INSTITUTE OF SCIENCE LABORATORY TECHNOLOGY	33,162,220.50	49,103,030.00	45,674,232.50	26,497,342.75	6,922,193.75	4,150,050.25		-	**165,509,069.75**	-	**165,509,069.75**
6	VETERINARY COUNCIL OF NIGERIA	9,519,745.50	2,500.00	297,500.00	8,320,338.00	66,480,237.25	56,568,218.00			**141,188,538.75**		**141,188,538.75**
7	NIGERIA CHRISTIAN PILGRIM COMMISSION	171,540,279.00	107,579,344.00	49,532,646.00	50,762,115.00	358,493,304.00				**737,907,688.00**		**737,907,688.00**
8	NATIONAL METALLURGICAL DEVELOPMENT CENTRE, JOS	9,295,831.00	1,579,993.00	2,563,202.00	4,706,548.00	3,853,879.00	6,045,810.00			**28,045,263.00**		**28,045,263.00**
9	EXTENSION AND RESEARCH LIAISON SERVIVES	7,774,681.00	4,613,082.00	2,268,310.00	2,958,280.00	13,343,382.00				**30,957,735.00**		**30,957,735.00**
10	NATIONAL YOUTH SERVIVES CORP	12,470,863.00	2,589,600.00	8,374,000.00	136,516,209.00	359,004,592.75	385,015,749.50			**903,971,014.25**		**903,971,014.25**
11	NATIONAL HEALTH INSURANCE SCHEME	89,773,000.00	45,005,250.00	18,033,900.00	54,087,862.50	204,534,249.25	26,588,250.00			**438,022,511.75**	177,842,647.82	**260,179,863.93**
12	NATIONAL AGENCY FOR THE PROHIBITION OF TRAFFICKING IN PERSONS	8,476,729.08	1,666,943.80	3,024,221.00	5,828,000.00	6,854,000.00	5,049,163.00	690,000.00	2,090,000.00	**33,679,056.88**		**33,679,056.88**
13	NATIONAL INSTITUTE OF LEATHER AND SCIENCE TECHNOLOGY	625,071.50	(401,728.00)	3,995,412.75	4,253,188.75	6,386,337.50	5,117,275.75			**19,975,558.25**	16,642,827.84	**3,332,730.41**
14	NATIONAL BOUNDARY COMMISSION	-	102,344.00	2,889,932.14	40,000.00	702,000.00	2,974,351.62			**6,708,627.76**		**6,708,627.76**
15	PHARMACEUTICAL RESEARCH AND DEVELOPMENT	11,080,850.00	4,100,561.00	3,549,071.00	13,161,669.00	9,469,140.00	12,915,945.00			**54,277,236.00**		**54,277,236.00**
16	COUNCIL OF LEGAL EDUCATION (LAW SCHOOL)	271,155,005.00	175,270,067.00	117,366,705.00	283,696,197.00	248,215,762.00				**1,095,703,736.00**		**1,095,703,736.00**
17	RURAL ELECTRICITY AGENCY	179,157,423.00	277,653,426.00	35,195,892.00	34,100,000.00	375,141,969.00	38,250,000.00			**939,498,710.00**	232,683,290.76	**706,815,419.24**
18	PETROLEUM EQUALISATION FUND (MANAGEMENT) BOARD	310,679,500.00	282,462,250.00	98,763,250.00	84,428,000.00	43,646,000.00	19,977,000.00			**839,956,000.00**		**839,956,000.00**
19	PHARMACISTS COUNCIL OF NIGERIA	-	36,179,306.46	98,659,730.58	47,387,896.53	53,593,613.00	55,282,622.77			**291,103,169.33**	140,387,730.00	**150,715,439.33**
20	FEDERAL HIGH COURT, ABUJA	99,603,557.82	68,220,398.97	35,186,396.10	279,291,772.00	277,757,079.04	426,824,831.81			**1,186,884,035.74**	118,043,962.09	**1,068,840,073.65**
21	COUNCIL FOR THE REGULATION OF ENGINEERING IN NIGERIA	99,460,026.00	119,657,676.00	123,305,966.75	156,001,134.25	175,753,572.75	349,337,245.25			**1,023,515,621.00**	185,000,000.00	**838,515,621.00**
22	NATIONAL RESEARCH INSTITUTE FOR CHEMICAL TECHNOLOGY	1,198,512.25	231,717.75	434,961.25	1,494,656.00	13,012,778.00	4,566,681.00			**20,939,306.25**		**20,939,306.25**
23	NATIONAL AGENCY FOR THE CONTROL OF AIDS		141,659,130.00	445,320,414.12	79,104,223.04	9,783,226.05	18,722,032.00	4,550,000.00	-	**699,139,025.21**		**699,139,025.21**
24	NATIONAL BOARD FOR TECHNICAL EDUCATION, KADUNA	57,488,046.00	41,767,218.25	61,585,416.25	24,076,101.25	(1,033,850.75)	(51,295,523.75)			**132,587,407.25**		**132,587,407.25**
25	TEACHERS REGISTRATION COUNCIL OF NIGERIA	83,210,852.04	71,975,099.42	88,954,407.53	706,034,103.57	321,765,698.43	1,097,608,937.78	252,165,323.22	-	**2,621,714,421.99**	1,212,912,396.45	**1,408,802,025.54**
26	UNIVERSAL BASIC EDUCATION COMMISSION	108,890,911.00	15,545,694.39	53,073,365.41	65,392,500.00	70,092,248.51	62,272,715.00	145,052,109.00	-	**520,319,543.31**		**520,319,543.31**
27	NURSING AND MIDWIFERY COUNCIL OF NIGERIA	-	67,499,519.00	52,546,852.00	71,506,637.25	43,359,429.00	(15,989,975.00)			**218,922,462.25**	**186,107,704.39**	**32,814,757.86**
	TOTAL	**1,699,934,247.19**	**2,003,151,490.04**	**1,846,302,653.22**	**3,211,250,989.29**	**3,134,269,213.90**	**2,981,921,945.27**	**449,912,675.51**	**2,090,000.00**	**15,328,833,214.41**	**3,995,182,366.68**	**11,333,650,847.73**

Table 4.3 below gives summary of the Internally Generated Revenue of 12 Medical Institutions extracted from the Audited Financial Statements for 2014-2021.

Table 4.3: Internally Generated Revenue Performance of Medical Institutions for 2014 - 2019

	INTERNALLY GENERATED REVENUE PERFORMANCE MEDICAL INSTITUTIONS FOR 2014 - 2019									
S/NO	INSTITUTION	2014	2015	2016	2017	2018	2019	TOTAL	REMITTANCE	OUTSTANDING
		₦	₦	₦	₦	₦	₦	₦	₦	₦
1	FEDERAL MEDICAL CENTRE, AZARE	585,072.94	579,619.80	432,845.82	1,164,253.79	620,595.98	1,279,959.06	4,662,347.37		4,662,347.37
2	FEDERAL MEDICAL CENTRE, GUSAU	-	4,842,807.50	4,234,322.50	5,367,002.75	4,710,483.50	6,075,345.45	25,229,961.70	25,090,165.00	139,796.70
3	FEDERAL MEDICAL CENTRE, YENAGOA	76,835,337.50	79,480,238.50	96,254,540.50	128,478,552.75	142,276,862.50	624,053,805.25	1,147,379,337.00		1,147,379,337.00
4	FEDERAL MEDICAL CENTRE, EBUTE-METTA	31,538,697.23	34,609,946.59	67,374,969.59				133,523,613.41		133,523,613.41
5	FEDERAL MEDICAL CENTRE, ASABA	25,550,576.25	37,684,995.75	161,982,259.00	26,678,629.75	230,022,450.34	84,386,781.63	566,305,692.72		566,305,692.72
6	FEDERAL MEDICAL CENTRE, ABEOKUTA	15,503,743.72	16,293,840.64	46,862,081.92	48,330,368.70	51,169,966.06	91,977,336.54	270,137,337.58		270,137,337.58
7	FEDERAL MEDICAL CENTRE, NGURU	48,195,742.25	3,010,477.75	4,736,007.50	7,143,310.00	3,931,124.50	5,896,412.50	72,913,074.50		72,913,074.50
8	FEDERAL NEURO-PSYCHIATRIC HOSPITAL, CALABAR	3,879,075.00	3,748,925.00	3,669,392.50	5,484,180.00	3,450,389.50	4,354,185.00	24,586,147.00	15,848,807.47	8,737,339.53
9	NATIONAL ORTHOPAEDIC HOSPITAL, ENUGU	65,739,245.25	74,120,158.25	147,183,395.50	127,584,626.00	155,549,469.50	211,439,990.50	781,616,885.00		781,616,885.00
10	NATIONAL ORTHOPAEDIC HOSPITAL, IGBOBI, LAGOS	125,333,923.00	166,429,165.50	224,593,273.17	186,089,160.98	232,829,150.85	385,134,425.90	1,320,409,099.40	539,850,023.00	780,559,076.40
11	NATIONAL OBSTETRIC FISTULA CENTRE, ABAKALIKI	1,989,400.00	361,500.00	1,071,500.00	619,250.00	1,185,424.25	171,880.00	5,398,954.25	653,945.00	4,745,009.25
12	AMINU KANO TEACHING HOSPITAL, KANO	91,458,179.25	85,674,164.75	76,221,916.25	149,806,246.50	154,009,992.75	235,787,731.25	792,958,230.75	66,736,286.58	726,221,944.17
	TOTAL	486,608,992.39	506,835,840.03	834,616,504.24	686,745,581.22	979,755,909.73	1,650,557,853.07	5,145,120,680.68	648,179,227.05	4,496,941,453.63

Table 4.4 below gives summary of the internally generated revenue of 20 Educational Institutions extracted from the Audited Financial Statements for 2014-2021.

