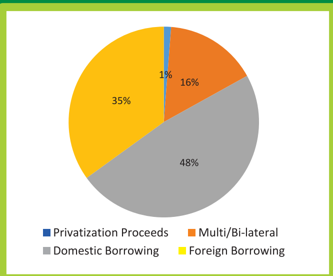
THE PRESIDENCY

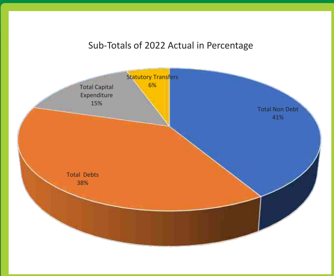
FISCAL RESPONSIBILITY COMMISSION

FEDERAL REPUBLIC OF NIGERIA

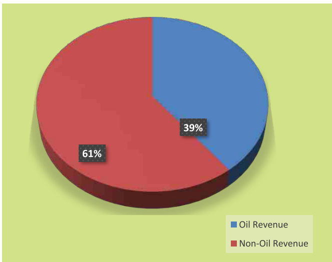
2023

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENT





THE PRESIDENCY
FISCAL RESPONSIBILITY COMMISSION
FEDERAL REPUBLIC OF NIGERIA



2023
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 VALUES

- Integrity
- Truth
- Justice
- Prudence

TABLE OF CONTENTS

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,

BOLA AHMED TINUBU, GCFR

PRESIDENT AND COMMANDER -IN- CHIEF OF THE ARMED FORCES
FEDERAL REPUBLIC OF NIGERIA

HIS EXCELLENCY,

KASHIM SHETTIMA, GCON

VICE PRESIDENT

FEDERAL REPUBLIC OF NIGERIA

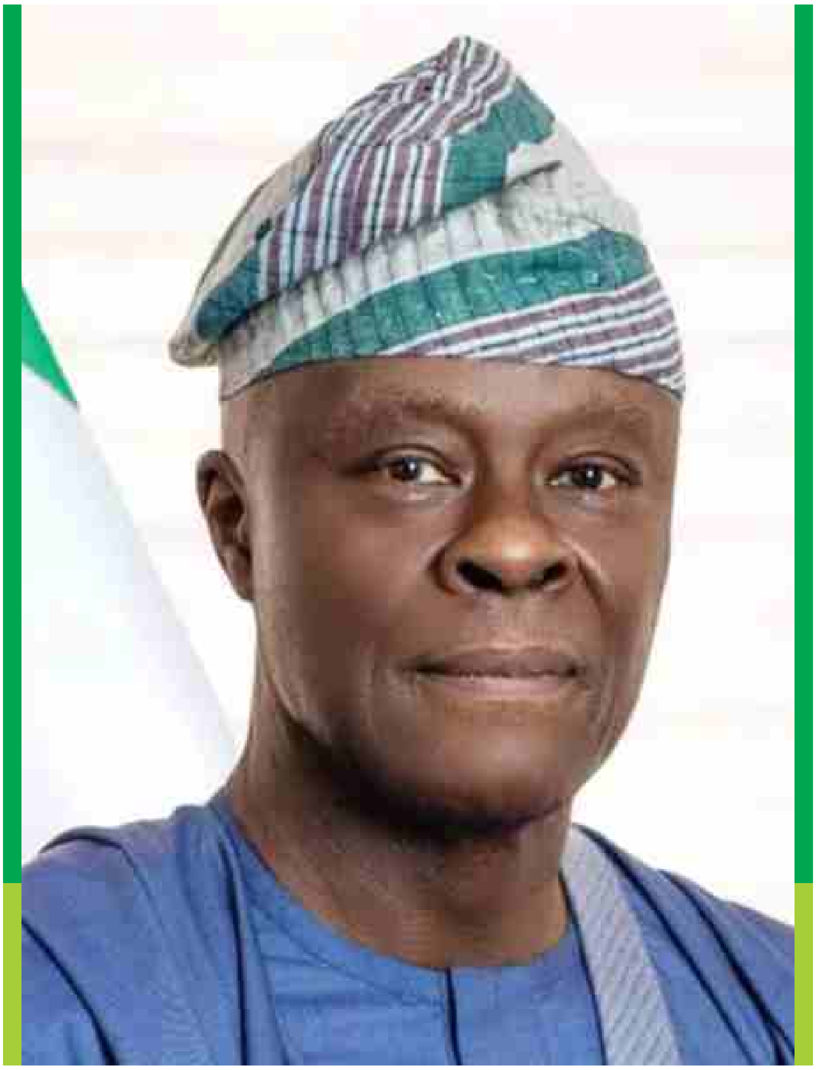
HIS EXCELLENCY,

SEN. GODSWILL AKPABIO, CON

PRESIDENT OF THE SENATE OF THE
FEDERAL REPUBLIC OF NIGERIA

RT. HON. ABASS TAJUDEEN

HONOURABLE SPEAKER, HOUSE OF REPRESENTATIVES OF THE FEDERAL REPUBLIC OF NIGERIA



MR. WALE EDUN

HON. MINISTER OF FINANCE
FEDERAL REPUBLIC OF NIGERIA

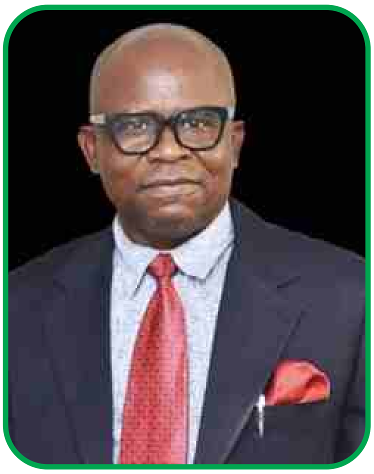
VICTOR C. MURUAKO Esq.
EXECUTIVE CHAIRMAN,
FISCAL RESPONSIBILITY COMMISSION

MANAGEMENT TEAM

VICTOR C. MURUAKO ESQ.
Executive Chairman,

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

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



MR. BEDE O. ANYANWU
Head,
Strategic Communications

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

ALH. BELLO GULMARE
Head,
Monitoring & Evaluation

ALH. IBRAHIM BELLO
Head,
Planning, Research & Statistics

HASHIM T. AHMED
Head,
Internal Audit

ADO HASSAN
Head,
Policy and Standard

BINTA FATIMA ABUBAKAR
Head Secretariat

CHRIS UWADOKA
Special Advisor to the Chairman

EXECUTIVE CHAIRMAN'S STATEMENT

EXECUTIVE CHAIRMAN'S STATEMENT

I am pleased to once again present the Fiscal Responsibility Commission's Annual Report. This time, for the fiscal year 2023. This report provides an overview of the macroeconomic environment during the period and highlights the significant strides made in strengthening Nigeria's fiscal responsibility management.

The Commission meticulously monitored the preparation and implementation of 2023 budget documents, ensuring adherence to the provisions of the Fiscal Responsibility Act (FRA) 2007, as well as fiscal targets and priorities outlined in the 2023-2026 MTEF/FSP and the 2023 Appropriation Act. In that regard, we noted that Nigeria encountered a myriad of economic challenges in the year.
Already underpinned by the lingering impact of the global pandemic and inherent fiscal imbalances, the country went into the 2023 fiscal year with the curious burden associated with the introduction of new Naira currency notes by the Central Bank of Nigeria (CBN) in 2022. New 200-, 500- and 1,000-Naira notes had been introduced into circulation on 15th December 2022, with a plan to phase out the existing notes as legal tender by January 31st, 2023. The CBN later extended the validity of the old notes to December 2023, and later declared that the old currency notes would remain legal tenders indefinitely. The exercise was marred by scarcity of the new currency notes and reports of a rather high rate of failure of digital transfers, both of which put considerable stress on economic activities, especially in the domestic trade segment.

The year also opened with a continuation of the global impact of the Russia-Ukraine conflict, which disrupted the flow of essential goods, compounded supply chain challenges, drove up food and fuel prices, and caused shortages in places that are far from the epicenter of the conflict. Nigeria was one of such areas. Matters were made worse in the last quarter of the year, when a conflict that erupted between Israel and Palestine's Hamas in the Middle East affected shipping logistics and the global price of oil. This, too, impacted the Nigerian economy.

At the political level, the 2023 fiscal year witnessed a change of Federal Government in Nigeria. The new President, His Excellency, Bola Ahmed Tinubu who was sworn in on 29th May heralded his administration with an inaugural speech that courageously pronounced the removal of subsidy on petrol. This was followed within weeks with a unification of the foreign exchange rate, where there used to be multiple rates that were considered inefficient and subject to wanton abuse. The two policies resulted in appreciable increase in income at the disposal of the Federation. Though well intended, the policies also had painful side effects on the populace.

Regarding macroeconomic progress, the fiscal deficit grew to 5.4% of GDP in 2023 from 5% in 2022 and was financed by borrowing, bringing public debt to ₦97.34 trillion (about 41.5% of GDP) from ₦39.56 trillion in 2022. Though the 2023 Fiscal Strategy Paper (FSP) projected GDP growth at 2,3%, it rather stayed at 3.46% in 2023.

In terms of technical adherence to items in the Fiscal Responsibility Act (FRA), it is encouraging to note that the 2023 draft Medium Term Expenditure Framework (MTEF) and the 2024 Appropriation Bill were submitted to the National Assembly with ample time for review, passage and assent before year end. Additionally, monitoring and evaluation mechanisms resulted in an impressive 95% budget implementation rate. This accomplishment underscores the value of thorough planning and effective execution.

The year's revenue figures revealed a significant achievement, with Federal Government revenue generation reaching an unprecedented N10 trillion- a commendable 15% increase from the previous year. Notably, efforts to reduce reliance on the volatile oil sector showed promising results, as non-oil revenue grew by an impressive 24%, as reported by the Federal Inland Revenue Service (FIRS). The Fiscal Responsibility Commission (FRC) contributed to this growth by monitoring and enforcing the due remittance of Operating Surplus and Internally Generated Revenue (IGR) from Government

Owned Enterprises and other agencies. We were strongly supported in this effort by the Finance Committees of the National Assembly.

Pursuant to Section 3(1)(a) of the FRA which requires the Commission to promote the economic objectives contained in section 16 of the Constitution of the FRN through its monitoring and enforcement functions, the Commission undertook its annual Capital Project Verification Exercise involving a randomly selected set of capital projects spread across the six geopolitical zones of the country. Our analysis showed that this year's spending priorities placed strong emphasis on the health and education sectors, with a combined allocation of ₦3 trillion – marking a substantial 10% increase from the previous year. This enhanced investment was aimed at advancing the well-being and human capital development of Nigerians. Additionally, infrastructure development received a significant boost, with a total allocation of ₦2.5 trillion for critical projects nationwide to improve connectivity, transportation, and overall economic growth. These allocations indicated that the economic objectives outlined in Section 16 of the Constitution remained a central focus.

Debt sustainability remained a key focus area in 2023, with the total debt stock rising to 41.5% of GDP exceeding the self-imposed threshold of 40%. The debt service-to-revenue ratio also stood at 97% in the year, from 54% in 2022. Debt transparency continued to remain a challenge. The Commission undertook its annual Debt Verification Exercise, to assess compliance with Parts IX and X of the FRA. The exercise carried out across the six geopolitical zones of the country revealed poor compliance, especially with Sections 42 and 45 of the FRA. Accordingly, the Commission organized a stakeholder forum in which the matter was discussed with chief executives of commercial banks.

Transparency and accountability in public financial management were further bolstered in 2023 through the National Assembly's oversight mechanisms which had the Fiscal Responsibility Commission providing technical support. Furthermore, recognizing the paramount importance of stakeholder engagement, we fostered collaboration and dialogue to enhance fiscal management practices. Our sensitization programs and capacity-building initiatives, including workshops, reached over 1, 500 officials from both government and Civil Society Organizations.

As we reflect on the Commission's significant achievements in 2023, we acknowledge the challenges that lie ahead and the need for sustained efforts in key areas such as improved fiscal studies and diagnosis to avail the government options for improving revenue, addressing inefficiencies in public spending and enhancing debt management strategies. These priorities will remain at the forefront of our agenda as we work collaboratively to build a transparent and accountable government financial management framework for Nigeria.

In conclusion, I extend my sincere gratitude to our esteemed President, His Excellency, Bola Ahmed Tinubu GCFR for his unwavering support to the Commission. I am also deeply grateful to the President of the Senate and his Deputy, the Speaker of the House of Representatives and his Deputy, the Chairmen of the Senate and House Committees on Finance as well as the House of Representatives' Public Accounts Committee for providing the Commission with invaluable opportunities to excel. Additionally, I wish to recognize the Secretary to the Government of the Federation, the Minister of Finance, the Minister of Budget and Economic Planning and all other ministers who have contributed meaningfully to advancing the FRC's mandate. Your support is truly appreciated.

Gratitude further goes to our other stakeholders in the National Assembly, MDAs, and Civil Society space. We thank you all for your unwavering support, dedication, and commitment to fiscal responsibility. It is through our collective efforts and shared vision that we can continue to drive positive change and ensure sound public financial management for the benefit of all Nigerians.
Thank you all for your continued partnership and support, as I present the 2023 Annual Report of the Fiscal Responsibility Commission.

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 2023.

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 2023 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 through a detailed table showing Operating Surplus remittances to the Consolidated Revenue Fund between 2022 and 2023.

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, 2023.

CHAPTER 1

THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

CHAPTER ONE

THE MANDATE OF THE FISCAL RESPONSIBILITY COMMISSION

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

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.

In exercising its investigative powers under FRA, 2007, the Commission is collaborating with other law enforcement agencies across the Federation to effectively enforce the provisions of FRA 2007.

CHAPTER 2

MONITORING THE BUDGETARY PROCESS

CHAPTER TWO

MONITORING THE BUDGETARY PROCESS

In the year 2023, global economic development faced a dynamic landscape shaped by a complex interplay of factors ranging from tensions between Russia and Ukraine, Israel and Palestine, leading to global economic instability, fluctuations in Oil Prices, spiraling inflations, and ongoing recovery efforts from the COVID-19 pandemic. The year unfolded against a backdrop of cautious optimism tempered by lingering uncertainties with a mix of challenging developments for numerous countries worldwide, including Nigeria.

Nigeria stood at a critical juncture in its economic journey, characterized by challenges amidst a recovering global landscape. As the country strove to rebuild from the disruptions wrought by the COVID-19 pandemic, and other issues enumerated earlier, it faced a confluence of domestic imperatives and international dynamics that shaped its economic fortunes. Key to Nigeria's economic outlook were efforts to enhance fiscal resilience, foster sustainable development, harness digital innovations, and navigate geopolitical shifts.

The Fiscal Responsibility Commission (FRC) is tasked with enhancing Nigeria's government financial management framework to ensure transparency and accountability. This includes overseeing revenue-raising policies, resource allocation decisions, and debt management practices in a prudent, transparent, and timely manner as stipulated by law. The FRC plays a crucial role in monitoring the country's macroeconomic environment, supporting legislative oversight of public finance, and ensuring the responsible management of Nigeria's public resources and expenditures.
The foundational legal framework governing the preparation and execution of Nigeria's Medium-

Term Expenditure Framework (MTEF), budget preparation, and fiscal strategy is the Fiscal Responsibility Act (FRA) of 2007. This Act mandates a three-year rolling MTEF and Fiscal Strategy Paper (FSP) to guide the annual budget formulation and implementation, aiming to uphold international best practices and enhance prudence, transparency, and accountability in Public Finance Management (PFM).

To achieve these objectives, international bodies such as the International Monetary Fund (IMF), the World Bank, and various stakeholders have developed frameworks like the Public Expenditure and Financial Accountability (PEFA) Framework and Fiscal Transparency Code (FTC). These frameworks establish standards for assessing compliance with global best practices in PFM. This analysis explores the interplay between Nigeria's legal framework under the FRA 2007, the 2022-2024 MTEF/FSP, the 2022 budget and its implementation, the 2023-2025 MTEF/FSP, the 2023 budget, and the half-year 2023 implementation, contextualizing them within the international benchmarks set by PEFA and FTC. The analysis also features the UNDP standards for capital and recurrent expenditures.

This chapter covers the following areas:

- Preparation and approval of the 2023-2025 MTEF/FSP
- Preparation and Approval of the 2023 Annual Budget
- The 2023 Budget
- 2023 Budget Assumptions
- Budgetary Execution and Achievement of Targets
- Annual Cash Plan and Disbursement Schedule
- Budget Implementation Reports

- 2022 Full-year Budget performance – Revenue
- Assessment of 2022 Full-year budget performance using PEFA and FTC standards
- 2022 Full-year Budget performance – Expenditure
- Assessment of FGN Budget Implementation (Half-year) 2023– Revenue
- Assessment of FGN Budget Implementation (Half-year) 2023– Expenditure
- Assessment of FGN Revenue performance using PEFA and FTC standards, 2023 Half-year
- Assessment of FGN Expenditure performance using PEFA and FTC standards, 2023 Half-year
- Observations and Recommendations
- Projects Expenditure Control

2.1 PREPARATION AND APPROVAL OF THE 2023 – 2025 MTEF/FSP

Section 81(1) and (2) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) provides for the preparation and presentation of the annual budget by the President to the two chambers of the National Assembly. To give effect to these provisions, Sections 11 – 14 of the Fiscal Responsibility Act, (FRA) 2007 provide for a rolling Medium-Term Expenditure Framework (MTEF) setting out the processes for the preparation, presentation, and passage of the annual budget by the President and the National Assembly and contains detailed multi-year plans to guide the federal government fiscal priorities.

Under the FRA, 2007, the annual budget derives its validity from the estimates, assumptions and projections contained in the first year of the MTEF/FSP for the current fiscal year. The 2023 – 2025 MTEF/FSP therefore, sets out the framework for the 2023 annual budget as well as the fiscal policy objectives and spending priorities of government for three years.

2.1.1 Medium-term macroeconomic framework: parameters and targets for 2023 – 2025

Macroeconomic Projections

The 2023-2025 MTEF/FSP outlines the key parameters and macroeconomic assumptions to drive the medium-term revenue and expenditure.

Parameters and Other Macroeconomic Projections

The key parameters driving the medium-term revenue and expenditure framework reflect Nigeria's

Table 2.1: Key Parameters and other Macroeconomic Projections

Description	2021 Revised Forecast	2021 Actual	2022 Amended Budget	2022 Revised Forecast (as at July 2022	2023	2024	2025
Oil Price Benchmark (US$/b)	40.0	43.0	73.0	73.0	70.0	66.0	62.0
Oil Production (mb pd)	1.86	1.48	1.60	1.60	1.69	1.83	1.83
Exchange Rate (N/$)	410.0	383.0	410.15	410.15	435.57	435.92	437.57
Inflation (%)	15.00	16.98	13.00	16.11	**17.16	16.21	17.21
Non-Oil GDP (N'bn)	154,102.1	166,439.5	169,697.4	188,278.1	214,049.5	239,691.9	268,553.1
Oil GDP (N'bn)	**14,500.5**	9,636.0	14,684,6	**10,652.0**	**11,457.0**	12,316.0	13,225.7
Nominal GDP (N'bn)	168,602.6	176,075.5	184,382.0	198,930.0	***225,507.3	252,177.4	280,797.9
GDP Growth Rate (%)	2.50	3.40	4.20	3.55	3.75	3.30	3.46
Imports	30,348.5	20,844.0	33,188.8	23,145.3	24,385.6	26,346.6	27,634.4
Consumption (N'bn)	136,5681	118,437.1	149,349.4	120,172.6	121,933.1	123,682.5	125,454.0

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

According to the 2023-2025 MTEFS/FSP, the Russian invasion of Ukraine, resulting in higher crude oil prices, had worsened Nigeria's economic performance. On the fiscal side, oil revenue accretion to the Federation Accounts was much lower due to the huge petrol subsidy costs, which were recovered from crude oil and gas revenues before remittance to the federation account. The real economy experienced sustained inflationary pressures, worsened by high energy costs, while external account and exchange rate pressures persist. These factors and the medium-term outlook underlie the medium-term projections.

In the medium term, real GDP growth was projected in the medium term, at 3.75% in 2023, from a revised projection of 3.55% in 2022 – a downward revision from the 2022 budget prediction. Growth was expected to moderate to 3.30% in 2024 before picking up to 3.46% in 2025. The inflation rate was projected to average 17.16% in 2023, up from the revised average of 16.11% for 2022.

Upward pressure on prices was expected to be driven by the lagged effect of the global price surge due to the Russian-Ukraine war, domestic insecurity, rising imports, and exchange rate depreciation, as well as other supply-side constraints. It was envisaged that shocks from the global environment, domestic challenges like insecurity, and fiscal expansion would not only induce inflationary pressure but also impact exchange rates and interest rates. Consequently, it was projected that the naira would depreciate to ₦435.57/US$ in 2023, ₦435.92/US$ in 2024, and ₦437.57/US$ in 2025.

Growth in nominal consumption was adjusted in line with the revised estimates based on changes in the components of GDP and historical performances. Consequently, the medium-term consumption was projected at ₦121.93 trillion, ₦123.69 trillion, and ₦125.45 trillion for 2023, 2024 and 2025, respectively. Investment, especially from foreign sources, was expected to drag due to interest rate hikes in advanced economies and other domestic challenges, including insecurity and a perturbed business environment.

With actual imports in 2021 at ₦20.84 trillion and a revised projection of ₦23.15 trillion for 2022, the projections for 2023, 2024 and 2025 were set at ₦24.39 trillion, ₦26.35 trillion and ₦27.63 trillion, respectively.

2.1.2 2023-2025 Medium-Term Fiscal Framework (MTFF)

Federation Account Revenues

The projected fiscal outcomes in the medium term were presented under two scenarios based on the underlying budget parameters/assumptions, as follows: In scenario 1 - the Business-as-Usual scenario, it was assumed that the subsidy on PMS (amounting to ₦6.72 trillion) would be fully provided by the Federation in 2023. In scenario 2 – the Reform scenario, it was assumed that the petrol subsidy would be provided up to mid-2023 (₦3.36 trillion). In addition, a more aggressive stance will be taken on the NNPC and CBN to remit dividends and operating surplus, including arrears, owed to the Federal Government.

Scenario 1

The Business-as-Usual scenario, assumed that the subsidy on PMS would be sustained throughout 2023, amounting to ₦6.72 trillion. Based on this, the net amount accruable to the Federation Account was projected at ₦7.76 trillion. The Main Pool, VAT Pool, and Electronic Money Transfer Levy (EMTL) were projected at ₦4.89 trillion, N2.74 trillion, and ₦136.35 billion, respectively, in 2023. Oil revenue at ₦498.06 billion was a negligible 6.4% of total Federation Account receipts as it would be eroded by the fuel subsidy. Other components of the Main Federation Account revenues included Corporate Tax - ₦1.92 trillion, Customs Revenue - ₦1.96 trillion, Special Levies - ₦344.72 billion, NLNG Dividend - ₦153.73 billion, and Solid Minerals - ₦7.51 billion. The share of the Federal Government from the Main Federation Account Pool would be ₦2.57 trillion, while the States and

Local governments were projected to get ₦1.31 trillion and N1.01 trillion, respectively, in 2023. From the VAT Pool, the Federal Government was projected to receive ₦410.46 billion, the States ₦1.37 trillion, and the Local governments ₦957.73 billion. The shares of EMTL were ₦20.45 billion, ₦68.17 billion and ₦47.72 billion, respectively, for the Federal, States and Local governments.

Scenario 2

This was termed the Reform scenario. In this scenario, it was assumed that the PMS subsidy would end by June 2023, in line with the government's 18-month extension announced at the beginning of 2022. Based on this assumption, the net amount accruable to the Federation Account was projected to be higher at ₦11.10 trillion. The Main Pool was projected at ₦8.23 trillion, while the VAT Pool and EMTL were projected at the same level as in scenario 1, i.e., ₦2.74 trillion and ₦136.35 billion, respectively, in 2023. The share of oil revenue would be ₦3.84 trillion, about 34.6% of total Federation Account receipts. Other components of the Federation Account revenues would remain as in scenario 1: Corporate Tax - N1.92 trillion, Customs Revenue - N1.96 trillion, Special Levies - ₦344.72 billion, NLNG Dividend - ₦153.73 billion, and Solid Minerals - ₦7.51 billion. The share of the Federal Government from the Main Federation Account Pool would be ₦4.33 trillion, while the States and Local governments were projected to get ₦2.20 trillion and ₦1.69 trillion, respectively, in 2023. The revenue shares from the VAT Pool and EMTL would be at the same level as scenario 1, where the Federal Government was projected to receive ₦410.46 billion, the States ₦1.37 trillion, and the Local governments ₦957.73 billion from the VAT Pool; while from EMTL ₦20.45 billion, ₦68.17 billion and ₦47.72 billion will go to the Federal, States and Local governments respectively.

Table 2.2: FEDERATION ACCOUNT – Main Pool VAT and EMTS Revenue (2023 - 2025)

FISCAL ITEMS	Amended 2022 Framework	2023 Scenario 1 - Business As Usual	2023 Scenario 2 - Subsidy Reform	2024	2025
Budget Oil Production Volume Net Incremental Oil Prodution for Repayment Arrears (mbpd)	**1.60**	**1.69**	**1.69**	**1.83**	**1.83**
Projected Budget Benchmark Price (US$ per barrel)	**73.00**	**70.00**	**70.00**	**66.00**	**62.00**
Average Exchange Rate (N/US$)	**410.15**	**435.57**	**435.57**	**435.92**	**437.57**
NET FEDERATION ACCOUNT (MAIN POOL)	**8,523,576,046,045**	**4,910,796,431,596**	**8,268,416,481,196**	**12,835,601,845,648**	**13,181,013,331,918**
Transfer to Police Trust Fund (0.5% of Fed. Acct.)	48,492,527,862	24,553,982,158	41,342,082,406	64,178,009,228	65,905,066,660
NET FEDERATION ACCOUNT - MAIN POOL (after 0.5% transfer to Police Trust Fund)	**8,475,083,518,183**	**4,886,242,449,438**	**8,227,074,398,790**	**12,771,423,836,419**	**13,115,108,265,259**
Net Oil Revenue after Costs, Deductions & Derivation	4,516,230,421,954	498,064,028,173	3,838,895,977,525	7,640,952,250,369	7,460,912,693,824
Net Solid Minerals Revenue after Derivation	6,011,202,666	7,514,013,071	7,514,013,071	9,392,516,339	11,740,645,424
NLNG Dividend		153,732,619,872	153,732,619,872	153,732,619,872	153,732,619,872
Net Corporate Tax Distributable	1,874,850,814,324	1,924,288,830,489	1,924,288,830,489	2,208,520,241,533	2,560,174,201,254
Net Customs Revenue Distributable	1,719,828,043,369	1,957,924,806,341	1,957,924,806,341	2,350,573,846,211	2,500,340,422,331
Net Special Levies Distributable	148,397,663,459	344,718,151,493	344,718,151,493	408,252,362,095	428,207,682,554
NET FEDERATION ACCOUNT (VAT POOL)					
Net Federation Account - VAT Pool (after CoC and Transfers to NEDC and NPTF)	**2,262,078,931,572**	**2,736,375,247,640**	**2,736,375,247,640**	**2,948,568,037,340**	**3,138,214,153,388**
FEDERATION ACCOUNT (EMTL)	**210,819,469,760**	**137,032,655,344**	**137,032,655,344**	**157,587,553,646**	**189,105,064,375**
Transfer to Police Trust Fund (0.5% of Fed. Acct.) from EMTL	1,054,097,349	685,163,277	685,163,277	787,937,768	945,525,322
Net Electronic Money Transfer Levy after transfer to NPTF DISTRIBUTION	**209,765,372,411**	**136,347,492,067**	**136,347,492,067**	**156,799,615,877**	**188,159,539,053**
Distribution - Federation Account (Main Pool, VAT Pool and EMTL)	**10,946,927,822,166**	**7,758,965,189,146**	**11,099,797,138,498**	**15,876,791,489,637**	**16,441,481,957,700**
Main Pool	**8,475,083,518,183**	**4,886,242,449,438**	**8,227,074,398,790**	**12,771,423,836,419**	**13,115,108,265,259**
FGN's Share of Federation Account (52.68%)	4,464,673,997,379	2,574,072,522,364	4,334,022,793,283	6,727,986,077,026	6,909,039,034,138
States' Share of Federation Account (26.72%)	2,264,542,316,059	1,305,603,982,490	2,198,274,279,357	3,412,524,449,091	3,504,356,928,477
Local Govt.'s Share of Federation Account (20.60%)	1,745,867,204,746	1,006,565,944,584	1,694,777,326,151	2,630,913,310,302	2,701,712,302,643
VAT Pool	**2,262,078,931,572**	**2,736,375,247,640**	**2,736,375,247,640**	**2,948,568,037,340**	**3,138,214,153,388**
FGN's' Share of VAT Pool Account (15%)	339,311,839,736	410,456,287,146	410,456,287,146	442,285,205,601	470,732,123,008
States' Share of VAT Pool Account (50%)	1,131,039,465,786	1,368,187,623,820	1,368,187,623,820	1,474,284,018,670	1,569,107,076,694
Local Govt.'s Share of VAT Pool Account (35%)	791,727,626,050	957,731,336,674	957,731,336,674	1,031,998,813,069	1,098,374,953,686
Electronic Money Transfer Levy (EMTL)	**209,765,372,411**	**136,347,492,067**	**136,347,492,067**	**156,799,615,877**	**188,159,539,053**
FGN's' Share (15%)	31,464,805,862	20,452,123,810	20,452,123,810	23,519,942,382	28,223,930,858
States' Share (50%)	104,882,686,206	68,173,746,034	68,173,746,034	78,399,807,939	94,079,769,526

Source: 2023-2025 MTEF

2.1.3 FGN Revenue Framework

Scenario 1

The 2023 FGN Revenue was projected at N6.34 trillion, out of which only ₦373.17 billion or 5.9% was to come from oil-related sources. The balance of ₦5.97 trillion was to be earned from non-oil sources.