Table 4.4: Internally Generated Revenue Performance of Educational Institutions for 2014 - 2019

	INTERNALLY GENERATED REVENUE PERFORMANCE EDUCATIONAL INSTITUTIONS FOR 2014 - 2019									
S/NO	INSTITUTION	2014	2015	2016	2017	2018	2019	TOTAL	REMITTANCE	OUTSTANDING
		₦	₦	₦	₦	₦	₦	₦	₦	₦
1	FEDERAL UNIVERSITY OF TECHNOLOGY, AKURE	59,521,609.50	28,059,638.00	57,779,714.50	52,850,558.50	60,276,175.00	36,238,573.25	294,726,268.75		294,726,268.75
2	FEDERAL COLLEGE OF ANIMAL HEALTH AND PRODUCTION TECHNOLOGY	-	9,197,510.75	1,834,761.25	1,996,810.00	17,278,519.00	20,617,270.75	50,924,871.75		50,924,871.75
3	FEDERAL COLLEGE OF EDUCATION (TECHNICAL), ASABA	12,575,950.01	11,395,624.75	3,413,375.25	11,809,367.50	9,511,011.00	15,605,127.75	64,310,456.26	26,511,467.00	37,798,989.26
4	FEDERAL COLLEGE OF EDUCATION, OKENE	23,219,814.25	33,583,555.75	49,923,620.00	50,199,270.00	50,039,720.00	54,242,232.25	261,208,212.25		261,208,212.25
5	MICHAEL OKPARA UNIVERSITY OF AGRICULTURE, UMUDIKE	171,232,530.75	115,052,585.00	69,024,539.25				355,309,655.00		355,309,655.00
6	FEDERAL POLYTECHNIC DAMATURU	1,660,254.00	1,915,997.00	5,003,382.50	7,123,421.50	15,200,302.25		30,903,357.25		30,903,357.25
7	ABUBAKAR TAFAWA BALEWA UNIVERSITY, BAUCHI	205,855,247.50	165,660,374.00	266,898,002.50	215,346,491.75	240,600,749.50	352,224,086.25	1,446,584,951.50		1,446,584,951.50
8	FEDERAL UNIVERSITY OF PETROLEUM RESOURCES, EFFURUN	44,944,824.50	115,878,939.25	140,883,738.00	109,689,753.25	168,605,316.25	164,617,575.25	744,620,146.50		744,620,146.50
9	FEDERAL UNIVERSITY OF LAFIA	31,023,719.00	46,924,920.00	37,480,682.25	55,436,315.25	121,187,951.25	31,023,719.00	323,077,306.75		323,077,306.75
10	KADUNA POLYTECHNIC, KADUNA	58,549,477.50	(15,201,713.50)	155,058,983.50	128,046,870.00	83,101,000.00	87,173,250.00	496,727,867.50	2,750,000.00	493,977,867.50
11	ADEYEMI COLLEGE OF EDUCATION, ONDO	-	100,042,004.75	66,606,368.50	105,553,711.00	110,281,625.75	109,699,798.50	492,183,508.50		492,183,508.50
12	PETROLEUM TRAINING INSTITUTE, EFFURUN	(32,044,772.38)	(26,248,142.75)	43,323,742.25	65,784,451.00	16,803,897.88		67,619,176.00		67,619,176.00
13	FEDERAL POLYTECHNIC, BAUCHI	45,661,829.50	52,896,210.25	78,862,000.50	22,619,245.00	65,653,322.50	67,536,487.75	333,229,095.50		333,229,095.50
14	FEDERAL UNIVERSITY OF AGRICULTURE, MAKURDI	210,409,750.00	229,724,000.00	217,029,750.00	702,997,000.00	259,089,250.00		1,619,249,750.00		1,619,249,750.00
15	FEDERAL COLLEGE OF EDUCATION, BICHI	751,724.00	17,913,739.50	45,743,263.50	38,200,525.75	580,000.00		103,189,252.75		103,189,252.75
16	NNAMDI AZIKIWE UNIVERSITY, AWKA	282,362,064.25	211,741,135.00	10,791,072.00	129,706,237.85	143,684,738.95	230,475,176.75	1,008,760,424.80	28,291,834.59	980,468,590.21
17	ALEX EKWEME FEDERAL UNIVERSITY, NDUFU-ALIKE	32,145,618.50	26,278,099.50	4,128,425.61	36,811,790.75	28,548,817.25		127,912,751.61		127,912,751.61
18	FEDERAL POLYTECHNIC, KAURA NAMODA	32,081,108.50	24,740,994.50	40,416,547.75	48,688,728.25	49,146,975.25	94,134,587.75	289,208,942.00		289,208,942.00
19	FEDERAL POLYTECHNIC, BIDA	83,746,355.00	116,388,224.50	226,837,099.25	256,396,185.00	283,526,983.25	271,581,100.00	1,238,475,947.00		1,238,475,947.00
20	FEDERAL UNIVERSITY OF TECHNOLOGY, MINNA	140,767,264.25	49,613,004.25	34,664,457.75	75,251,147.00	9,812,048.25	14,847,567.00	324,955,488.50		324,955,488.50
	TOTAL	1,404,464,368.64	1,315,556,700.50	1,555,703,526.11	2,114,507,879.35	1,732,928,403.33	1,550,016,552.25	9,673,177,430.17	57,553,301.59	9,615,624,128.58

Additional efforts are being made to intensify communication to MDAs to ensure improved compliance with provisions of the FRA, 2007 and enhanced accountability and remittances to the Federal Government.

ENFORCING FISCAL RESPONSIBILITY

Chapter 5

Chapter Five

ENFORCING FISCAL RESPONSIBILITY

ENGAGEMENT WITH SCHEDULE CORPORATIONS/AGENCIES

5.1 During the year under review, the Commission continued to leverage on its valuable collaborative engagement strategy with certain critical stakeholders like the Ministry of Finance, the Office of the Accountant-General of the Federation, the Budget Office of the Federation, the Debt Management Office, the Ministry of Communication and Digital Economy, etc. These efforts have resulted in substantially improving the level of compliance, especially by Government-Owned Enterprises (GOEs) and Corporations listed in the revised Schedule to the Fiscal Responsibility Act, 2007, with their obligations under the Act, particularly. They were particularly helpful regarding the concerned agencies' remittance of the accurate amount of Operating Surpluses due to the Consolidated Revenue Fund (CRF) of the Federal Government. Also, verifying the position of any amounts previously paid or claimed to have been paid is made easier, thereby considerably reducing the incidence of default by some Corporations while enhancing the Federal Government's Independent Revenue generation.

5.2 It is instructive to equally note that based on the amendment to Section 22 of the FRA, 2007 through the instrumentality of Section 62 of the Finance Act, 2020, The Cost to Revenue ratio of each Corporation shall NOT exceed fifty (50%) per cent or such other ratio as the Minister, upon the approval of the National Assembly, may approve for that particular Corporation by way of order published in the Official Gazette.
Also, the balance of the Operating Surplus (i.e., 50% of the revenue unutilized plus 80% of O.S. of the utilized 50% of revenue) shall be paid into the CRF of the Federation on A QUARTERLY BASIS, in accordance with such financial guidelines or regulation that the Minister may issue from time to time in consultation with the National Assembly. This amendment, along with the revised Finance Circular as well as the reviewed Standard Template for the Calculation of Operating Surplus issued by the Commission are, at present, the extant legislation and regulation dealing with the remittance of Operating Surpluses.

Moreover, the Minister can effect a direct deduction from the Corporation's Treasury Single Account (TSA) or other relevant account to enforce compliance with the Law AND shall cause a financial reconciliation between the quarterly direct deductions and aggregate annual deductions of Operating Surplus within 3 months after the deadline for publishing the Corporation's Accounts and a Report of the reconciliation shall be provided to the NASS.

5.3 For purposes of deepening the Commission's advocacy and capacity building efforts as well as stressing the critical roles of Corporations and MDAs in ensuring due compliance with fiscal rules as enshrined in the FRA, 2007, the Commission in 2022 participated, at the invitation of some Corporations, in their Management Retreat Program both within and outside the Country - whereat the Commission made important presentations on various aspects of the statutory obligations of the MDAs under the Act particularly, compliance with the provisions of Part IV, especially Sections 21, 22 and 23 of the Fiscal Responsibility Act (FRA), 2007. Moreover, the issue of outstanding/unpaid Operating Surpluses payable by the Agencies after the Commission's analysis of their submitted audited Statements of Accounts was highlighted.

5.4. It is instructive to also note that the list of Corporations in the Schedule to the FRA, 2007 has been reviewed from 92 to 65 by the Hon. Minister for Finance, Budget and National Planning pursuant to her powers under the Act.

FISCAL RESPONSIBILITY & GOOD GOVERNANCE AT THE SUB-NATIONAL LEVEL.

5.4 Section 54 the FRA, 2007 mandates the Federal Government (through the Commission) to provide such technical and financial assistance to as many States and Local Governments that show willingness to adopt Fiscal Responsibility Legislation similar to FRA, 2007. Though the Commission has not been in a position to provide financial assistance, it has nevertheless, continued to provide technical assistance when requested to do so by States.

5.5 While it is important to bear in mind that all aspects of FRA, 2007 apply in its entirety to the Federal Government and its Agencies, however, it is equally useful to note that in the areas of public debt, indebtedness, borrowings, banking, currency, savings and assets management, the provisions of FRA, 2007 relating thereto, apply to the 3 tiers of government as they fall within the exclusive legislative list in the 1999 Constitution of the Federal Republic of Nigeria (as amended).

5.6 It is therefore noteworthy that certain Sections of the FRA, 2007 are clearly intended to persuade States and Local Governments to adopt principles contained in the Act as follows:

> Section 17: "States and Local Governments that so desire shall be assisted by the Federal Government to manage their fiscal affairs within the Medium-Term Expenditure Framework".

Section 20: "In preparing their annual budget, States and local governments may adopt Part II (Annual Budget) with such modification as may be necessary".

Section 31: "In implementing their annual budget, States and Local Governments may adopt the provisions of Part V (Budgetary Execution and Achievement of Targets) with such modifications as may be necessary and appropriate.