Scenario 2

In addition to subsidy reform, this scenario assumed an aggressive implementation of cost-to-income limits of GOEs, resulting in additional operating surplus remittances of ₦500 billion. With these, the 2023 FGN Revenue was projected at ₦8.46 trillion (15.1% or ₦1.51 trillion less than the 2022 Budget) but ₦2.12 trillion more than scenario 1. Of this, ₦1.99 trillion or 23.6%, 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 ₦57.07 billion from ₦280.86 billion projected in 2022.

Table 2.3: Overview of Revenue Framework

	FISCAL ITEMS	Amended 2022 Framework	2023 Scenario 1 - Business As Usual	2023 Scenario 2 - Subsidy Reform	2024	2025
	Budget Oil Production Volume Net Incremental Oil Prodution for Repayment Arrears (mbpd)	**1.60**	**1.69**	**1.69**	**1.83**	**1.83**
	Projected Budget Benchmark Price (US$ per barrel)	**73.00**	**70.00**	**70.00**	**66.00**	**62.00**
	Average Exchange Rate (N/US$)	**410.15**	**435.57**	**435.57**	**435.92**	**437.57**
	AMOUNT AVAILABLE FOR FGN BUDGET (excluding GOEs retained revenue)	**8,240,777,990,640**	**5,151,337,895,483**	**7,271,641,390,919**	**9,627,909,343,139**	**9,599,929,817,641**
a	**Share of Oil Revenue**	**2,190,371,754,648**	**241,561,053,664**	**1,861,864,549,100**	**3,705,861,841,429**	**3,618,542,656,505**
b	**Dividends**	**195,716,305,950**	**81,786,706,388**	**81,786,706,388**	**80,876,885,588**	**80,876,885,588**
	NLNG	*187,397,535,000*	*74,560,320,638*	*74,560,320,638*	*74,560,320,638*	*74,560,320,638*
	Bank of Industry	*8,318,770,950*	*7,226,385,750*	*7,226,385,750*	*6,316,564,950*	*6,316,564,950*
c	**Share of Minerals & Mining**	**2,915,433,293**	**3,644,296,339**	**3,644,296,339**	**4,555,370,424**	**5,694,213,031**
d	**Share of Non-Oil Taxes**	**2,132,083,163,179**	**2,433,154,452,006**	**2,433,154,452,006**	**2,821,962,553,400**	**3,101,380,299,951**
	Share of CIT	*909,302,644,947*	*933,280,082,787*	*933,280,082,787*	*1,071,132,317,143*	*1,241,684,487,608*
	Share of VAT	*316,691,050,420*	*383,092,534,670*	*383,092,534,670*	*412,799,525,228*	*439,349,981,474*
	Share of Customs	*834,116,601,034*	*949,593,531,075*	*949,593,531,075*	*1,140,028,315,412*	*1,212,665,104,830*
	Share of Federation Acct. Levies	*71,972,866,778*	*167,188,303,474*	*167,188,303,474*	*198,002,395,616*	*207,680,726,039*
e	Share of Electronic Money Transfer Levy (formerly called Stamp Duty)	29,367,152,138	19,088,648,889	19,088,648,889	21,951,946,223	26,342,335,467
f	Share of Oil Price Royalty	96,943,894,289	13,366,750,326	13,366,750,326	17,306,145,651	12,835,076,039
g	Revenue from GOEs	3,806,600,375,927	2,232,114,703,577	2,232,114,703,577	2,341,258,774,100	3,264,219,519,061
h	GOEs Operating Surplus (80% of which is captured in Independent Revenue)	(2,078,211,097,139)	(1,043,319,113,158)	(1,043,319,113,158)	(1,097,442,098,433)	(753,525,758,823)
i	Independent Revenue	2,616,217,091,075	1,682,491,894,006	2,182,491,894,006	2,278,947,315,582	2,057,482,879,416
j	Draw-down from Special Levies Accounts	300,000,000,000	300,000,000,000	300,000,000,000	300,000,000,000	300,000,000,000
k	Signature Bonus / Renewals / Early Renewals	280,855,138,079	57,048,776,004	57,048,776,004	57,048,776,009	-
l	Domestic Recoveries + Assets + Fines	26,933,139,822	27,898,500,000	27,898,500,000	28,946,000,000	8,160,000,000
m	Grants and Donor Funding	63,376,918,168	43,028,488,073	43,028,488,073	26,309,405,392	63,413,689,755
n	Education Tax (TETFUND)	305,998,000,000	248,268,329,787	248,268,329,787	284,143,103,442	325,201,781,889

Source: 2023-2025 MTEF

2.1.4 FGN Expenditure - Aggregate Expenditure

Scenario 1

In this scenario, given the severely constrained fiscal space, it was not feasible to make any provision for MDAs' capital expenditure in 2023 beyond what could be funded through multilateral/bilateral loan-funded and donor-funded projects. The FGN's 2023 aggregate expenditure was estimated at ₦18.75 trillion, which was ₦1.43 billion (8.3%) higher than the 2022 budget. The sums of ₦20.78 trillion and N23.05 trillion were projected to be spent by the FGN in 2024 and 2025, respectively.

The breakdown of the 2023 expenditure estimate included statutory transfers of ₦609.17 billion; non-debt recurrent expenditure of ₦8.52 trillion (including ₦350 billion for the recurrent component of the Special Intervention Programme). The provisions of ₦6.42 trillion and ₦247.73 billion was made for Debt Service and Sinking Fund to retire maturing bonds issued to local contractors/creditors, respectively. The provision for debt service included ₦1.20 trillion to service Ways & Means borrowings from the Central Bank of Nigeria (CBN). A total of ₦6.15 trillion (inclusive of ₦779.31 for GOEs) was provided for personnel and pension costs. This represents an increase of ₦1.24 trillion over the 2022 budget estimates. This was 37.7% of projected aggregate revenues for 2023.

The aggregate capital expenditures (capex) planned in the 2023 budget was N3.26 trillion. This represented 17% of total spending. Of this aggregate capital, no allocation was made for MDAs' capital. However, ₦437.43 billion was provided as service-wide vote capital (capital supplementation), ₦306.34 billion was the capital component of statutory transfers, ₦7 billion was the Family Home Fund of the Special Intervention Programme, ₦450.39 billion was the capital budget of GOEs, ₦40.52 billion for donor/grant-funded expenditures, ₦13.37 billion transfer to Nigeria Sovereign Investment Authority (NSIA) and ₦1.77 trillion for projects to be funded with multilateral and bilateral loans.

Scenario 2

The FGN's 2023 aggregate expenditure was estimated at ₦19.76 trillion, ₦2.44 billion (14.1%) higher than in 2022. This included the provision of ₦1.68 trillion for GOEs' expenditures, grants/donor-funded projects/programmes amounting to ₦40.52 billion, and ₦1.77 trillion for multilateral and bilateral project-tied loans. The sums of ₦20.78 trillion and ₦23.05 trillion were projected to be spent by the FGN in 2024 and 2025, respectively.

The breakdown of the 2023 expenditure estimate includes statutory transfers of ₦722.11 billion; non-debt recurrent expenditure of ₦8.52 trillion (including ₦350 billion for the recurrent component of the Special Intervention Programme). The debt service provision of ₦6.31 trillion in 2023 was ₦106.08 billion lower than in scenario 1 due to the lower borrowing requirements. ₦247.73 billion has been provided as Sinking Fund and ₦1.20 trillion to service borrowings from CBN. The provision of ₦6.15 trillion (inclusive of ₦779.31 billion for GOEs) for personnel and pension costs is as in scenario 1.

The aggregate capital expenditure planned in the 2023 budget was ₦4.37 trillion. This represented 22% of total spending (short of the 30% target set by the current administration) and was 25.4% less than the 2022 provision of ₦5.86 trillion. In the outer years, capital expenditure was about 17% of total spending – still below the 30% Capex target. Of the planned capital expenditure for 2023, only N1.00 trillion is MDAs' treasury-funded capex, ₦437.43 billion was capital supplementation, ₦411.37 billion was the capital component of statutory transfers, ₦7 billion was the Family Home Fund capital component of the Special Intervention Programme, ₦450.39 billion was the capital budget of GOEs, ₦40.52 billion for donor/grant-funded expenditures, ₦13.37 billion transfer to NSIA and ₦1.77 trillion for multilateral and bilateral project-tied loans.

Table 2.4 Overview of the Expenditure Framework

	FISCAL ITEMS	Amended 2022 Framework	2023 Scenario 1 - Business As Usual	2023 Scenario 2 - Subsidy Reform	2024	2025
	Budget Oil Production Volume Net Incremental Oil Prodution for Repayment Arrears (mbpd)	**1.60**	**1.69**	**1.69**	**1.83**	**1.83**
	Projected Budget Benchmark Price (US$ per barrel)	**73.00**	**70.00**	**70.00**	**66.00**	**62.00**
	Average Exchange Rate (N/US$)	**410.15**	**435.57**	**435.57**	**435.92**	**437.57**
	STATUTORY TRANSFER	**817,699,410,208**	**609,168,849,599**	**722,109,468,797**	**882,360,368,413**	**900,271,626,535**
	DEBT SERVICE	**3,685,375,317,302**	**6,415,953,044,242**	**6,309,870,967,327**	**8,060,429,029,023**	**10,428,263,580,761**
	SINKING FUND	**292,711,793,135**	**247,726,644,470**	**247,726,644,470**	**232,002,962,545**	**233,002,962,545**
a	Sinking Fund to retire maturing bond to Local Contractors	292,711,793,135	247,726,644,470	247,726,644,470	232,002,962,545	233,002,962,545
	Sub-Total	**292,711,793,135**	**247,726,644,470**	**247,726,644,470**	**232,002,962,545**	**233,002,962,545**
	RECURRENT (NON-DEBT)	**7,108,621,131,850**	**8,522,742,458,276**	**8,522,742,458,276**	**8,715,640,423,640**	**8,403,076,691,292**
a	Personnel Costs (MDAs)	3,717,432,596,125	4,547,575,971,000	4,547,575,971,000	4,684,003,250,130	4,684,003,250,130
b	Personnel Costs (GOEs)	617,724,992,745	779,313,511,833	779,313,511,833	833,990,459,384	619,373,793,114
c	Overheads (MDAs)	376,379,579,862	451,655,495,834	451,655,495,834	451,655,495,834	451,655,495,834
d	Overheads (GOEs)	451,001,890,322	451,001,890,322	451,001,890,322	451,001,890,322	451,001,890,322
e	Pensions, Gratuities & Retirees Benefits	577,862,188,757	827,862,188,757	827,862,188,757	827,862,188,757	827,862,188,757
f	Other Service Wide Votes (including GAVI/Immunization)	937,919,984,040	1,037,919,984,040	1,037,919,984,040	1,037,919,984,040	937,919,984,040
g	Presidential Amnesty Programme	65,000,000,000	65,000,000,000	65,000,000,000	65,000,000,000	65,000,000,000
h	TETFUND - Recurrent	15,299,900,000	12,413,416,489	12,413,416,489	14,207,155,172	16,260,089,094
	SPECIAL INTERVENTIONS (Recurrent)	**350,000,000,000**	**350,000,000,000**	**350,000,000,000**	**350,000,000,000**	**350,000,000,000**
	AGGREGATE CAPITAL EXPENDITURE	**5,862,274,043,664**	**3,264,816,233,967**	**4,369,837,076,946**	**3,450,684,065,826**	**3,665,965,845,880**
a	Capital Supplementation	437,432,000,000	437,432,000,000	437,432,000,000	437,432,000,000	437,432,000,000
b	Capital Expenditure in Statutory Transfers	446,977,605,142	306,344,435,399	411,365,278,378	560,686,307,900	577,633,648,639
c	Special Intervention Programme (Capital) - Family Home Fund	7,000,000,000	7,000,000,000	7,000,000,000	7,000,000,000	7,000,000,000
d	Amount Available for MDAs Capital Expenditure	2,716,942,380,838	-	1,000,000,000,000	1,200,000,000,000	1,500,000,000,000
e	GOEs Capital Expenditure	647,079,937,729	450,385,464,550	450,385,464,550	442,851,694,870	439,975,706,979
f	TETFUND Capital Expenditure	290,698,100,000	235,854,913,298	235,854,913,298	269,935,948,270	308,941,692,795
g	Grants and Donor Funded Projects	63,376,918,168	43,028,488,073	43,028,488,073	26,309,405,392	63,413,689,755
h	Multi-lateral / Bi-lateral Project-tied Loans	1,155,823,207,500	1,771,404,182,322	1,771,404,182,322	489,162,563,743	318,734,031,674
i	FGN Share of Oil Price Royalty Transferred to NSIA	96,943,894,289	13,366,750,326	13,366,750,326	17,306,145,651	12,835,076,039

Source: 2023-2025 MTEF

2.1.5 Fiscal Deficit and Deficit Financing

Scenario 1

The budget deficit was projected to be ₦12.41 trillion in 2023, up from ₦7.35 trillion budgeted in 2022, representing 196% of total FGN revenues, or 5.50% of the estimated GDP. This was significantly above the 3% threshold stipulated in the Fiscal Responsibility Act (FRA), 2007. It was instructive to note that this deficit level was despite a projected depreciation of the exchange rate and the fact that there will be no provision for treasury-funded MDAs' capital projects in 2023! Essentially, this massive deficit will be funding debt service and recurrent expenditure. The deficit will largely be financed by domestic borrowings, considering the narrowed window for external financing.

Scenario 2

In this scenario, the budget deficit was projected to be ₦11.30 trillion in 2023, up from ₦7.35 trillion in 2022. This represents 5.01% of the estimated GDP, above the 3% threshold stipulated in the Fiscal Responsibility Act (FRA), 2007. This deficit level assumed that petrol subsidy reform will be implemented from mid-2023 in line with the timeline for suspension thereof.

It was noted that MDAs' capex had been constrained by low revenues, huge petrol subsidies, increasing personnel and pension, and high debt service costs. Of significant concern was the debt service to revenue ratio projected at 82% in scenario 1 and 60% in scenario 2, and the deficit to revenue ratio projected at over 100% in both scenarios.

Table 2.5: Deficit, Financing and Critical Ratios

FISCAL ITEMS	Amended 2022 Framework	2023 Scenario 1 - Business As Usual	2023 Scenario 2 - Subsidy Reform	2024	2025
Budget Oil Production Volume Net Incremental Oil Prodution for Repayment Arrears (mbpd)	**1.60**	**1.69**	**1.69**	**1.83**	**1.83**
Projected Budget Benchmark Price (US$ per barrel)	**73.00**	**70.00**	**70.00**	**66.00**	**62.00**
Average Exchange Rate (N/US$)	**410.15**	**435.57**	**435.57**	**435.92**	**437.57**
Fiscal Deficit (excluding GOEs and Project-tied Loans)	**(6,207,296,072,083)**	**(10,150,619,850,645)**	**(9,037,174,897,492)**	**(8,935,514,590,088)**	**(11,623,931,818,643)**
Total Fiscal Deficit (including Project-tied Loans)	**(7,350,536,821,591)**	**(12,413,929,309,253)**	**(11,300,484,356,100)**	**(9,908,704,522,740)**	**(10,942,323,480,494)**
GDP	**184,381,975,950,038**	**225,507,296,343,920**	**225,507,296,343,920**	**252,007,918,860,872**	**281,778,837,835,771**
DEFICIT/GDP (excluding GOEs and Project-tied Loans)	**(3.37%)**	**(4.50%)**	**(4.01%)**	**(3.55%)**	**(4.13%)**
DEFICIT/GDP (including Project-tied Loans)	**(3.99%)**	**(5.50%)**	**(5.01%)**	**(3.93%)**	**(3.88%)**
Total Non-Debt Expenditure	**13,341,616,980,581**	**12,090,383,106,443**	**13,203,323,725,641**	**12,487,998,549,979**	**12,391,680,515,067**
Capital Expenditure as % of Non-Debt Expenditure	44%	27%	33%	28%	30%
Capital Expenditure as % of total FGN Expenditure	34%	17% 6%	22%	17%	16%
Capital Expenditure (Inclusive of Transfers, but exclusive of GOEs Capital & Projected loans) as % of FGN Expenditure	28%		11%	12%	13%
Recurrent Expenditure as % of total FGN Exp (incl. GOEs + Project-tied Loans)	66%	83%	78%	83%	84%
Debt Service to Revenue Ratio (incl. GOEs + Project-tied Loans)	37%	82%	60%	63%	76%
Deficit as % of FGN Revenue (incl. GOEs + Project-tied Loans)	74%	196%	134%	91%	90%
ADDITIONAL FINANCING					
a Privatization Proceeds	90,731,800,000	206,182,616,701	206,182,616,701	581,490,350,102	1,405,000,000
b Multi-lateral / Bi-lateral Project-tied Loans	1,155,823,207,500	1,771,404,182,322	1,771,404,182,322	489,162,563,743	318,734,031,674
c New Borrowings	**6,103,981,814,091**	**10,436,342,510,230**	**9,322,897,557,078**	**8,838,051,608,895**	**10,622,184,448,820**
Domestic Borrowing	*3,534,050,919,825*	*8,349,074,008,184*	*7,458,318,045,662*	*7,070,441,287,116*	*8,497,747,559,056*
Foreign Borrowing	*2,569,930,894,266*	*2,087,268,502,046*	*1,864,579,511,416*	*1,767,610,321,779*	*2,124,436,889,764*

Source: 2023-2025 MTEF

2.1.6 Medium-Term Objectives, Policies, and Strategies

This Fiscal Strategy Paper was prepared against the backdrop of prevailing challenges in the country such as low economic growth, insecurity, insufficient public service delivery, significant infrastructure deficits, and weak social indicators. Hence, the Paper highlights the macroeconomic and fiscal policy objectives of the government over the period 2023-2025 and the strategies to be implemented to achieve them.

Macroeconomic Policy Objectives
In the medium term, the government aims at accelerating inclusive economic growth, stabilizing the macroeconomic environment, improving the business and investment environment, facilitating employment and job creation, improving the Balance of Payments position, as well as promoting poverty reduction and equity. To achieve these objectives, efforts will be made to ensure better alignment and coordinated implementation of fiscal, monetary, exchange rate and trade policies

Fiscal Policy Objectives and Strategies
In the medium term, Government remains committed to sustaining fiscal policy reforms, enhancing fiscal resilience and ensuring fiscal and debt sustainability. This will be achieved through the following:

- Enhancing government revenue and reducing fiscal pressures;
- Creating fiscal space for infrastructural development;
- Enhancing fiscal prudence and transparency; and,
- Ensuring sustainable deficit and debt levels.

2.2 PREPARATION AND APPROVAL OF THE 2023 ANNUAL BUDGET

The Fiscal Responsibility Act, 2007 in Sections 18 and 19 stipulates that the Medium-Term Expenditure Framework forms the basis for the preparation and approval of the Annual Budget.
In reviewing the Annual Budget, the Commission has consistently ensured its alignment with the MTEF, in this case, the 2023-2025 MTEF as required by the FRA, 2007.

Table 2.6 : Major Components of the 2023 Budget in Comparison with the 2022 Budget

S/No	ITEM	2023	2022
1	Oil Price Benchmark	USD 75.0	USD 73
2	Oil Production	1.69 mbpd	1.60 mbpd
3	Foreign Exchange Rate	₦435.57 - 1 USD	₦410.15 - 1 USD
4	Gross Oil Revenue	₦9,384.72 billion	₦9,369.96 billion
5	Gross Non-Oil Revenue	₦7,671.87 billion	₦6,659.34 billion
6	Independent Revenue	₦3,169.07 billion	₦2,616.22 billion
7	FGN Aggregate Revenue (Excl. GOEs)	₦8,626.00 billion	₦8,240.78 billion
8	FGN Aggregate Expenditure (Incl. GOEs)	₦11,045.11 billion	₦14,447.76 billion
9	Fiscal Deficit (Excl. GOEs)	(₦11,601.61) billion	(₦6,194.40) billion

Source: BOF, 2022, 2023

Table 2.6 above shows the major budget components for 2022 and 2023.
The adoption of the 2023 budget followed the traditional January to December fiscal year cycle. The President formally presented a budget of ₦21.83 trillion for the year 2023 to the joint session of the National Assembly on 7th October 2022.

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
2016	22nd December, 2015	6th May, 2016	5 Months
2017	14th December, 2016	12th June, 2017	6 Months
2018	7th November, 2017	20th June, 2018	7 Months
2019	19th December, 2018	27th May, 2019	5 Months
2020	8th October, 2019	17th Dec, 2019	2 Months
2021	8th October, 2020	21st Dec, 2020	2 Months
2022	7th October, 2021	31st Dec, 2021	2 Months
2023	7th October, 2022	3rd January, 2023	3 Months
2024	29th November, 2023	1st January, 2024	2 Months

Source: Compiled by FRC

2.3 THE 2023 BUDGET

The 2023 budget being the final budget for that administration was titled "Budget of Fiscal Consolidation and Transition." It was presented on the 7th of October, 2022, and was signed into law on the 3rd of January, 2023. Just like in recent years, the 11th Assembly kept to the agreement of an "early submission, early passage" of the 2023 budget to maintain the January – December fiscal year.

The Annual Budget was prepared considering the key parameters and policies/strategies contained in the 2023–2025 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 2023 BUDGET ASSUMPTIONS

The following were the assumptions for the 2023 Budget:

Oil Revenue

Benchmark oil price	US$75
Oil production	1.69mbpd
Naira/US$ Exchange rate	₦435.57/$

Non-oil Revenue

Company income tax	30%
VAT	7.5%

Custom duty Based on nominal GDP, Companies' profitability ratio and an efficiency factor.

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 continued to contribute to rationalizing wasteful expenditures by several GOEs and enhanced the level of operating surpluses being transferred to the Consolidated Revenue Fund.

Based on the budget assumptions above, the summary highlight of the approved 2023 budget of ₦21,827.19 billion (excluding GOEs and Project-tied loans) is presented below.

Table 2.8a: Highlights of 2023 Budget (as approved by NASS) and 2023-2025 MTEF

ITEM	2023 BUDGET		2023 - 2025 MTEF	
	Nbn	% to Aggregate	Nbn	% to Aggregate
Recurrent (Non-debt) Expenditure	8,329.37	38.16	8,522.74	52.26
Sinking Fund	247.73	1.13	247.73	1.52
Debt Servicing	6,309.87	28.91	6,415.95	39.34
Statutory Transfer	967.49	4.43	722.11	4.43
Capital Expenditure (Excl. of Transfers)	5,972.73	27.36	3,958.47	24.27
Aggregate Expenditure (Excl. GOEs and Project-tied loans)	17,636.67	80.80	19,760.92	121.17
Aggregate Expenditure (Incl. GOEs and Project-tied loans)	21,827.19	100.00	16,308.82	100.00

(2023 Annual budget)

Meanwhile, the sum of ₦24,823.52 billion including supplementary was budgeted for 2023 in the course of the year.

Table 2.8b: Highlights of 2023 Budget (including supplementary) and 2023-2025 MTEF

ITEM	2023 BUDGET		2023 - 2025 MTEF	
	Nbn	% to Aggregate	Nbn	% to Aggregate
Recurrent (Non-debt) Expenditure	9,322.17	37.55	8,522.74	52.26
Sinking Fund	247.73	1.00	247.73	1.52
Debt Servicing	6,309.87	25.42	6,415.95	39.34
Statutory Transfer	985.49	3.97	722.11	4.43
Capital Expenditure (Excl. of Transfers)	7,958.26	32.06	3,958.47	24.27
Aggregate Expenditure (Excl. GOEs and Project-tied loans)	20,633.00	83.12	19,760.92	121.17
Aggregate Expenditure (Incl. GOEs and Project-tied loans)	24,823.52	100.00	16,308.82	100.00

Source: BOF 2023 (2024 -26 MTEF)

2.5 BUDGETARY EXECUTION AND ACHIEVEMENT OF TARGETS

The adherence of Government Owned Enterprises and other related agencies to the provisions of the FRA, 2007 has shown marked improvement during the current year. More details on this topic can be found in Chapter 4.

Furthermore, there has been notable progress in overseeing the budget implementation and target attainment outlined in Part V, sections 25 – 30 of the FRA, 2007 by the Commission.

2.6 ANNUAL CASH PLAN AND DISBURSEMENT SCHEDULE

The Annual Cash Plan plays a crucial role in meeting initial budget policy targets and facilitating the smooth execution of fiscal and monetary policies. According to Section 25 of the FRA, 2007, the Accountant-General of the Federation must prepare this plan in advance, detailing projected monthly cash flows for the fiscal year, which may be adjusted periodically to reflect actual cash movements.

Additionally, Section 26 of the FRA, 2007 mandates the Minister of Finance to formulate a Disbursement Schedule within 30 days of the Appropriation Act's enactment, derived from the Annual Cash Plan. These sections underscore the imperative of ensuring efficient management of government revenue and expenditures across agencies to achieve set targets.

The foundation for monthly projections and plans based on actual revenue and expenditure data should be the Annual Cash Plan. Failure to adhere to the prescribed Cash Plan and Disbursement Schedule outlined in the FRA, 2007 has led to arbitrary budget implementations, contributing to the underfunding of designated projects in the budget.

2.7 BUDGET IMPLEMENTATION REPORTS

The FRA, 2007 in Sections 30 and 50, stipulate that the Budget Office of the Federation (BOF) must prepare quarterly Budget Implementation Reports. These reports are required to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). They are also mandated to be disseminated widely to all stakeholders and the public through electronic and other media channels.

As at June 2024, the Fiscal Responsibility Commission had not received the 2023 full-year Budget Implementation Report, nor was it available on the website of the Budget Office of the Federation's. *Therefore, this report primarily covers the full year 2022 and the first half of 2023 Budget Implementation Reports.*

2.8 2022 FULL-YEAR FGN BUDGET PERFORMANCE HIGHLIGHTS (REVENUE)

The 2022-2024 Medium-Term Expenditure Framework (MTEF) and the Fiscal Strategy Paper (FSP) provided the economic framework for the 2022 budget along with fiscal policy and spending priorities of the government over the three (3) year period.