Section 40: "In incurring public expenditures, States and local Governments may adopt the provisions on Public Expenditure with modification as may be appropriate".

5.7 In the course of the year 2022, the Commission did provide technical assistance, upon formal requests, by way of hosting a five-day joint study visit/training to the Commission's Headquarters by both the Chairmen and Management of Kaduna and Sokoto States Fiscal Responsibility Commissions including facilitating similar visits to some other important stakeholder Agencies like the EFCC, the DMO and the ICPC by the visiting Kaduna & Sokoto States FRCs, who were thoroughly exposed to the principles and practical operations of fiscal responsibility framework as well as the mandates of the other sister Agencies especially as they relate to enhancing the work of the FRC.

5.8 The Commission also between October 31st and November 23, 2022, organized and executed, in conjunction with certain Consultants, zonal awareness and sensitization workshops in four (4) geo-political zones namely, North-East (Yola, Adamawa State); North-Central (Jos, Plateau State); South-West (Lagos, Lagos State) and South-South (Calabar, Cross-River State).

The major objective of the zonal workshops, which drew participation from key government officials and local Civil Society Groups/Organizations from the States within the different zones, was to provide a platform for advocacy and for promoting the cause and the establishment/domestication of an effective regime of rule-based fiscal responsibility legislations, principles and practices at the sub-national level as well as to stimulate and encourage a host of CSOs based at States and Local Governments in the zones to fully appreciate their roles as critical stakeholders in ensuring the enforcement of extant laws on fiscal responsibility in order to hold government official to account for their policies and budget execution and thereby expand and extend the frontiers of good governance, prudence, transparency and accountability.

5.9 The Commission also continued to interact with, urged and offered support for the amendment of some if not most of the States' Fiscal Responsibility Laws in order to strengthen same for a more effective delivery of their mandates. Also, the Commission has continued to strategically utilize the opportunities provided by participating and making presentations at various official fora and at several CSO activities during the year to underscore the vital necessity of effective Fiscal Responsibility Legislations both at the federal and sub-national levels. However, the Commission sadly noticed that the triple challenges of inadequate number of staff; inadequate facility and work tools and extremely poor funding have continued to plague, to varying degrees, virtually all the sub-national F.R.Cs thereby rendering most of them almost ineffective.

CITIZENS PARTICIPATION IN MONITORING & ENFORCING THE ACT

5.10 It is important to restate that the main pillars of the FRA, 2007 which are also essentially valuable for good governance at the sub-national tier of Government include: Public Participation and consultation in fiscal affairs especially in the preparation of the MTEF & the Annual Budget; Effective medium and long term fiscal and budgetary planning; Enhanced transparency and accountability; Prudence and value for money in terms of expenditure; Efficiency in the conduct of fiscal and financial affairs; A saving culture and control of debts & deficits for the benefit of future generations; Citizens involvement in the enforcement and implementation of the F. R. Law including adequate punishment for violators.

Though the present FRA, 2007 does not contain clear and properly constituted statutory sanctions for infractions of the Act, the Commission has not relented in pursuing the inclusion of punishments as part of the amendment of the Act, while encouraging sub-national governments whose Fiscal Responsibility Laws are bereft of appropriate sanctions to also seek similar amendment. This is geared towards instituting a more robust and effective enforcement mechanism to be employed side-by-side with the present persuasive approach.

5.11 In order to draw attention to the importance of citizens' participation and role in the implementation of the provisions of the Act, Section 51 of the FRA, 2007 significantly grants every citizen (including Civil Society Groups/Organizations) the legal capacity to seek prerogative orders at the Federal High Court in the enforcement of the provisions of the Act without having to demonstrate any special or particular interest. The Commission regards this provision as a veritable tool for holding public officials accountable for their actions in the fulfillment of their duties and responsibilities under the Act, and has spared no effort in stressing the crucial importance of this aspect of the Act through vigorous advocacy at several public events to create/sensitize the awareness of individual citizens and Groups, as stakeholders, to the said provision with a view to stimulating their proactive involvement in the enforcement of the Act.

5.12 In addition, the Commission, while conducting scheduled physical inspection/ verification and monitoring visits to certain selected capital projects spread across the six geo-political zones in the country during the year, in consonance with its mandate, has continued to engage and interact, as a matter of deliberate policy, with local community representatives, youth groups and other stakeholders in the project areas for the purpose of getting their insights and perspectives on on-going projects in their localities as contained in the Federal Government's capital budget, to ascertain if the projects are yielding the expected benefits in the interest of the host Communities.

INVESTIGATING INFRACTIONS OF THE FRA, 2007

5.13 The crucial role of the Commission's Investigation Unit in the execution of its mandate makes it imperative that the manpower, facilities and capacity of the Commission's Investigators are increased and improved upon especially in the areas of forensic investigation and auditing particularly in the use of certain IT software systems and techniques. To this end, the Commission is making serious efforts to engage the assistance sister Agencies like the EFCC & ICPC as well as the support of Development Partners, in providing adequate training for its staff. The Commission has equally taken proactive steps to reorganize and restructure the Commission's investigation personnel and strategy, within its limited resources, for greater efficiency, effectiveness and improved performance.

5.14 In 2022, the Commission, in furtherance of its collaboration with relevant Committees of the National Assembly, particularly the Committee on Finance which had been conducting, with the participation of the Commission, a long-standing investigative hearing on revenue remittances by MDAs of the Federal Government, and had requested the Commission to undertake specific investigation/reconciliation meetings with a number of Agencies. For instance, such a meeting was held with officials of the Federal Road Safety Corps (FRSC) which resulted in officials of the Commission embarking on a fact-finding exercise to inspect some of the FRSC's Vehicle License Plate production facilities and work stations to ascertain and authenticate FRSC's claim of incurring huge expenditure on the production operations as well as the Agency having to remit the balance of N247,977,719.60 into the Federal Government Treasury.

5.15 A similar reconciliatory meeting was held with the National Agency for Food and Drug Administration and Control (NAFDAC) and after a comprehensive analysis and appropriate adjustments based on the Commission's calculation template, it was determined and unequivocally established that NAFDAC's outstanding Operating Surplus liability for the period 2007-2020 amounted to N4,902,870,166.00. Furthermore, the Commission carried out the same exercise with officials of the Federal Airports Authority of Nigeria (FAAN) and after scrutinizing the relevant records and making proper/valid adjustments, the Authority's total outstanding operating surplus liability was found to amount to N7,005,430,656.00.

5.16 Moreover, the Commission also looking to reinforce its alliance with the Office of the Accountant-General of the Federation and the Ministry of Finance to jointly determine/confirm the outstanding amounts due from Schedule Corporations after ascertaining and deducting any previous interim payments made by them in line with the Commission's Template for calculating Operating Surplus. In this regard, the Commission is also determined to track any direct deduction of quarterly Operating Surplus through the Treasury Single Account (TSA) of the various Schedule Corporations by the Minister of Finance pursuant to Sec. 62(2) of the Finance Act, 2020.

EFFORTS TOWARDS THE AMENDMENT OF THE FRA, 2007

5.17 The determined efforts by the Commission to continue its on-going engagement with the Leadership of the National Assembly especially the Chairmen of the Finance Committees of both Chambers, on the much-desired amendment which would strengthen the Fiscal Responsibility Act, 2007 is expected to be actualized before the end of the year, the Bill having gone past the Public Hearing stage since last year and therefore due for third reading which is the final stage of passage. It is the Commission's expectation that, with the support of other relevant stakeholders, the National Assembly will prioritize the passage of the Bill by way of a repeal and re-enactment of the principal Act.

TRANSPARENCY AND ACCOUNTABILITY

Chapter 6

Chapter Six

TRANSPARENCY AND ACCOUNTABILITY

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

The Section provides that the:

i. Federal Government shall ensure that its fiscal and financial affairs are conducted in a transparent manner and accordingly ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications for her finances;

ii. The NASS should ensure transparency during the preparation and discussion on the MTEF, Annual Budget and the Appropriation Bill;

iii. Federal Government shall publish her Audited Accounts not later than six months following the end of the financial year and thereafter, consolidate and publish in the mass media not later than seven months after the end of the previous financial year;

iv. The publication of general standards for the consolidation of public accounts shall be the responsibility of the OAGF;

v. The Federal Government, through its Budget Office, shall within 30days after the end of each quarter publish a summarized report on budget execution in such form as may be prescribed by FRC;

vi. The Minister of Finance shall publish, not later than six months after the end of the financial year, a Consolidated Budget Execution Report showing implementation against physical and financial targets. The consolidated report shall be submitted to the NASS and disseminated to the public.

The 2022 budget themed "Budget of Economic Growth and Sustainability" commenced on the first day of the fiscal year, in line with the National Development Plan of 2021 to 2025 of the current administration. However, there was need to amend the budget proposed in order to address some exigent issues.

The amended 2022 budget was based on a benchmark of $73 while oil production was pegged at 1.60 million barrels per day and exchange rate of ₦410.15 to $1. The oil revenue collected was 63% of target because of the under-performance of the oil and gas revenue sources, the government's retained revenue (including Government-Owned Enterprises) stood at ₦3.66 trillion as at 31st July, 2022.

Despite the rise in crude oil prices, the oil revenue was below target as oil Production was low. As at June, 2022, the sum of ₦1.59 trillion had been spent on oil subsidy and oil production stood at an average of 1.30 million barrels per day.

Expenditure stood at ₦8.29 trillion as at 31st July, 2022 out of ₦17.32 trillion total appropriated amount. A total of ₦3.09 million was spent on Debt service while ₦1.48 trillion was released to MDA's Capital expenditure as at 31st July, 2022. Budget deficit stood at ₦4.68 trillion (63% of estimated deficit for the fiscal year).

Domestic borrowing was the main source of financing the deficit. As at the end of June, it amounted to ₦4.12 trillion and the total public debt stock was ₦42.8 trillion which the government said was within the self-imposed limit of 40% of GDP which is significantly below the 55% international threshold for comparator countries.

The debt service to revenue ratio needs urgent attention as revenue to GDP ratio is just about 8% as against the Medium-Term objective which is to raise this ratio to 15%, at which, debt service to revenue ratio will cease to be a concern.

The President also said that revenue shortfalls has always been a great threat to Nigeria's fiscal viability, although efforts have been accelerated towards ensuring taxes are paid to the appropriate authorities. The internally generated revenue of MDAs is being monitored to ensure that they are accounted for and remitted to the Consolidated Revenue Fund (CRF). The 50% cost to income ratio in the Finance Act, 2020 has significantly improved Operating surplus remittance by Government Owned Enterprises (GOEs).

As part of transparency and accountability, a critical study of the 2022 budget revealed that;
1. The actual revenues as at July 2022 was ₦3.66 trillion, mainly due to the under performance of oil and gas revenue sources; There is a shortfall of ₦6.31 trillion when compared to the expected revenue for the fiscal year.

2. The projected fiscal deficit of ₦6.39 trillion which is 4.52% of GDP is expected to be used in financing the amended budget mainly through domestic and external borrowings; but as at the end of July, ₦4.12trillion has been accessed from domestic borrowing.
3. The non-oil revenue surpassed the target set by eleven (11%) percent in aggregate as at July. This indicates that some of the revenue reforms are yielding positive results.
4. As at July, 2022, a total of ₦1.48trn had been released for capital expenditure.
5. Nigeria's daily oil production averaged 1.30 million barrels and the market price of Bonny light crude averaged $73 US Dollars per barrel as at July 2022.

However, looking at the macroeconomic parameters of the 2023 budget, some of the following fiscal risks hinder the achievement of the economic objectives;

(a) The global economic downturn fundamentally altered the world's economic outlook negatively impacting on the economic growth of developing and developed nations alike.
(b) The global recession generally undermined investor's confidence, causing financial institutions and investors to become risk averse. Consequently, markets also suffered sharp decline.
(c) The decline in economic activity in other countries in which Nigerians are resident also negatively affected the economy through reduced inflow of remittances. Similarly, inflows of Foreign Direct Investment and portfolio Capital declined.
(d) The decline in the price and production of crude oil, remittances, foreign direct investment and portfolio capital inflows led to decline in foreign exchange inflows.
(e) The grim realities of COVID -19 and its lethal variants are still active in the Country and this also affected the economy negatively.

6.2 The campaign for the amendment of the Fiscal Responsibility Act, 2007 continues.

Within the year 2022, several publications and consultations on the amendment of the Fiscal Responsibility Act, 2007 were made. A bill for the amendment of the Act was reintroduced at the beginning of the 9th Assembly. We have been pushing for the successful amendment of the Act to reposition the Commission for more efficiency and practicability in discharging the mandate of the FRC. Though, a public hearing had been done since 2021 for the amendment, it is yet to be passed. However, the Commission continues with the campaign for the amendment. Some of the publications are:

- "Amend Fiscal Responsibility Act before the 2023 election", published on May 12, 2022.
- "Time to amend the Fiscal Responsibility Act," published on May 25, 2022.

6.3 2022 African Union Anti-corruption Day

The Commission participated in the African Union anti-corruption day in July 2022. The Executive Chairman, Barr. Victor Muruako gave a goodwill message in commemoration of the event where he stated that we must strive to end corruption for Nigeria's economic development. He charged stakeholders in Nigeria's governance to double efforts in checkmating the menace of corruption in the country to pave the way to attaining economic development and prosperity. The Union had dedicated 11th July annually as the African Day of Anti-corruption to reflect on strategies for checkmating corruption in Africa. The theme for 2022 was "Strategies and Mechanisms for the Transparent Management of Covid-19 Funds".

6.4 The Unveiling of Remittance Report.

One of the major events in the Commission in 2022 is the Revenue Remittance Compliance Index. The unveiling of the report took place in Abuja where the Executive Chairman, represented by the Special Assistant, Dr. Chris Uwadoka gave a keynote address to open the event. The first part of the report titled "Where is the Money" gave a detailed revenue remittance compliance index of federal government MDAs, and it was shown that out of the 150 MDAs captured in the report, 58 were categorized as 'Above Average Compliance', 73 were listed under 'Average Compliance Category' and 19 as 'Below Average Compliance. The report came through a collaborative effort of the Order Paper Advocacy Initiative (OAI) and its partners in the Growth Initiative for Fiscal Transparency (GIFT).

COMMUNICATION, RESEARCH AND DISSEMINATION OF STANDARDS

Chapter 7

Chapter Seven

COMMUNICATION, RESEARCH AND DISSEMINATION OF STANDARDS

7.1 Introduction:

The publication of an annual report is one cardinal way of promoting transparency, accountability and prudence in the management of government activities (Good Governance). This section of the Report provides an overview of the FRC's communication activities in 2022 fiscal year. It includes information on the Commission's events and engagement with relevant stakeholders and strategies deployed in the information dissemination to the target audiences.

It also provides the FRC's communication performance on the events with stakeholders, feedback mechanism and recommendations for future communication activities.

The year began on a worthy note when the Director-General of the National Agency for Prohibition of Trafficking (NAPTIP), Dr. Mrs. Fatima Waziri-Azi paying a courtesy visit to the Commission. There was an exchange of ideas with the Executive Chairman of the Commission, Barr. Victor Muruako and the Management team. on how to collaborate between the two agencies to achieve the mandates of the agencies.

A group photograph of the FRC Management Team and NAPTIP Management Team.

The Secretary of the Economic and Financial Crime Commission (EFCC), Dr. George Ekpungu led the delegation to the Fiscal Responsibility Commission, Abuja, in an effort to strengthen the organizational synergy, matters of mutual interest and collaboration between the two agencies were of utmost priority. In the course of the discussion, the Secretary assured the Executive Chairman FRC, Barr. Victor Muruako that a memorandum of understanding (MOU) with the Commission will soon be activated for the benefit of the country in the fighting against corruption. While Muruako thanked the EFCC for the assistance rendered to the Commission and sub-national governments whenever the need arises, particularly, in the areas of training and logistics support.

The Executive Chairman Barr. Victor Muruako® handing over the FRC's publications to the EFCC Secretary, Dr. George Ekpungu during his visit to the Commission, on Feb. 16, 2022.

A group photograph of the Management Team of FRC and the Delegation from the EFCC to the Commission led by the Secretary, Dr. George Ekpungu, Feb. 16, 2022.

The collaboration between the Fiscal Responsibility Commission (FRC) and National Youth Service Corp (NYSC) continued in the 2022 fiscal year, where a multiple sensitization programs, training of Corp members on the need to embrace fiscal responsibility practices, mandate and the roles of Fiscal Responsibility Commission to the economic development of Nigeria was shared among the Corp members by the FRC.

Head Strategic Communication Directorate, Mr, Bede Anyanwu (middle), Hamisu Gumel (2nd left), and the NYSC Officers with some selected Corps Members in a group photograph during a sensitization program in the NYSC Camp, March 25, 2022.

In an effort by the FRC to execute its mandate and responsibilities particularly, Section 54 of the FRA, 2007, in the 2022 fiscal year, the Commission rendered a technical assistance in work force development to Sokoto and Kaduna State Fiscal Responsibility Commission in Abuja.

During the technical workshop, the Executive Chairman, FRC, Barr. Victor Muruako reiterated the need for all the states of the Federation to domesticate the Fiscal Responsibility Law in their respective States, in order to key into the culture of fiscal responsibility practices for better management of the nation's economy.

The Executive Chairman FRC, Barr. Victor Muruako (flanked by Kaduna and Sokoto Heads of State-FRC) granting an interview during the opening ceremony of the 5-day workshop for the Sokoto and Kaduna States Fiscal Responsibility Commission in Abuja, May 21, 2022.

Collaboration and Engagement with Relevant Civil Society Organization

For promoting an excellent Public Financial Management System in Nigeria, the Fiscal Responsibility Commission (FRC) in 2022 fiscal year continued to engaged and collaborate with relevant Civil Society Organization (CSOs) across the country.

In an effort to create a fiscal discipline across the public office holders and general populace, the FRC organized and participates in a series of events that has to do with Public Financial Management, Public enlightenment on matters related to the Nigeria economy, etc. in conjunction with local and international CSOs.

The FRC further created a WhatsApp group named FRA Amendment Stakeholders is an avenue where to reach out to Civil Society Organizations and relevant stakeholders to discuss on matters concerning the Nigeria economy, Fiscal Responsibility Act amendment and many more. This collaboration and partnership with the relevant stakeholders in and outside the Country have been contributing immensely in achieving transparency, accountability and prudent in management of the scarce resources across the tiers of Government in the federation.

In a bid to create to create awareness and visibility to the public on the mandate, responsibilities and role of the Fiscal Responsibility Commission in national development, the Commission through the Strategic Communication Directorate came up with a series of radio and television programs. One of the programs is phone -in radio program at Federal Radio Corporation of Nigeria (FRCN) where the effect of corruption on the growth and development of the Nation is been discussed by the Commission's staff and the Lead Director of Centre for Social Justice (CSJ) and also entertained contributions and pertinent questions from the general public.

Furthermore, the FRC in partnership with Civil Society Organization came out with regional sensitization and creation of awareness program on the mandate and activities of the Commission to the public.

The sensitization program involves creating awareness and educating the public on the needs to embrace the fiscal discipline at the various level of Government to ensure transparency, accountability and prudent in management of Government resources entrusted at their control. So far, the program took place at four different States across the four geo-political zone.

From left: Head of Strategic Communication FRC, Mr. Bede Anyawu, Lead Director Social Justice, Bar. Eze Onyekpere, the host and the Head of Legal Investigation and Enforcement, Bar. Charles Abana during a phone-in-radio program on the Effect of Corruption on the Growth and Development of the Nation.