The 2022 Budget of Economic Growth and Sustainability started on the first day of the year, it is however necessary 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 the approved budget for the years 2023 and 2022.

Table 2.9: Comparison of 2023-2025 MTEF with the 2023 annual budget and the 2022-2024 MTEF with the 2022 Annual Budget: Revenue

	2023 PROJECTIONS		MTEF VS Budget		2022 Projections		MTEF VS Budget	
	MTEF	BUDGET	VARIANCE		MTEF	BUDGET	VARIANCE	
REVENUE DETAILS	₦bn	₦bn	₦bn		₦bn	₦bn	₦bn	%
FGN Share of Oil Revenue	1861.86	2229.64			3156.28	2190.37	965.91	44.1
FGN Share of Dividend (NLNG)	81.79	81.79			184.03	195.72	-11.69	-5.97
FGN Share of Minerals & Mining	3.64	3.64			2.92	2.92	0	0
FGN Share of Non-Oil Revenue		2433.15			2132.08	2132.08	0	0
Share of Company Income Tax(CIT)	933.28	933.28			909.3	909.3	0	0
Share of Value Added Tax(VAT)	383.09	383.09			316.69	316.69	0	0
Share of Customs Duty	949.59	949.59			834.12	834.12	0	0
Share of Federation Account Levies	167.19	167.19			71.97	71.97	0	0
Revenues of GOE's					2039.57	0	2039.57	0
GOE's Operating Surplus,80% capturedin Independent Rev.					-944.3	0	-944.3	0
FGN Independent Revenue	1682.49	3169.07			1089.24	2616.22	-1526.98	-58.37
Draw-Down from Special Levies	300	300			300	300	0	0
Signature Bonus, Renewals&Early Renewals	57.04	57.05			280.86	280.86	0	0
Domestic Recoveries+Assets+Fines	27.89	27.9			26.93	26.93	0	0
Electronic Money Transfer Levy(Stamp Duty)	19.08	19.09			29.37	0	29.37	0
Grants and Donors Funding	43.02	43.03			62.24	63.38	-1.14	-1.8
Education Tax(TETFUND)	248.26	248.27			0	306	-306	-100
Amount Available for FGN Budget Including								
GOE's.	8,460.44	8626			7263.94	8240.78	-976.84	-11.85

Source: 2022-2024 MTEF & FSP and 2023-2025 MTEF & FSP

2.8.1 Oil Revenue

From table 2.9 above, the amount projected for the revenue components in both 2022-2024 and 2023-2025 MTEF and the approved budgets for the base years of 2022 and 2023 were compared.
In the MTEF projections, the share of oil revenue was ₦3,156.28 billion in 2022 and ₦1861.86 billion in 2023 while the budgets were ₦2,190.37 billion in 2022 and ₦2,229.64 billion in 2023. This indicated a variance of ₦965.91 billion (44.10%) in 2022 and ₦-367.78 billion in 2023 (16.49%) respectively. All the non-oil revenue items had the same amounts projected for MTEF and Annual Budget for the years 2022 and 2023 respectively while Independent Revenue and Revenues from GOE'S increased in the annual budget and MTEF in 2023.

2.8.2 Non-Oil Revenue

The same table 2.9 revealed that ₦2,132.08 billion was projected for FGN non-oil revenue in both MTEF and Annual Budget for the fiscal year 2023. The amounts projected for all the non-oil revenue items were the same except for revenues for GOE'S which was only projected under MTEF as ₦2,039.57 billion with no projection under the Annual budget.

2.8.3 Independent Revenue

The Independent Revenue were ₦2,616.22 billion and ₦3,169.07 billion in the budget as against the projected amount of ₦1,089.24 billion and ₦1,682.49 billion in the MTEF of the fiscal years of 2022 and 2023 respectively. This represents variances of ₦1,526.98 billion (57.87%) and ₦1,486.58 billion (56.82%). The sum of ₦280.86 billion and ₦57.04 billion was projected for MTEF and budget respectively for Signature Bonus, Renewal, and Early Renewals revenue sub-heads. This showed no variances in 2022 and 2023. Grants and funding revenue subheads increased from ₦62.24 billion to ₦63.38 billion (1.80%) in 2022 but the margin of deviation from MTEF in 2023 was insignificant.

Under the Independent Revenue sub-head, Transfers from Levies of ₦300 billion were the same for MTEF and budgets for 2022 and 2023, Domestic Recoveries + Assets + Fines had the same MTEF and Budget amount of ₦26.93 billion in 2022 and ₦27.89 billion in 2023.

There was no Stamp Duty in the 2022 budget. It was pegged at ₦19.09 billion for both MTEF and budget in 2023.

An amount of ₦306 billion was projected for the Tertiary Education Trust Fund (TETFUND), but nothing in the MTEF for the year 2022, while ₦248.27 Billion was projected for both MTEF and budget in 2023.

2.8.4 Gross Oil Performance for the Year 2022

Table 2.10 below shows that the Gross oil revenue of ₦6,222.47 billion was collected in the year as against ₦9,369.96 billion projected for the 2022 budget. This represented a decrease of ₦3,147.49 billion (33.59%) from the 2022 budget estimate but ₦1,519.58 billion (32.31%) above the actual gross oil revenue in 2021.

The sub-heads indicate that only Incidental Oil revenue (Licenses & Early Licenses Renewal) exceeded the budget of ₦195.09 billion by ₦20.63 billion (10.57%).
Though Exchange Gain had zero projection, it still yielded ₦179.79 billion in 2022.
The other Oil Revenue items such as Crude Oil and Gas sales of ₦851.94 billion, Petroleum Profit and Gas taxes of ₦6.32 billion, Gas flare penalty of ₦70.42 billion and Miscellaneous (Pipeline fees etc.) all fell below their yearly projections. The low performances were attributed to lower projected oil production.
Although revenue collections increased when compared to 2021, the performance of oil revenue items was attributed to an increase in the price of crude oil on the international market due to the

Russia and Ukraine war which disrupted both production and supply chain. The increase in non-oil items sources was created due to inflation and an increase in economic activities after the COVID-19 lockdowns.

2.8.5 Gross Non-Oil Revenue Performance

The Gross non-oil revenue performance performed above the annual estimate of ₦6,659.34 billion by ₦136.08 billion (8.17%) amounting to ₦7.145.57 billion for the year. Most of the non-oil revenue items performed better than the annual estimates. Company income taxes of ₦2,821.50 billion and Value added tax of ₦2,511.52 billion both increased by ₦833.72 billion (41.49%) and ₦69.72 billion (2.68%) respectively.

Other non-oil sources such as Custom & Excise duties amounted to ₦1,554.69 billion, Electronic Money Transfers Levy of ₦125.59 billion, and Special Levies (Federation Account) of ₦132.27 billion however fell below their budget projections while Solid Minerals and Mining revenue recorded an increase of ₦4.35 billion (62.68%) above the projection for the year 2022.
On the other hand, Dividends by companies/Investments funded by FAAC yielded nothing despite an annual projection of ₦185.71 billion.

Table 2.10: Performance of Gross Oil and Non-Oil Revenue in 2022

REVENUE CATEGORY	BUDGET (₦bn)	ACTUAL (₦bn)	VARIANCE(₦bn)	% OF VARIANCE
A) OIL REVENUE				
Crude Oil and Gas Sales	874.06	851.94	-22.12	-2.53
Petroleum Profit Tax and Gas Taxes 30% CITA.	5572.31	2437.76	-3134.55	-56.25
Royalties(Oil and Gas)	2554	2447.2	-106.81	
Concessional Rentals	6.41	6.22	-0.19	-2.91
Gas Flared Penalties	110.54	70.42	-40.11	-36.29
Incident Oil Revenue	195.09	215.72	20.63	10.57
Miscellanous(Pipeline fees etc)	57.56	13.42	-44.14	-76.69
Exchange Gains	0	179.78	179.78	
SUB-TOTAL	9369.96	6222.47	-3147.49	-33.59
B) NON-OIL REVENUE				
Value Added Tax	2441.8	2511.52	69.72	2.86
Company Income Tax	1987.78	2821.5	833.72	41.94
Custom and Excise Duty	1858.57	1554.69	-303.88	-16.35
Special Levies	160.37	132.27	-28.1	17.52
Electronic Money Transfer Levy	210.82	125.59	-85.23	-40.43
SUB-TOTAL	6659.34	7145.57	486.23	7.3
TOTAL	16029.3	13368.04	-2661.26	-26.29

Source: Budget Office of the Federation, 2022

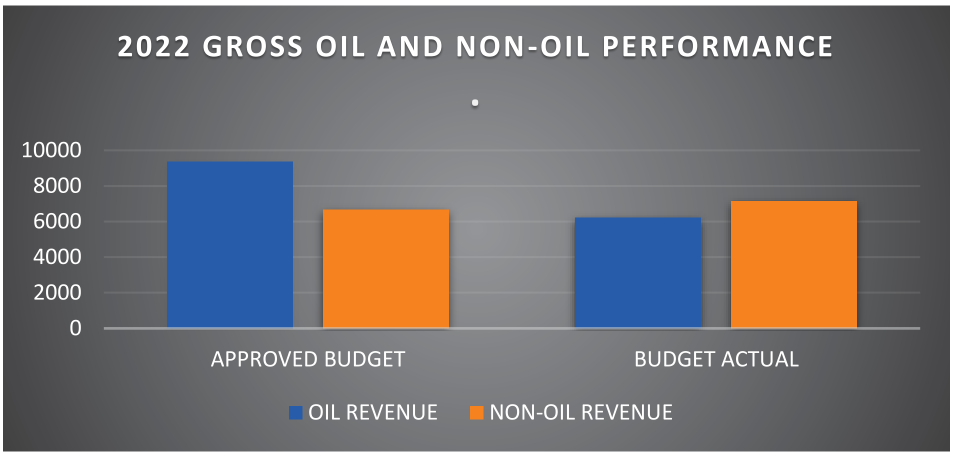


Fig 1: 2022 Budget and Actual Gross Oil and Non-Oil Revenue

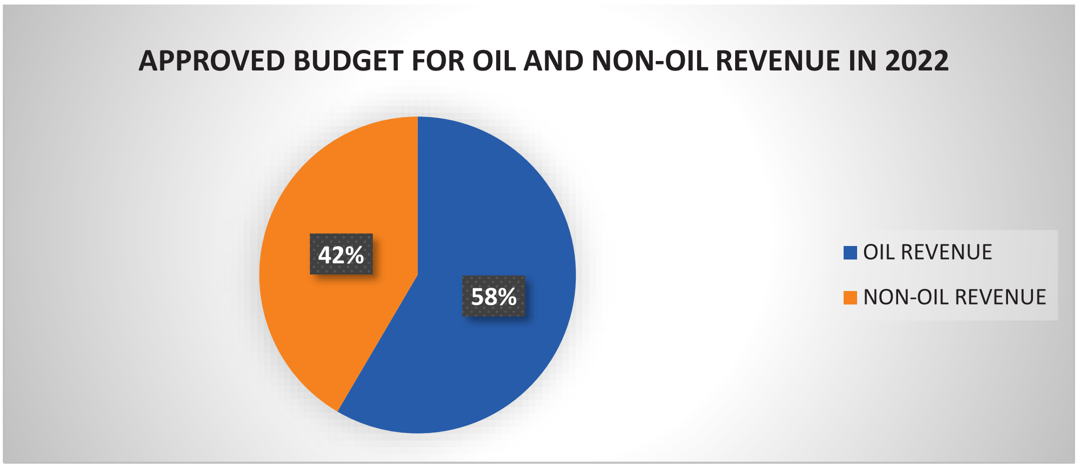


Fig 2: Percentage of Approved Budget of Oil and Non-Oil

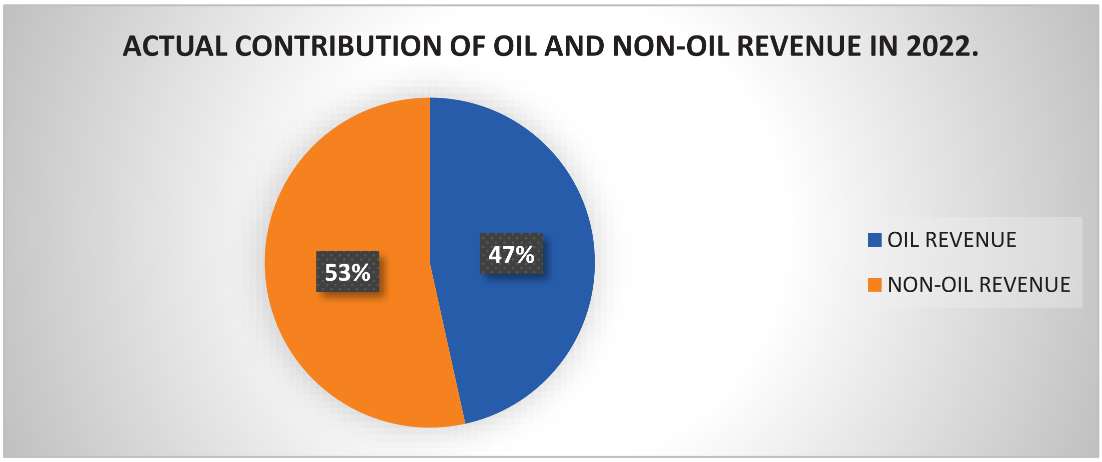


Fig 3: Actual Contribution of The Oil and Non-Oil Revenue In 2022

2.8.6 FGN Budget Revenue Performance For 2022 Fiscal Year

The sum of ₦496.17 billion excluding GOE'S was projected to fund the Federal budget in 2023 according to the budget Framework; indicating that a quarterly share of ₦2,248.18 billion was received in the fourth quarter of 2022, lower by ₦244.11 billion (9.79%) of ₦1,123.07 billion recorded in the fourth quarter of 2021.