7.2 Collaboration with International Organizations

By virtue of the national important of the Fiscal Responsibility Commission's mandate and role of FRC in the economic development of the nation, the International Monetary Fund (IMF) which is one of the international organizations in the world that support reforms in the areas of Public Financial Management and fiscal related matters.

In 2022 fiscal year, the Commission received the delegation of the IMF led by Director, of the Second African Regional Technical Assistance Centre in West Africa (AFRITAC 2), Eva Jenkner on a courtesy visit.

During the visit, there was a fruitful discussion between the IMF officials and the Management of the Fiscal Responsibility Commission on how the IMF will continue to give its support to the Commission in the area of technical and capacity building of staff.

In the same year, the IMF AFRITAC West 2 and the Fiscal Affairs Department (FAD) Mission team organized a specialized capacity building to the staff of FRC on:

i. Virtual Technical Assistance Mission 11th - 12th April 2022.
ii. Capacity Development Mission Support to FRC to establish a Monitoring Framework 16th - 30th August, 2022 respectively.

The participation in the above listed trainings by the staff of the Commission has really affected positively to the quality of work produced as well as the work performance of the Commission's Staff.

In aspiring to execute the Commission's mandate and responsibility by collaboration with the critical stakeholders, the Executive Chairman of the Fiscal Responsibility Commission, Barr. Victor Muruako with his team paid a courtesy visit to the Hon. Minister of Communication, Prof. Isa Ali Ibrahim Pantami in his office in Abuja where a lot of National interest have been discussed

The Executive Chairman, Bar. Victor Muruako (L), presenting the FRA 2007 and other important materials of the Commission to the Hon. Minister of Communication and Digital Economy, Prof. Isa Ali Ibrahim Pantami during a courtesy visit to the Minister in his Office, Abuja, Sept. 19, 2022.

One of the strategies we use in creating awareness and educating the general public on the activities of the Commission is through sensitizations and workshops. These strategies have worked and brought tremendous results that have helped in sustaining the Commission. We have partnered with many organizations and Civil Society Organizations in achieving these strategic programs.

So, in a bid to ensure that the principle of fiscal responsibility is entrenched at the subnational for better economic management, the Commission started sensitization and awareness campaigns on the need for fiscal responsibility and accountability at zonal levels. The event key started in Adamawa and Jos, then later in Lagos and Port Harcourt, Rivers State.

A Group Photograph of the FRC Team and the Participants during a Workshop/Sensitization Program tagged 'Sustaining the Gains of Fiscal Transparency & Accountability at Subnational Governments' held in Yola, Adamawa State, October 31, 2022.

RESEARCH AND DISSEMINATION OF STANDARDS

In 2022 fiscal year, the Fiscal Responsibility Commission continued to discharge its mandate as provided in the Fiscal Responsibility Act (FRA),2007, particularly section 1(c) " Undertake fiscal and financial studies, analysis and diagnosis and disseminate the result to the general public"

In view of the above provisions and the important of fiscal management of the nation's resources across the tiers Government in the Federation, the Commission during the year under review analyzed revenue and expenditure of sub-national governments in the federation.

The essence of the analysis was to determine the expenditure pattern ration between capital and the recurrent expenditure in line with the United Nation recommended ratio of 70:30.

The contribution of Sub-national Governments to the national development cannot be overemphasize, since they have accounted for a significant portion of the revenue shared from the federation account.

7.3 COMPARATIVE ANALYSIS OF CAPITAL AND RECURRENT EXPENDITURE OF STATES IN LINE WITH THE UNDP 70:30 RECOMMENDED RATIO.

The expenditure of the government plays an important role in the National economic development. The expenses incurred on administrative cost, provisions of basic and necessity infrastructures and quality of services rendered will determine the level of the economic development of the Country as well as the welfare of the citizens.

The rising of public expenditure has been a major area of concern in Nigeria, although every administration in recent has sought out policies to scale down the cost of governance in the areas of administration cost, overhead and other unnecessary expenditures.

These unproductive spending in a year in year out basis is continued to affect the provisions of infrastructures, which deterred the economic growth of the Country.

The table below indicate the percentage (Ration) allocation of fund to capital and recurrent expenditure in 2021 budget of the Sub-national Governments (36 States) in the Country

Table 7.1The Capital and Recurrent Expenditure of States in 2021

STATES	CAPITAL EXPENDITURE (₦bn)	%OF CAPITAL EXPENDITURE	RECURRENT EXPENDITURE (₦bn)	% OF RECURRENT EXPENDITURE	CAPITAL: RECURRENT RATIO
OYO	61.16	33.91	119.18	66.09	34:66
OSUN	21.99	28.64	54.8	71.36	29:71
LAGOS	425.61	48.64	449.37	51.36	49:51
ONDO	27.43	22.94	92.14	77.06	23:27
OGUN	83.38	38.46	131.8	61.54	38:62
EKITI	**34.68**	**34.58**	**65.61**	**65.42**	**35:65**
BAYELSA	79.43	36.44	138.56	63.56	36:64
RIVERS	413.13	77.79	117.93	22.21	78:22
DELTA	127.78	36.16	225.61	63.84	36:64
AKWA IBOM	153.14	49.56	155.88	50.44	50:50
CROSS RIVER	81.03	66.24	41.29	33.76	66:34
EDO	**79.02**	**46.24**	**91.88**	**53.76**	**46:54**
ABIA	43.52	44.54	54.19	55.46	45:55
ANAMBRA	57.58	51.4	54.44	48.6	51:49
EBONYI	58.09	60.49	37.94	39.51	60:40
IMO	39.98	33.3	80.09	66.7	33:67

ENUGU	**35.59**	**32.49**	**73.94**	**67.51**	**32:68**
SOKOTO	62.38	49.27	64.22	50.73	49:51
KADUNA	162.63	70	69.7	30	70:30
KEBBI	38.48	49.45	39.34	50.55	49:51
KANO	78.46	43.37	95.93	56.63	43:57
KATSINA	57.27	42.61	77.14	57.39	43:57
ZAMFARA	20.24	33.17	40.78	66.83	33:67
JIGAWA	**59.19**	**46.23**	**68.85**	**53.77**	**46:54**
BORNO	56.61	42.59	76.32	57.41	43:57
GOMBE	31.58	40.87	45.68	59.13	41:59
BAUCHI	17.9	20.11	71.12	79.89	20:80
YOBE	44.42	42.74	59.5	57.26	43:57
TARABA	19.85	25.43	55.26	73.57	26:74
ADAMAWA	**24.59**	**24.83**	**74.44**	**75.17**	25:75
NASARAWA	36.54	38.29	58.91	61.71	38:62
KWARA	35.91	38.24	58	61.76	38:62
KOGI	48.44	39.65	73.73	60.35	40:60
PLATEAU	13.17	17.35	62.72	82.65	17:83
NIGER	24.14	25.28	71.36	74.72	26:74
BENUE	**8.75**	**11.37**	**68.21**	**88.63**	**11:89**
TOTAL	**2663.09**		**3215.86**		

The table 7.1 above clearly indicate that, Lagos (₦425.61bn), Rivers (₦413.13bn), Kaduna (₦162.63bn), Cross River (₦81.03bn) and Ebonyi (₦58.09bn) States had high capital expenditure allocation in the year under review. Lagos State ranked the highest followed by Rivers and the least among the states with high capital expenditure allocation was Ebonyi State with (₦58.09bn).

In the other hand, the States with low allocation to capital expenditures during the year under review were Benue (₦8.75bn), Plateau (₦13.17bn), Bauchi (₦17.90bn) and Taraba (₦19.85bn), where Benue State was the least out 36 States in the federation with 8% contribution from the gross total budget allocation to capital expenditure

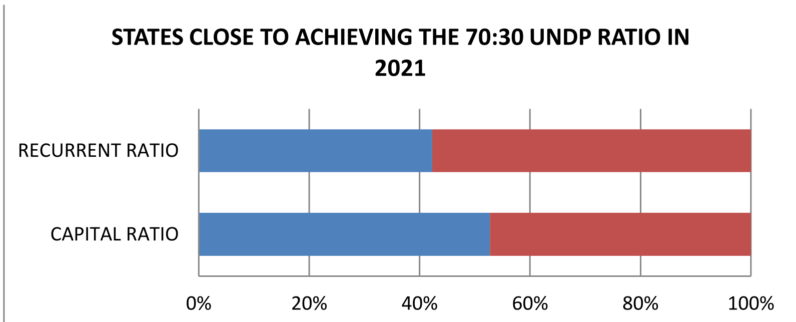
In recurrent expenditure allocation during the year under review. Lagos State remained the highest (₦449.37bn) followed by Akwa Ibom (₦155.88bn) and the third was Bayelsa (₦138.56bn) State. In the same vein, Ebonyi (₦37.94bn), Kebbi (39.34bn) Zamfara (₦40.78bn) and Gombe (₦45.68bn) States recorded the lowest recurrent expenditure value in 2021 fiscal year.

Based on the UNDP recommended ratio of 70:30 capital to recurrent ratio, only Kaduna State (70:30) met the 70:30 UNDP recommendations while Rivers (78:22), Cross River (66:34) and Ebonyi States (60:40) were close to the recommended ratio of capital to recurrent expenditure allocation.

Table 7.1 also reveals that, 29 (twenty-nine) States in the Country allocated more than 50% of their resources to the recurrent expenditure, invariably the State did not comply with the UNDP recommendation in allocating the resources to the capital and expenditure votes.

7.4 UNDP RATIO OF STATES

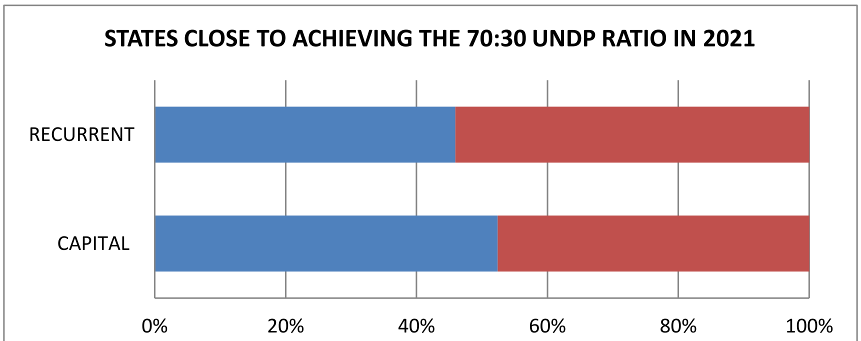
The charts below show States that achieved the UNDP Ratio, States close to achieving it and States with relatively High Recurrent expenditure in 2021.