The FGN'S share of Solid Minerals and Mining revenue stood at ₦1.68 billion indicating an increase of ₦0.95 billion (131.06%) while on the other hand, FGN's Share of Dividends (NLNG) amounted to ₦25.43 billion (48.04%) falling short of the budget projection. Oil revenue sources fell short of the quarterly estimate of ₦840.50 billion by ₦608.76 billion (72.43%) in the fourth quarter of 2022.

For the non-oil revenue sources, FGN Share of Company Income Tax (CIT) of ₦289.19 billion and Value Added Tax (VAT) of ₦90.92 billion were above their budget estimates of ₦227.33 billion and ₦79.17 billion by ₦61.86 billion (27.21%) and ₦11.74 billion (14.84%) respectively.

FGN's Share of Custom and Excise Duty of ₦175.76 billion, Federation Account Levies of ₦17.25 billion, Electronic Money Transfer Levies (Stamp Duty) of ₦5.00 billion, Independent Revenue of ₦320.38 billion and Drawn Down from Special Accounts of ₦38.00 billion were below their quarterly budget estimates.

Table 2.11: Performance of Gross Oil and Non-oil Revenue for the Half Year 2022

REVENUE CATEGORY	BUDGET (₦bn)	ACTUAL (₦bn)	VARIANCE(₦bn)	% OF VARIANCE
A) OIL REVENUE				
Crude Oil and Gas Sales	874.06	851.94	-22.12	-2.53
Petroleum Profit Tax and Gas Taxes 30% CITA.	5572.31	2437.76	-3134.55	-56.25
Royalties(Oil and Gas)	2554	2447.2	-106.81	
Concessional Rentals	6.41	6.22	-0.19	-2.91
Gas Flared Penalties	110.54	70.42	-40.11	-36.29
Incident Oil Revenue	195.09	215.72	20.63	10.57
Miscellanous(Pipeline fees etc)	57.56	13.42	-44.14	-76.69
Exchange Gains	0	179.78	179.78	
SUB-TOTAL	9369.96	6222.47	-3147.49	-33.59
B) NON-OIL REVENUE				
Value Added Tax	2441.8	2511.52	69.72	2.86
Company Income Tax	1987.78	2821.5	833.72	41.94
Custom and Excise Duty	1858.57	1554.69	-303.88	-16.35
Special Levies	160.37	132.27	-28.1	17.52
Electronic Money Transfer Levy	210.82	125.59	-85.23	-40.43
SUB-TOTAL	6659.34	7145.57	486.23	7.3
TOTAL	16029.3	13368.04	-2661.26	-26.29

Source: OAGF and Budget Office of the Federation

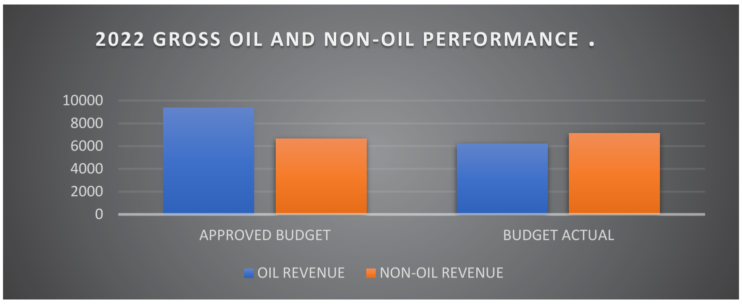


Fig 4: Budget and Actuals of Oil and Non-Oil In 2022

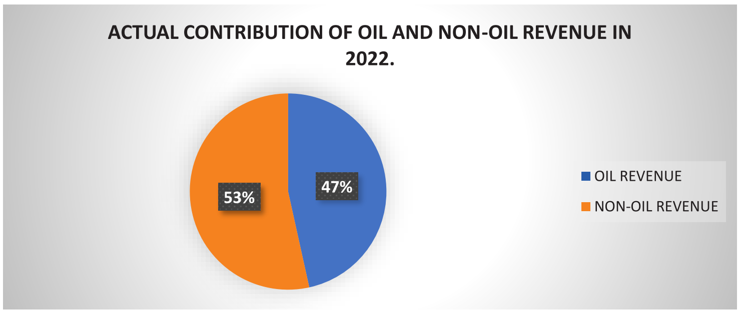


Fig 5: Contributions of Oil and Non-Oil Revenue In 2022

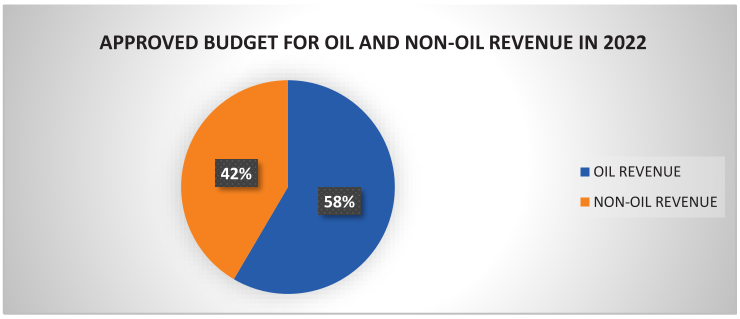


Fig 6: Pie Chart Showing the Approved Budget of Oil And Non-Oil Revenue In 2022

2.8.7 Analysis of FGN Revenue Categories For 2022 Fiscal Year

Oil Revenue

The Breakdown of Oil Revenue indicates that a sum of ₦779.35 billion was realized from the sales of Oil at the end of the year 2022. This is lower than the budget estimate of ₦2,190.87 billion by ₦1,411.52 billion (64.56%).

The sum of ₦4.74 billion was received as the FGN's Share of Minerals and Mining for the year as against the projected amount of ₦2.92 billion indicating an increase of ₦1.82 billion (62.62%).

Non – Oil Revenue

From Table 2.9 above, the sum of ₦2,383.91 billion was achieved as against the projection of ₦2,132.08 billion expected from non-oil revenue sources. This shows an increase of ₦251.83 billion (5.78%).

The Company Income Tax and Value Added Tax increased in the period under review while other sources had a decline from their budget projections.

Table 2.9 above further indicates that Independent Revenue was ₦1,089.24 billion in the 2022 – 2024 MTEF as against ₦2,216.22 billion projected in the Annual Budget for the period under review.

Transfer from Special Levies for the year 2022 was projected at ₦300.00 billion, ₦175.79 billion was received with a shortfall of ₦124.21 billion (54.39%) while the Signature Bonus, Renewals, and Early Renewals Revenue for the year were projected at ₦280.86 billion and the same amount was received for the period under review.
Domestic Recoveries and Electronic Money Transfer Levy (Stamp Duty) received ₦29.37 billion and ₦63.38 billion respectively, they both fell below their budget projections. Grants and Donors Funding and TETFUND had actuals of ₦1,145.11 billion and ₦323.67 billion respectively in the year under review.

2.8.8 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

The budget deficit in the 2022 – 2024 MTEF 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 the same period. However, in the Annual Budget of 2022, the sum of ₦6,206.98 billion was budgeted excluding GOEs and Project-tied loans. This amount denotes a variance of ₦1,563.73 billion which translates to a 33.67% change from the MTEF projection.

Deficit Financing

The Financing Items penciled down to finance the fiscal deficit in 2022–2024 MTEF were;

i. Privatization Proceeds
ii. Multi-lateral m/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 the 2022-2024 MTEF and 2022 Budget as well as the total Fiscal Deficit including GOEs and Project-tied loans. The sum of ₦90.73 billion was projected both in the 2022-2024 MTEF and 2022 Budget to finance from Privatization Proceeds. In the case of Multi and bilateral loans, the sum of ₦1,155.82

billion was budgeted in 2022 against the projected sum of ₦638.32 billion in the 2022-2024 MTEF. This depicts the variance of ₦517.50 billion translating to an 81.07% change.
The same table also reveals that the sum of ₦2,446.80 billion was in the 2022-2024 MTEF/FSP for both Domestic and Foreign Borrowing, while in the 2022 budget the sum of ₦3,535.74 billion and ₦2,569.93 billion were projected for Domestic and Foreign borrowing respectively. This indicates an increase of ₦1,086.94 billion (44.4%) and ₦123.13 billion (5.03%) respectively as against the projection in the 2022-2024 MTEF/FSP.

Table 2.12: 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
A 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 a 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. The underperformance of the deficit-

financing items will affect the funding of the budget, resulting in poor budget performance which lead to the under execution of projects or programs of the Government. Table 2.13 below shows the projected fiscal deficits and actual financing in the year 2022.

Table 2.13: Budget Deficit and Deficit Financing Items for 2022

Items	2022 Budget		2022 Actual	Variance (Actual Vs Budget) 2022	
	Annual (Nbn)	Quarterly (Nbn)		Nbn	%
Fiscal Deficit (Excluding GOEs Budgeting & project-tied Loans)	(6,206.98)	(1,551.75)	7,030.22	(823.24)	13.26
Financing Items:					
Privatization proceeds	90.73	22.68	0.00	(90.73)	(100.00)
Multi-lateral/ Bi-lateral project-tied Loans	1,155.82	288.96	0.00	(1,155.82)	(100.00)
Foreign Borrowing	2,569.93	642.48	510.21	(2059.72)	(80.15)
Domestic Borrowing	3,533.74	883.43	6,520.01	2986.27	84.51
Fiscal Deficit (including GOEs Budgeting & project-tied loans) Total	7,350.22	1,837.56	7,030.22	(320)	(4.35)

Source: 2022, BIR

Deficit Financing

Deficit financing for the 2022 fiscal year was projected to be financed from the aforementioned financing items in Table 2.13 above. The budgeted sum was ₦7,350.22 billion which is 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%)
iv. Domestic Borrowing ₦3,533.74 billion (48.08%)

The annual projected deficit financing figures allocated to the financing sources show that Foreign and domestic borrowing were allocated 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 were the least amongst the financing sources with ₦90.76 billion (1.23%) of the total projected deficit for the year 2022.

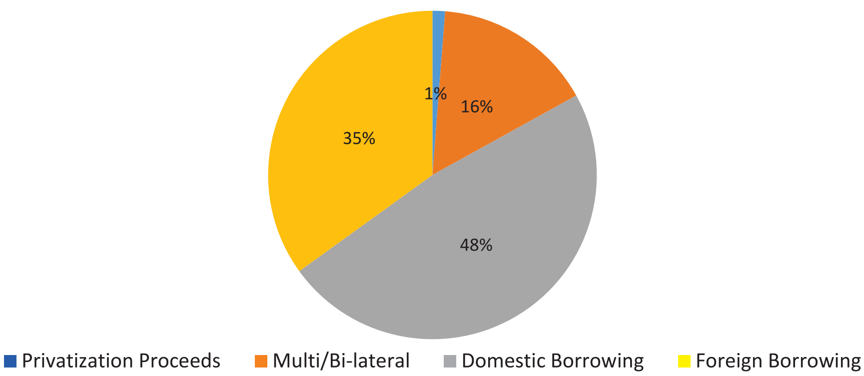


Fig. 7 Annual Budget for Deficit Financing items, 2022

Implementation and Performance of the Deficit Financing sources in the 2022 Fiscal year
The Budget Deficit projection in the year 2022 was ₦7,350.22 billion of which ₦7,030.22 billion was achieved from only two sources out of four deficit financing sources projected in the budget. This translates to 95.65% implementation in the 2022 fiscal year.

Domestic borrowing contributed ₦6,520.01 billion (92.74%) while foreign borrowing had ₦510.21 billion (7.26%) of the ₦7,030.22.21 billion deficit financing achieved during the 2022 fiscal year. It is instructive to note that, the sum of ₦3,533.74 billion and ₦2,569.93 billion were budgeted to part finance the budget deficit in year 2022 from Domestic and foreign borrowing respectively.

However, the sum of ₦6,520.01 billion was achieved at the end of the fiscal year 2022, against the budgeted sum of ₦3,533.74 billion with an increase of ₦2,986.27 billion (45.80%). In the case of foreign borrowing, the sum of N510.21 billion was achieved as against ₦2,569.93 billion with a decrease of ₦2,059.72 billion (80.15%). These variances may be attributed to the 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.

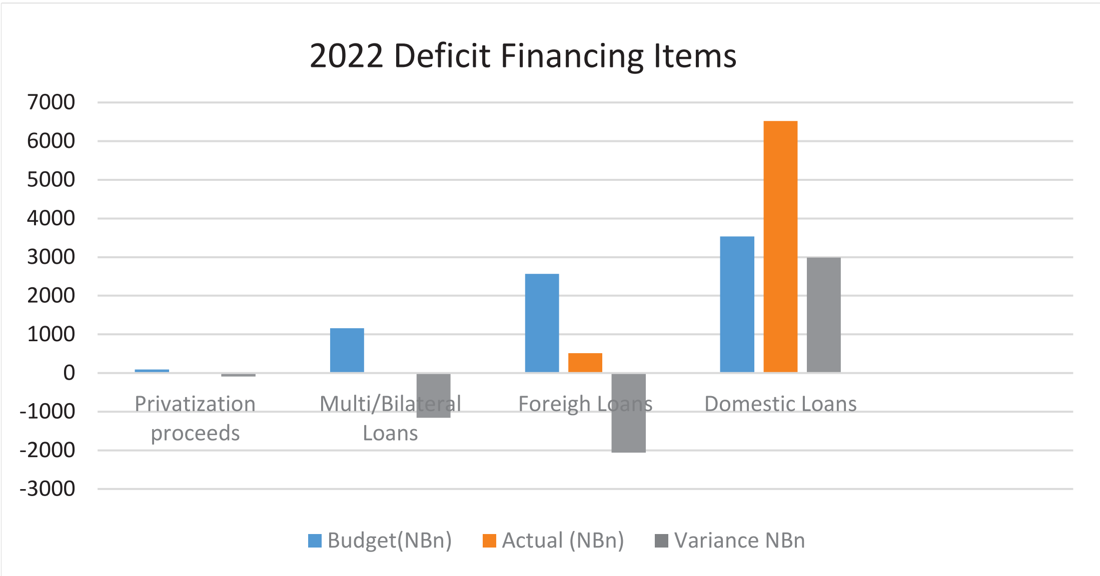


Fig. 8 Deficit Financing Items, 2022

2.9 ASSESSMENT OF 2022 FULL-YEAR REVENUE PERFORMANCE USING PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) AND FISCAL TRANSPARENCY CODE (FTC)

Budget Reliability

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

The 2022 Budget projections of the Oil and Non-Oil revenue as highlighted in Table 2.10 above clearly show 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 ₦6,222.47 billion (actual) was realized as against ₦9,369.96 billion prorated budget projection with a difference of ₦3,147.49 billion (-33.59%) showing a decline from the projected value. On the other hand, the actual Gross Non-Oil revenue was

₦7,145.57 billion as against ₦6,659.34 billion that was projected in the budget showing an increase of ₦ 486.23 billion (7.3%).

Table 2.13 above further shows that the budget deficit projection in the year 2022 was ₦7,350.22 billion of which ₦7,030.22 billion was achieved from only two sources out of the four deficit financing sources projected in the budget. However, domestic borrowing was estimated at ₦3,533.74 billion but at the end of the year, the sum of ₦6,520.01 billion was achieved with an over borrowing/increase of ₦2,986.27 billion. This may be attributed to the poor performance of the other financing items.

Therefore, the performance of the actual deficit financing items at the end of the 2022 fiscal year showed deviations.

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

The actual figures recorded at the end of 2022 from non-oil revenue and the unutilized deficit financing items did not achieve the target. Therefore, the MBTF, the annual budget projections, and the actual figures after implementation were not the same.

Given the trend, the actual figure of the aggregate revenue, and the three unutilized deficit financing items, the target was not achieved.

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 the 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 consolidated budget implementation report was published late thereby violating the provisions of Section 30(2) of the FRA 2007.

- **FTC requirements 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 the 2022 fiscal year on deficit financing does not include the GOEs and the project-tied loans. They should be part of the actual performance since they were included as part of the estimated Aggregate Revenue and deficit figures.

Management of Assets and Liabilities

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.

The 2022 Budget Implementation Report clearly shows that at the end of the fiscal year, the planned deficit financing from domestic borrowing was exceeded by ₦2,986.27 billion (45.80%) against the projected amount of ₦3,533.74 billion.

Macroeconomic risks:

- **FTC:** Budget documentation including sensitivity analysis, alternative scenarios, and probabilistic forecast official outcomes.

The 2022 budget document only included the fiscal forecast to major macroeconomic assumptions, but no alternative scenarios and probabilistic forecast of fiscal outcomes were included. The analysis of the potential fiscal risks of oil and non-oil revenues and possible measures to control or mitigate them were not included in the 2022 budget.
On the domestic borrowing, the sum of N6,520.01 billion was borrowed against the approved estimated amount of ₦3,533.74 billion, indicating a variance of ₦2,986.27 billion.

- **Predictability and control in budget execution:**
  Good forecasting of Macroeconomic variables and control in budget execution is very important it became helps to achieve a reasonable percentage of budget execution performance within the fiscal year.

The actual budget implementation for the year under review (2022) shows underperformance based on the forecast / budgeted values allocated to the budget items/variables except for personnel cost which was adequately managed within its projection.

Macroeconomic Forecast:

- **FTC:** The budget documentation includes a forecast 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 2022 as highlighted in Tables 2.10 and 2.13 above showing variations between the forecast revenue and the actual revenue. For instance, the Gross Oil Revenue of ₦6,222.47 billion was realized at the end of the 2022 financial year against ₦ 9,369.96 billion budgeted for the same period. This denotes a shortfall of ₦3,147.49 billion (-33.59%)

2.10 2022 FULL-YEAR FGN BUDGET PERFORMANCE HIGHLIGHTS (EXPENDITURE)

Table 2.14: 2022 MTEF Vs Budget Expenditure Projections

FISCAL ITEMS		MTEF	2022 APPROVED BUDGET/ PROJECTIONS	VARIANCE	
		₦		₦	%
STATUTORY TRANSFER		**613,358,534,525**	**869,667,187,543**	**- 256,308,653,018**	**-42**
DEBT SERVICE		**3,609,241,188,415**	**3,609,241,188,415**	**-**	**0**
SINKING FUND		292,711,793,135	270,711,793,135	**22,000,000,000**	**8**
RECURRENT (NON-DEBT)		**6,205,011,154,753**	**6,909,849,788,736**	**- 704,838,633,983**	**-11**
a	Personnel Costs (MDAs)	3,469,178,444,276	3,494,367,075,514	**- 25,188,631,238**	**-1**
b	Personnel Costs (GOEs)	750,038,374,499	617,724,992,745	**132,313,381,754**	**18**
c	Overheads (MDAs)	335,655,018,298	371,726,148,777	**- 36,071,130,479**	**-11**
d	Overheads (GOEs)	261,269,575,246	451,001,890,322	**- 189,732,315,076**	**-73**
e	Pensions, Gratuities & Retirees' Benefits	567,002,149,814	577,862,188,757	**- 10,860,038,943**	**-2**
f	Other Service Wide Votes (including GAVI/Immunization)	406,867,592,621	966,867,592,621	**- 560,000,000,000**	**-138**
g	Presidential Amnesty Programme	65,000,000,000	65,000,000,000	**-**	**0**
h	TETFUND - Recurrent	-	15,299,900,000	**- 15,299,900,000**	**0**
SPECIAL INTERVENTIONS (Recurrent)		**350,000,000,000**	**350,000,000,000**	**-**	**0**
AGGREGATE CAPITAL EXPENDITURE		**3,616,302,881,369**	**5,961,066,005,970**	**- 2,344,763,124,601**	**-65**
a	Capital Supplementation	366,137,096,061	455,588,000,000	**- 89,450,903,939**	**-24**
b	Capital Expenditure in Statutory Transfers	354,784,001,633	493,662,046,107	**- 138,878,044,474**	**-39**
c	Special Intervention Programme (Capital)	10,000,000,000	7,000,000,000	**3,000,000,000**	**30**
d	Amount Available for MDAs Capital Expenditure	1,759,804,022,579	2,750,893,902,177	**- 991,089,879,598**	**-56**
e	GOEs Capital Expenditure	425,024,504,882	647,079,937,729	**- 222,055,432,847**	**-52**
f	TETFUND Capital Expenditure	-	290,698,100,000	**- 290,698,100,000**	**0**
g	Grants and Donor Funded Projects	62,238,096,061	63,376,918,168	**- 1,138,822,107**	**-2**
h	Multi-lateral / Bi-lateral Project-tied Loans	638,315,160,152	1,155,823,207,500	**- 517,508,047,348**	**-81**
i	FGN Share of Oil Price Royalty Transferred to NSIA	-	96,943,894,289	**- 96,943,894,289**	**0**
Capital Expenditure (Excluding Transfers)		**3,261,518,879,736**	**5,467,403,959,863**	**- 2,205,885,080,127**	**-68**
TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans)		**11,907,193,935,785**	**14,255,243,889,395**	**- 2,348,049,953,610**	**-20**
TOTAL FGN BUDGET (Including GOEs & Project-tied Loans)		**13,981,841,550,564**	**17,126,873,917,692**	**- 3,145,032,367,128**	**-22**

SOURCE: 2022-2024 MTEF FSP final and HMFBNP 2022 Approved Budget Presentation.

Please note that, when the resulting variance is positive, that means the projected/budgeted amount decreased from the planned MTEF amount and vice-versa.

2.10.1 Analysis of Tables 2.14 and 2.15

A critical look at Table 2.14 shows that the fiscal items of the 2022 Approved Budget had negative variances from the MTEF except for the Sinking Fund, Personnel Costs (GOEs), and Special Intervention Program (Capital) with positive variances, at percentages of 8%, 18%, and 30% respectively.

A further look at the individual fiscal items shows that the other Service Wide Votes (including GAVI/Immunization) budgeted figure had the highest negative variance of ₦560 billion, which is a 138% variance from the MTEF. Others, like Multi-lateral / Bi-lateral Project-tied Loans and Overheads (GOEs) followed suit with 81% and 73% respectively. These three (3) came highest of the negative trend.

We also saw the introduction of about three (3) fiscal items in the 2022 Approved Budget that were not captured in the MTEF. These items were TETFUND - Recurrent, TETFUND Capital Expenditure, and FGN Share of Oil Price Royalty Transferred to NSIA.

Generally, the 2022 total FGN Budget (including GOEs & Project-tied Loans) deviated from the 2022-2024 MTEF with a negative variance of 22%. That is, additional expenditure budgeted for in the Approved Budget with over three trillion naira (₦3 trillion) from the MTEF initially planned.

The principle according to the ***Fiscal Transparency Code (FTC)***, states that "Budget documentation includes outturns and projections of revenues, expenditures, and financing over the medium term on the same basis as the annual budget.

The conclusion is that the 2022 Medium Term Budget is not the same as the 2022 annual budget because of the high variance to the tune of 22%. Furthermore, out of 21 fiscal items, 15 had negative variances.

Table 2.15 2022 MTEF Vs Budget in Summary

	STATUTORY TRANSFER	RECURRENT EXPENDITURE		AGGREGATE CAPITAL EXPENDITURE	TOTAL
		DEBT SERVICE	NON-Debt		
	%	%	%	%	%
2022-2024 MTEF	4.39	25.81	44.38	25.86	100.44
2022 PROJECTIONS / APPROVED BUDGET	5.08	21.07	40.35	34.81	101.30

Source: 2022-2024 MTEF & 2022 BIR

None of the figures of the Budgeted/ Projected sub-heads matched that of the MTEF.

Table 2.15 above also shows that, for 2022, each sub-head (Statutory Transfer, Debt Service, Non-Debt Expenditure, and Aggregate Capital Expenditure) when added together exceeded the total FGN Budget (including GOEs and Project-tied Loans) from the points of view of both the MTEF and Approved Budget with approximately 0.44% (₦62.07 billion) and 1.30% (₦222.95 billion) respectively.

It is therefore imperative to find out the possible impact or interpretation, as this could be interpreted to hurt the credibility of the Budget.

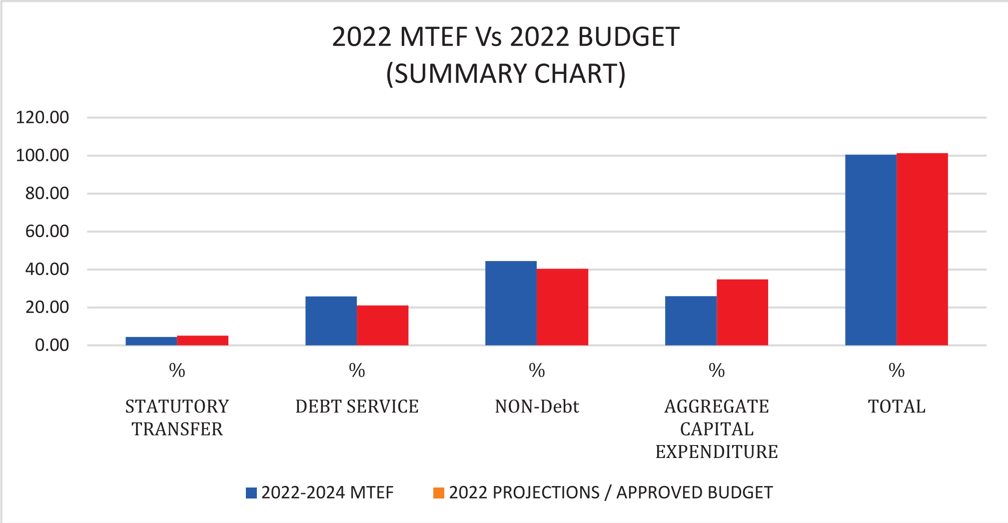


Fig.9 2022 MTEF Vs 2022 Budget

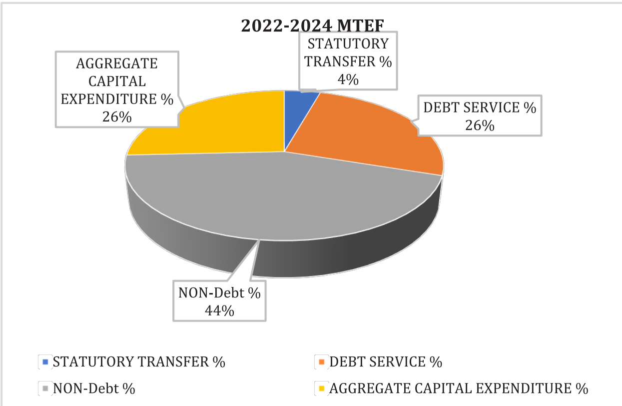


Fig.10 2022 to 2024 MTEF

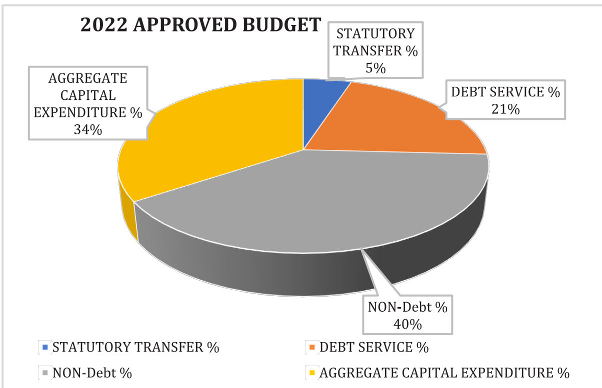


Fig. 11 2022 Approved Budget

Table 2.16: 2022 Approved Budget Vs Actual Expenditure

S/No.	ITEMS	2022 APPROVED BUDGET	2022 ACTUAL EXPENDITURE	VARIANCE: ACTUAL VS BUDGET	% VARIANCE
	EXPENDITURE:	**₦ bn**	**₦ bn**	**₦ bn**	**%**
1	**RECURRENT**				
2	Personnel Cost	3,717.43	3,494.37	(223.06)	(6.00)
3	Personnel Cost (GOEs)	617.72	623.03	5.31	0.86
4	CRF Pensions	577.86	387.32	(190.54)	(32.97)
5	Overhead Cost	376.38	371.73	(4.65)	(1.24)
6	Overhead Cost (GOEs)	451.00	443.32	(7.68)	(1.70)
7	Other Service-Wide Votes + Gavi/Immunization	937.92	715.31	(222.61)	(23.73)
8	Presidential Amnesty Programme	65.00	65.00	-	-
9	Tetfund Personnel	15.30	16.43	1.13	7.39
10	Special Intervention (Recurrent)	350.00		(350.00)	(100.00)
11	**Sub-Total Non Debt**	**7,108.61**	**6,116.51**	(992.10)	**(13.96)**
12	Domestic Debt Service	2,562.15	2,571.47	9.32	0.36
!3	Foreign Debt Service	1,123.23	1,191.66	68.43	6.09
14	Total Debt Service	3,685.38	3,763.13	77.75	2.11
15	Interest on Ways and Means		1,893.45	1,893.45	
16	Sinking Fund to Retire Maturing Loans	292.71		(292.71)	(100.00)
17	**Sub-Total Debts**	**3,978.09**	**5,656.58**	1,678.49	**42.19**
18	**Total Recurrent Expenditure**	**11,086.70**	**11,773.09**	686.39	**6.19**
19	**CAPITAL EXPENDITURE**			-	
20	Capital Expenditure	4,431.93	1,893.51	(2,538.42)	(57.28)
21	Capital Expenditure (GOEs)	647.08	309.57	(337.51)	(52.16)
22	Multi-Lateral / Bi-Lateral Projects-Tied Loans	1,155.82		(1,155.82)	(100.00)
23	**Total Capital Expenditure**	**6,234.83**	**2,203.08**	(4,031.75)	**(64.66)**
24	**TRANSFERS**			-	
25	Statutory Transfers	817.70	810.12	(7.58)	(0.93)
26	**TOTAL FGN BUDGET**	**18,139.23**	**14,786.29**	(3,352.94)	**(18.48)**
	SOURCE: OAGF and Budget Office of the Federation, 2022				