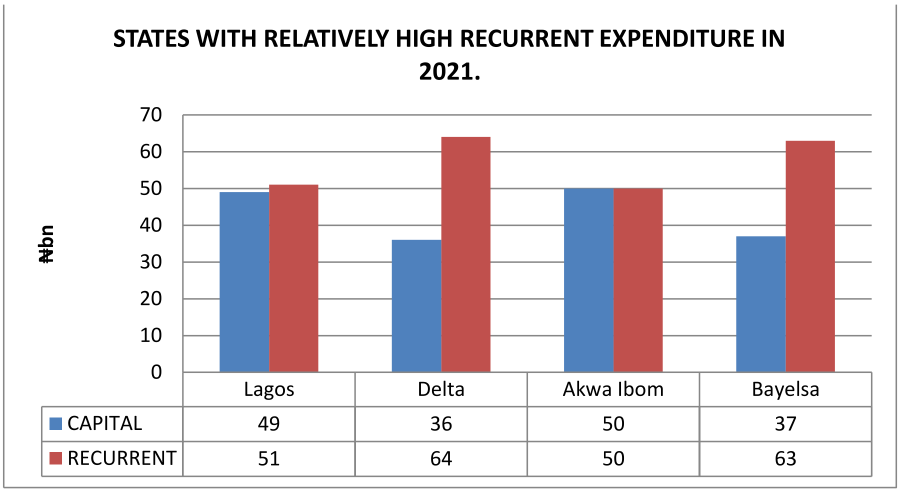
	CAPITAL RATIO	RECURRENT RATIO
Rivers	78	22
Kaduna	70	30

Recommendations on the above figures,

1. Kaduna was the only State complied with the 70:30 ratio
2. Match Rivers, Cross River and Ebonyi together under the States the close to meet up with UNDP recommendation of 70:30



	CAPITAL	RECURRENT
Cross River	66	34
Ebonyi	60	40



In any Country that desires economic growth and development, the capital expenditure allocation expected to be of priority than the recurrent expenditure allocation. In view of the analyzed data, at table 7.1 above, the State Governments should scale down their recurrent expenditure in order to achieve infrastructural development, industrialization and human capital development or look inward for better ways of blocking revenue leakages and improving revenue generation.

In 2021, the total expenditure both capital and recurrent for the State Governments excluding FCT was ₦5,878.95 billion with Lagos and Rivers States recorded the highest capital and recurrent expenditure of ₦874.98 billion and ₦531.06 billion equivalent to 14.88 % and 9.03% respectively. Plateau and Benue states recorded the lowest capital and recurrent expenditure of ₦72.89 billion and ₦76.96 billion (1.24% and 1.31%) respectively.

Table 7.5 below shows that, the South-South geo-political zone had the highest capital expenditure of ₦933.53 billion followed by South-West ₦654.25 billion then North-West₦478.65 billion and the least among the zones was North Central recorded the lowest capital expenditure of ₦166.95 billion.

On the other hand, the South-West geo-political zone had the highest recurrent expenditure of ₦912.9billion, South-South ₦771.15 billion then North-West ₦455.96 billion and South-East geo-political zone recorded the lowest recurrent expenditure of ₦300.6 billion in the year under review.

Table 7.2: Capital and Recurrent (South-South)

STATES	CAPITAL EXPENDITURE (₦bn)	RECURRENT EXPENDITURE (₦bn)
BAYELSA	79.43	138.56
RIVERS	413.13	117.93
DELTA	127.78	225.61
AKWA IBOM	153.14	155.88
CROSS RIVER	81.03	41.29
EDO	79.02	91.88
TOTAL	933.53	771.15

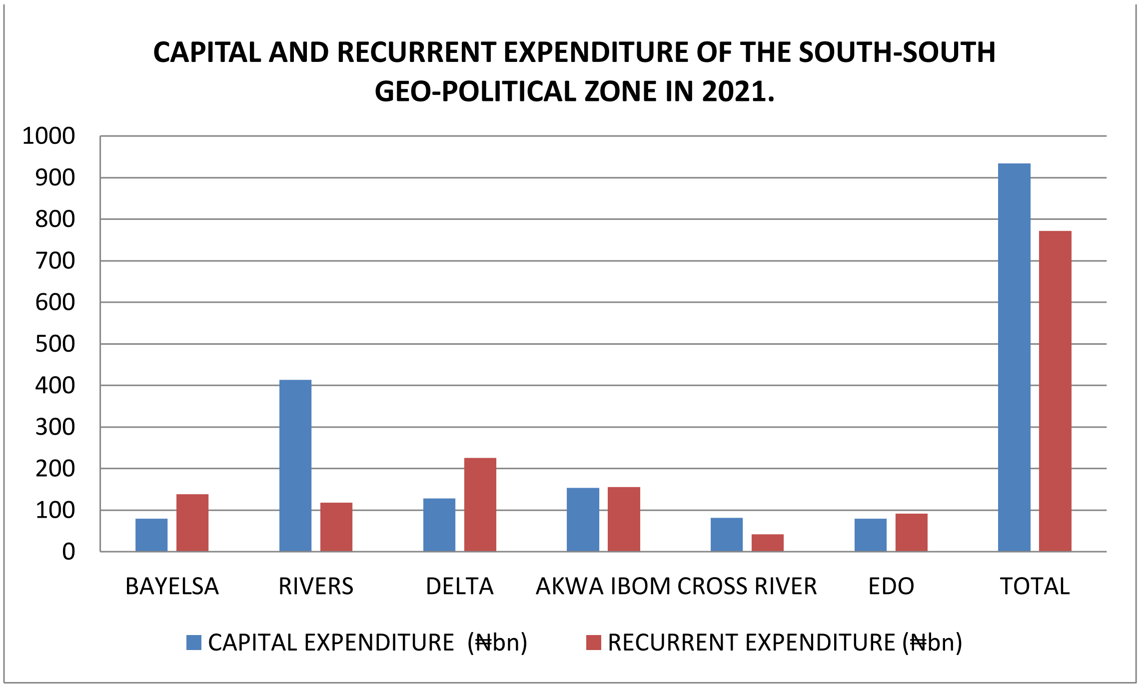


Table 7.3 Capital and Recurrent (South-West)

STATES	CAPITAL EXPENDITURE (₦bn)	RECURRENT EXPENDITURE (₦bn)
OYO	61.16	119.18
OSUN	21.99	54.8
LAGOS	425.61	449.37
ONDO	27.43	92.14
OGUN	83.38	131.8
EKITI	34.68	65.61
TOTAL	654.25	912.9

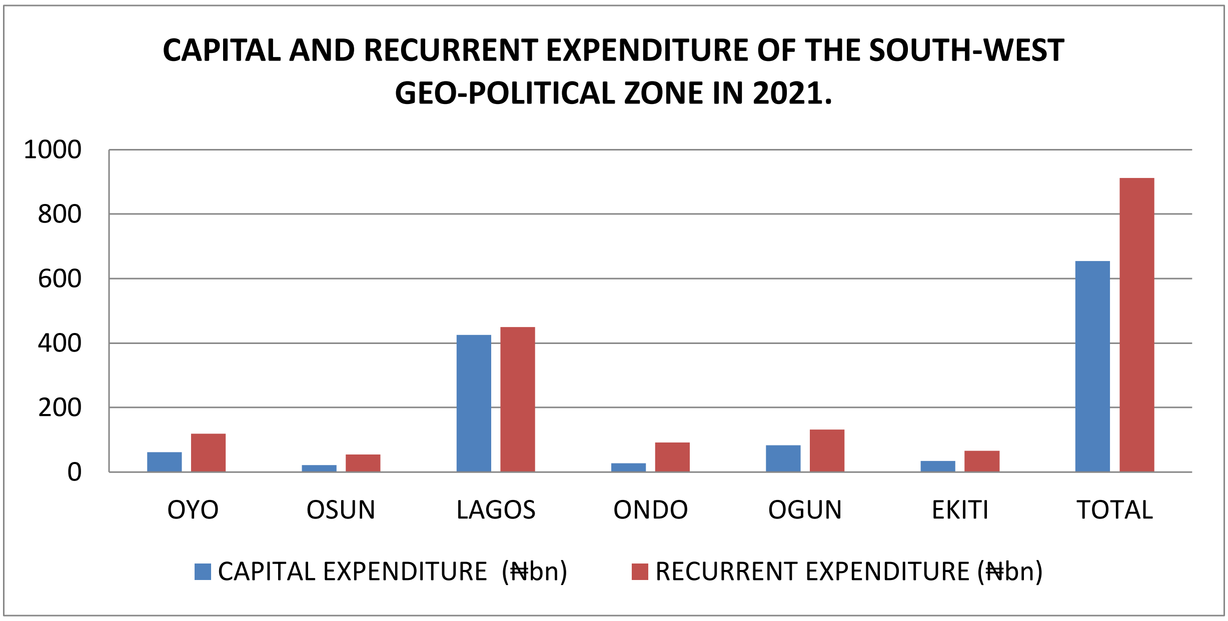


Table 7.4 Capital and Recurrent (North-West)

STATES	CAPITAL EXPENDITURE (₦bn)	RECURRENT EXPENDITURE (₦bn)
SOKOTO	62.38	64.22
KADUNA	162.63	69.7
KEBBI	38.48	39.34
KANO	78.46	95.93
KATSINA	57.27	77.14
ZAMFARA	20.24	40.78
JIGAWA	59.19	68.85
TOTAL	478.65	455.96

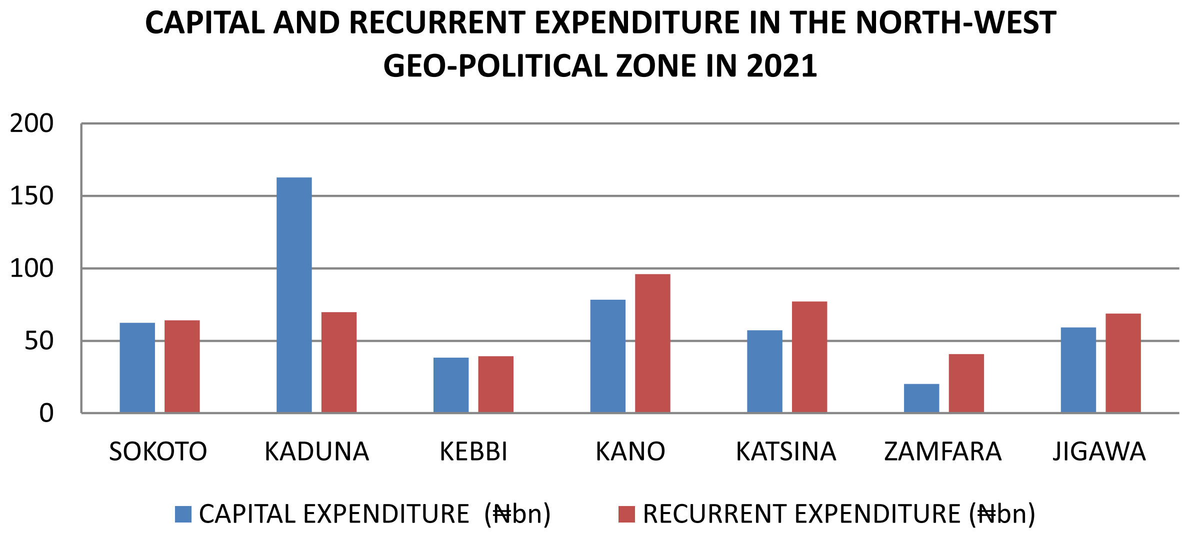


Table 7.5 Capital and Recurrent (South-East)

STATES	CAPITAL EXPENDITURE (₦bn)	RECURRENT EXPENDITURE (₦bn)
ABIA	43.52	54.19
ANAMBRA	57.58	54.44
EBONYI	58.09	37.94
IMO	39.98	80.09
ENUGU	35.59	73.94
TOTAL	234.76	300.6

CAPITAL AND RECURRENT EXPENDITURE OF THE SOUTH-EAST GEO-POLITICAL ZONE IN 2021.

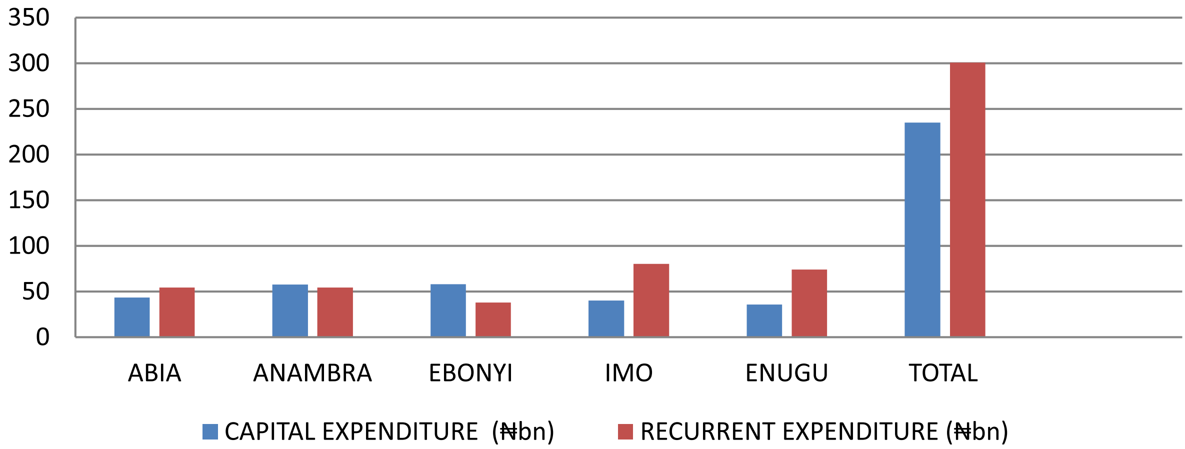


Table 7.6 Capital and Recurrent (North-West)

STATES	CAPITAL EXPENDITURE (₦bn)	RECURRENT EXPENDITURE (₦bn)
BORNO	56.61	76.32
GOMBE	31.58	45.68
BAUCHI	17.9	71.12
YOBE	44.42	59.5
TARABA	19.85	55.26
ADAMAWA	24.59	74.44
TOTAL	194.95	382.32

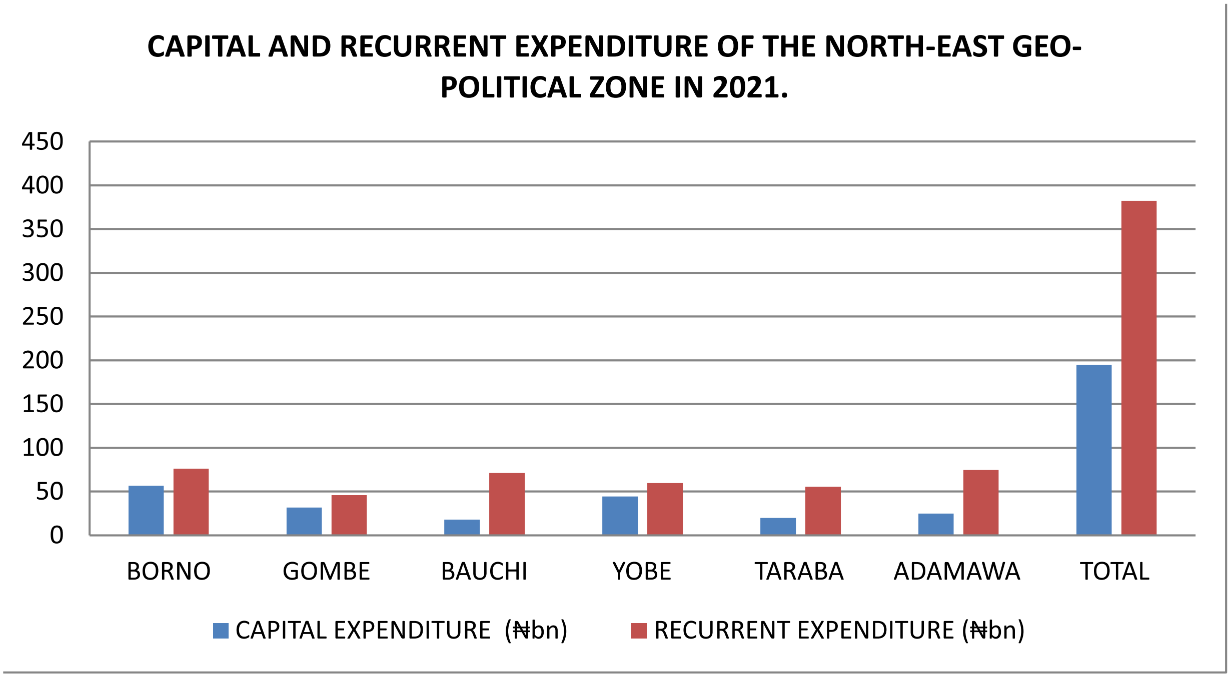
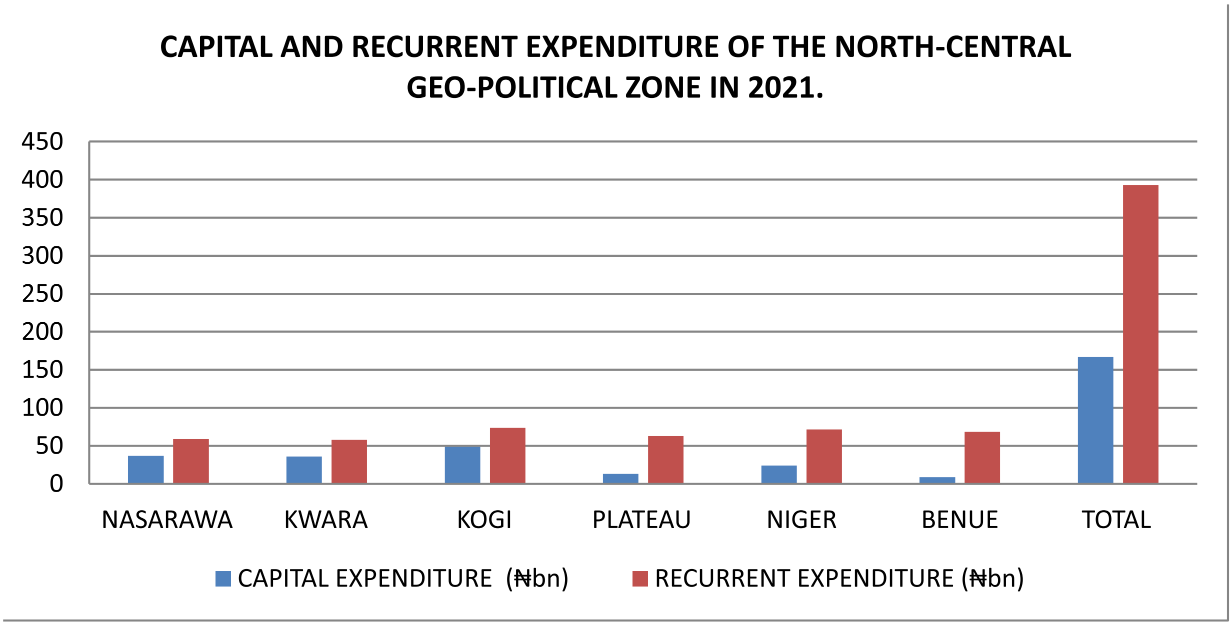


Table 7.7 Capital and Recurrent (North -Central)

STATES	CAPITAL EXPENDITURE (₦bn)	RECURRENT EXPENDITURE (₦bn)
NASARAWA	36.54	58.91
KWARA	35.91	58
KOGI	48.44	73.73
PLATEAU	13.17	62.72
NIGER	24.14	71.36
BENUE	8.75	68.21
TOTAL	166.95	392.93



FINDINGS:

- Only Rivers and Kaduna States achieved the 70:30 UNDP recommended ratio while the remaining 34 States did not meet the recommendation.
- Most States spend more on recurrent items than capital items hence there is little or no developments despite the rapid growth in population.

RECOMMENDATIONS

- ➢ The States should consciously work towards achieving the UNDP recommended 70:30 ratio.
- ➢ The States should cut down on amount dedicated to recurrent expenditure so that capital expenditure can be increased thereby encouraging development to better the living condition of citizens.
- ➢ The States should come up with more strategies on raising more revenue which can be channeled into capital development.

INSTITUTIONAL STRENGTHENING AND CAPACITY BUILDING

Chapter 8

Chapter Eight

INSTITUTIONAL STRENGTHENING AND CAPACITY BUILDING

International Monetary Fund (IMF) AFRITAC West 2 Technical Assistance Mission

The International Monetary Fund (IMF) AFRITAC West 2 Technical Assistance Mission provided capacity building for the Commission in April and August, 2022. The training has undoubtedly opened a new vista in the operational direction of the Commission in the monitoring and enforcement of the FRA, 2007.

The first training was conducted virtually from 11th – 22nd of April, 2022. The IMF mission, trained participants in basic public finance management. However, the objective of the mission was to support the Commission in preparing a capacity development program; and provide training on:

1. The role of fiscal councils/commissions with specific reference to the mandate and role of the FRC;
2. Good practices in the budget cycle with reference to international standards such as the Public Expenditure Financial Assessment (PEFA) Framework and the Fiscal Transparency Code (FTC)

The mission was conducted by Mr. Kubai Khasiani (AFW2 Advisor) and Mr. Gerhard Steger and Ms. Phyllis Ndunge Makau. However, the well -articulated sessions covered key public finance management areas such as; fiscal objectives, budget preparation, budget execution and audit.

The exercise was highly educative and informative, participants were exposed to and enlightened on the key role's fiscal councils (like the FRC) are expected to play in their various jurisdiction. The Commission as an independent fiscal institution is expected to play the role of a “Watch dog” or “External Evaluator” in the fiscal space. Hence, FRC should monitor government's fiscal policy objectives and its implementation and proffer its independent opinion therefrom.

In another response to the request from the Commission, a joint mission of the IMF Fiscal Affairs Department (FAD) and AFRITAC WEST 2 visited Abuja, Nigeria during August 16 – 30, 2022. The mission provided capacity development support to the FRC staff on strengthening monitoring framework for public finances as required by the FRA, 2007. The team comprises of Mr. Sybi Hida (lead), Kubai Khasiani (AFRITAC West 2) and Ms. Phyllis Makau (FAD short-term expert).

About fifty officers including Management and technical staff, attended two-day discussion sessions on the role of the FRC as a fiscal council and on achieving its mandate as required by the FRA, 2007. Also, the mission team provided two- day training for the same officers on;

1. Functions and Outputs of Fiscal Councils;
2. Role of the FRC in Nigeria Budget Cycle;
3. Fiscal Risk Management;
4. Public Private Partnerships and Related Risks;
5. Communication and influence in Public Debate;
6. Establishing Fiscal Risk Registry for Nigeria.

In addition, the team provided the FRC with a Microsoft Excel Tool to measure macro-fiscal forecast accuracy/errors for annual budgets, populated with leading fiscal indicators for 2011-2020. As a way forward the Commission established Technical Working Teams tasked with analyzing the FGN macro-economic fiscal forecast error in order to ascertain if there is deviation from the fiscal target from MTEF and Budget projections as approved by the National Assembly.

CHALLENGES AND PROSPECTS

Chapter 9

Chapter Nine

CHALLENGES AND PROSPECTS

The essence of good fiscal management is optimal collection and prudent use of public revenue in a manner that is transparent and accountable. In the same vein, the Fiscal Responsibility Commission (FRC)aims to promote prudence, accountability and transparency in the management of public finances, and to encourage the sustainable growth and development of the Nigerian economy.

In carrying out its mandate towards this noble aim, the FRC has faced challenges, even as it faces prospects of improvement. Despite the challenges, the FRC remains committed to promote fiscal responsibility and transparency in the management of public finances in Nigeria. The Commission has taken steps to address some of these challenges and enhance its effectiveness by collaborating with relevant government institutions and stakeholders.

CHALLENGES FACED BY FRC

The Fiscal Responsibility Commission (FRC) has faced several challenges in carrying out its mandate. Some of the major challenges include:

1. **Inadequate funding:** The FRC has been facing a major challenge with funding. Inadequate funding has hindered the Commission's ability to effectively carry out its functions. The Commission's budget has been consistently low, and this has limited its capacity to recruit and retain skilled personnel, carry out research, and implement its programs and projects.
2. **Non-**cooperation **of government agencies:** Another challenge is the non-cooperation of some government agencies. This has made it difficult for the FRC to effectively monitor and enforce compliance, thus limiting its impact.
3. **Political interference:** While the FRC cannot be said to have experienced direct disruption of its functions by political jobbers it has nonetheless had to live with an appearance of a lack of political will, by the political system at the highest level, to implement provisions of the Fiscal Responsibility Act. A case in point is the requirement of the Fiscal Responsibility Act for the President of the Federal Republic of Nigeria to set debt limits for the governments in the Federation. This has not taken place since the 2007 deadline specified in the Fiscal Responsibility Act.
4. **Lack of legal teeth:** Some stakeholders posit that the FRC lacks the necessary legal teeth to effectively hold government agencies, parastatals and their officials accountable for their financial management practices. They argue that the Commission's powers are limited,

and that the insertion of stronger enforcement provisions in its enabling Act will engender better improved compliance by erstwhile defaulters.

5. **Inadequate public awareness:** The FRC has also faced the challenge of inadequate public awareness about its mandate and activities. Many Nigerians are not aware of the existence of the Commission or its functions, which has limited its impact and effectiveness.

6. **Technical capacity:** The FRC has been facing the challenge of inadequate technical capacity. The Commission requires important technology for data gathering, analysis and communications. It is also in dire need of skilled personnel with expertise in accounting, economics, public finance and other fields to effectively carry out its functions. However, it has been facing challenges in recruiting and retaining such personnel due to funding constraints and competition for competent manpower from other institutions.

PROSPECTS

The Fiscal Responsibility Commission (FRC) has several prospects that can help to enhance its effectiveness and impact. Some of these prospects include:

1. **Increased public awareness:** There is growing public awareness about the functions and contributions of the FRC in promoting prudence, accountability and transparency in the management of public finance. Targeted public education and awareness campaigns to inform Nigerians about the Commission's activities and how they can benefit from its work will be most helpful in educating the public. By raising awareness on fiscal issues, promoting transparency, and engaging stakeholders, the FRC will continue to foster public participation and scrutiny in the budgeting system. This is expected to lead to greater accountability and responsiveness in budget decisions.

2. **Improved funding:** Adequate funding is critical to the success of the FRC. Increased funding will enable the Commission to recruit and retain skilled personnel, carry out research, and implement its programs and projects effectively. The Commission trusts that the importance of its mandate will cause it enjoy more budgetary appropriations and other funding support in the years to come.

3. **Collaboration with other institutions:** Through collaborations with relevant government institutions, civil society organizations, and the private sector, the Commission is registering enhancements in its effectiveness and impact. Such collaborations help to leverage resources, share knowledge and expertise, and promote best practices in fiscal management.

4. **Strengthening legal framework:** The FRC has been advocating for a strengthening of the legal framework governing its operations. The amendment of the Fiscal Responsibility

Act, which the Commissioned has championed, features sanctions that are intended to enhance enforcement.

5. **Emphasis on data-driven approach:** The Commission's effectiveness in detecting and preventing fiscal malpractices stand to improve tremendously with a proposed leveraging of technology and data analytics to monitor and evaluate the financial management practices of government agencies and parastatals. With the use of technology, analysis of government expenditures and recommendations to reduce wasteful spending will be improved. Equally, it will be easier to assess the fiscal implications of proposed policies and projects, ensuring they align with fiscal responsibility guidelines.

6. **Capacity building:** Improved prospect of FRC-effectiveness is expected through capacity building for Commission staff and other stakeholders in the fiscal management space. This may include training programs, workshops, seminars and other systems to build the skills and knowledge required to effectively promote fiscal responsibility and transparency. An FRC with well qualified staff will be in a better position to influence the adoption of measures that promote a more efficient and effective budgeting system.

7. Enhanced **Monitoring and Evaluation:** Improved monitoring and evaluation of the implementation of annual budgets improve the prospect of effectiveness of the Commission in the discharge of its role. The Commission will improve in its review of budgetary allocations, revenue projections, and expenditure patterns, as well as in identifying areas of inefficiency, waste, or mismanagement. Improved M & E will help to improve the quality of reports and recommendations to relevant authorities. It will also support the assessment of revenue projections and recommendation of measures to enhance revenue generation. By monitoring the government's revenue collection and providing guidance on tax administration, the FRC will continue to ensure that the budgeting system is supported by realistic revenue forecasts and sustainable funding sources.

AUDITED FINANCIAL STATEMENTS

ANNEXURE

The Presidency
FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA
Office No. 93, Yakubu Gowon Crescent, Asokoro District, Abuja
email: info@frc.gov.ng
website: www.fiscalresponsibility.ng
Tel: +234 (0) 814 909 5640

Rosemedia: 08099663535