Table 2.17

S/No.	ITEMS	2022 APPROVED BUDGET	2022 ACTUAL EXPENDITURE	VARIANCE: ACTUAL VS BUDGET	% VARIANCE
	EXPENDITURE:	**₦ bn**	**₦ bn**	**₦ bn**	**%**
1	**Total Non Debt**	7,108.61	6,116.51	(992.10)	(13.96)
2	**Total Debts**	3,978.09	5,656.58	1,678.49	42.19
3	**Total Capital Expenditure**	6,234.83	2,203.08	(4,031.75)	(64.66)
4	**Statutory Transfers**	817.70	810.12	(7.58)	(0.93)

Source: 2022 BIR

2.10.2 Analysis of Tables 2.16 and 2.17

At the end of 2022, the Annual Budget was ₦18,139.23 billion while the actual expenditure incurred was ₦14,786.29 billion. This led to a variance of ₦3,352.94 billion. That is, an over-budgeting, up to 18.48%. This generally means that the actual expenditure performed below the budgeted sum in the year 2022 by 18.48%.

It was also observed that every individual expenditure head performed below its budgeted amount, at the end of the financial year with variances at different levels except Personnel Cost for GOEs and Tetfund Personnel, with positive variances of ₦5.31billion (0.89%) and ₦1.13 billion (7.39%) respectively above their budgeted figures. While the Presidential Amnesty Program remains the same.

Furthermore, total Capital Expenditure (exclusive of Transfer) was the worst hit of this negative variance with a sum of ₦4,031.75 billion and a negative percentage variance of 64.66% meaning it underperformed from its planned/ budgeted figure.

Total Recurrent Expenditure had a positive variance with the sum of ₦686.39 billion (6.19%).

More expenditure heads were disclosed in the budget and during implementation in the 2022 financial year as against the 2021 financial year, namely, Personnel and Overhead costs for GOES, and Tetfund Personnel in 2022. However, It was observed that interest on 'Ways and Means' was not budgeted for in 2022.

Table. 2.18 2022 Sub-Totals of Budget and Actual Expenditure Expressed in Percentages of Their Grand Totals, and Its Variances: Actual Vs Budget

S/NO.	ITEMS	2022 APPROVED BUDGET	2022 ACTUAL EXPENDITURE	VARIANCE: ACTUAL VS BUDGET
	EXPENDITURE:	**₦ bn**	**₦ bn**	**₦ bn**
1	**Total Non Debt**	7,108.61	6,116.51	(992.10)
2	**Total Debts**	3,978.09	5,656.58	1,678.49
3	**Total Capital Expenditure**	6,234.83	2,203.08	(4,031.75)
4	**Statutory Transfers**	817.70	810.12	(7.58)

Source: 2022 BIR

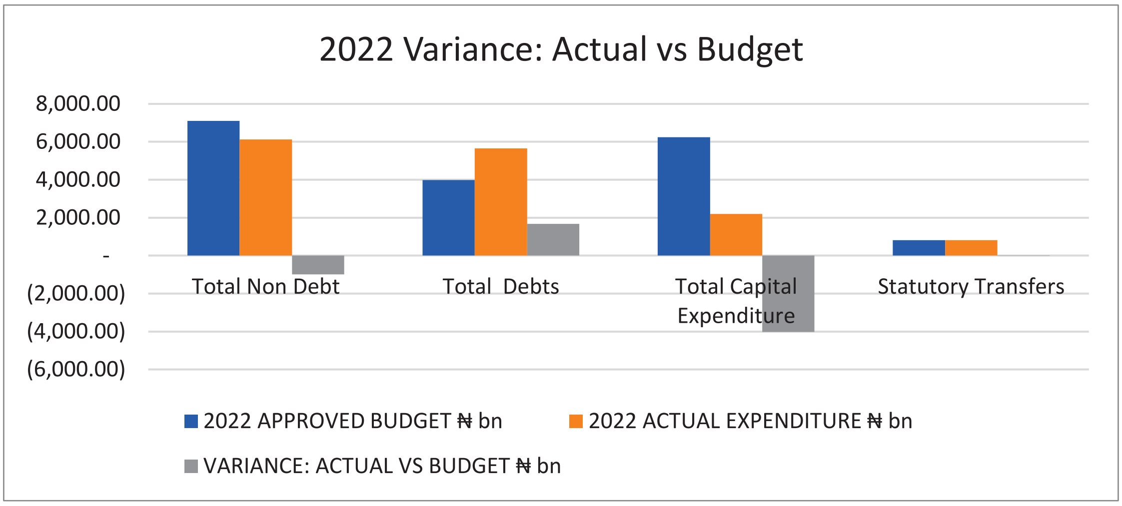


Fig. 12, 2022 Variance: Actual vs Budget

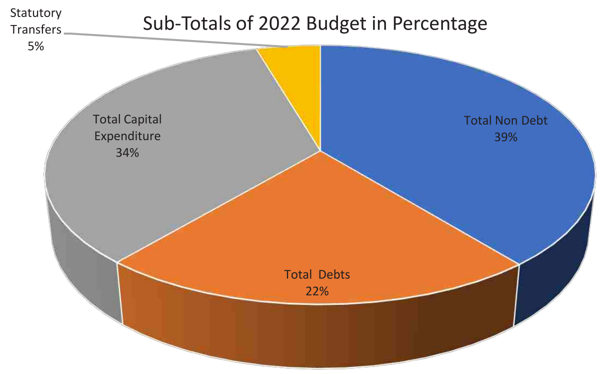


Fig. 13 Sub totals of 2022 Budget in Percentage

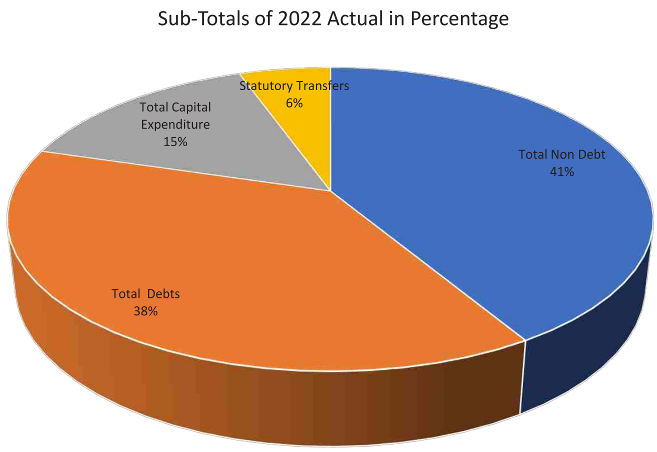


Fig. 14 Sub totals of 2022 Actual in Percentage

Analysis From 2022 Sub-Totals of Budget and Actual Expenditure Expressed in Percentages of Their Grand Totals, and Variances: Actual Vs Budget

Figures 12, 13, and 14 above raised the following observations

a. Five percent (5%) of the total budgeted figure was allocated to Statutory Transfers, while (6%) was incurred from the total actual expenditure incurred.

b. From Recurrent Expenditure:
   i. Debts – twenty-two percent (22%) of the total budget on expenditure was planned for Debts but approximately thirty–eight (38%) of the total expenditure incurred was spent on debts.
   ii. Non-Debts – had a thirty-nine percent (39%) budget in the annual plan from the onset but forty-one percent (41%) of total expenditure was incurred on it at the end of the year.

c. Total Capital Expenditure (exclusive of Transfers) had a thirty-four percent (34%) budget plan from the onset, a fifteen percent (15%) was actually incurred on it. This indicates a negative variance of approximately nineteen percent (19%) from the sub-totals angle in percentages, which supports the underperformance that was earlier observed from.

2.10.3 2022 Budget Analysis of Capital and Recurrent Expenditure Using UNDP Benchmark of 70: 30 (i.e. Capital 70% & Recurrent Expenditure 30%)

The United Nations Development Program (UNDP) recommendation on budget is that countries should allocate 70% of their budgets to capital expenditure and 30% to recurrent expenditure. This is the international benchmark for budgetary provisions for all the countries of the world, whether advanced or developing.

However, Nigeria has over the years been allocating more to recurrent expenditure and less to capital expenditure (in most cases, more than 60% to recurrent expenditure and less than 40% to capital expenditure). This is not in tandem with UNDP recommendation.

According to UNDP, allocating more to recurrent expenditure and less to capital expenditure will hinder a country's development. This is because economic growth and development can only be achieved by investing on infrastructure and other structural programs through increased capital expenditure.

This study aims to present an analysis of 2022 approved budget and actual expenditure to see if Nigeria achieved the UNDP Benchmark for the period.

Table 2.19: 2022 Approved Budget & Capital Expenditure

S/No	Items	Approved Budget (₦bn)	Actual Expenditure (₦bn)
1	Recurrent Expenditure	11,086.70	11,773.09
2	Capital Expenditure	6,234.83	2,203.08
3	Statutory Transfer	817.70	810.12
4	Total FGN Budget	18,139.23	14,786.29

Source: Budget Implementation Report (OAGF & Budget Office of The Federation)

Percentage (%) Analysis on the Approved Budget

From table 2.19 above, the aggregate FGN approved budget amounted to ₦18, 139.23 billion, of which the capital component (excluding statutory transfer) amounted to ₦6, 234.83 billion, the recurrent expenditure amounted to ₦11, 086.70 billion of the total budget, and the statutory transfer amounted to ₦817.70 billion. The sum of capital expenditure (excluding statutory transfer) of ₦6,234.83 billion represents 34% of the total budget. For the recurrent expenditure, the sum of ₦11,086.70 billion was budgeted, which represents 61% of the total budget for the year. An analysis without the statutory component of the budget will however not be a holistic one. Therefore, the capital expenditure (including statutory transfers) amounted to ₦7,052.53 billion. This represents 39% of the total budget for the year.

Percentage (%) Analysis on Actual Expenditure

From table 2.19 above, the total actual capital expenditure amounted to ₦14, 786.29 billion, of which the actual capital expenditure component (excluding statutory transfer) amounted to ₦2, 203.08 billion, the actual recurrent expenditure amounted to ₦11, 773.09 billion of the total budget, and the actual statutory transfer amounted to ₦810.12 billion. The actual capital expenditure (excluding statutory transfer) of ₦2, 203.08 billion represents 15% of the total actual expenditure for the year. For the recurrent actual expenditure, the sum of ₦11,773.09 billion was spent, which represents 80% of the total actual expenditure for the year. An analysis without the statutory component of the budget will however not be a holistic one. Therefore, the actual capital expenditure (including statutory transfers) amounted to ₦3,013.20 billion. This represents 20% of the total actual spending for the year.

2.10.4 Comparison with UNDP Benchmark

The Approved Budget

Comparing the 2022 approved budget for both capital (excluding statutory transfer) and recurrent expenditure with UNDP benchmark shows that Nigeria is still far from the UNDP recommendation. The approved capital expenditure (excluding statutory transfer) was merely 34% as against the 70% recommendation. This reveals that Nigeria's approved capital expenditure budget for 2022 fell below the UNDP benchmark by 36%. The recurrent expenditure was 61%, which is about 31% above the recommended threshold. The capital expenditure (including statutory transfers) was 39%, which was 31% below the UNDP threshold.

The Actual Expenditure

For the 2022 actual expenditure for both the capital and recurrent expenditure, the trend remained the same. It showed that in the 2022 fiscal year, Nigeria failed to comply with the UNDP benchmark for capital and recurrent expenditure. The actual total expenditure (excluding statutory transfers) was just 15% of the total actual spending for the year. This is abysmally low compared to UNDP's 70% threshold. This showed that Nigeria fell below the UNDP benchmark by a whopping 55%. For the recurrent expenditure, it was very high, up to 80% of the total spending. This revealed that Nigeria's actual recurrent spending was 50% above the recommended threshold. For the capital expenditure (including statutory transfers), it was 20% which is 50% below the recommended threshold.

Both the approved budget and actual expenditure incurred fell below the standard benchmark. The UNDP posits that no country under high provision for recurrent expenditure and less for capital expenditure as we had in Nigeria in 2022 would experience economic growth and development. For Nigeria to grow, there is a need to cut down on recurrent expenditure and increase its capital expenditure. This calls for the overhaul of the entire budgetary system, in the coming years for economic growth to be achieved.

2.10.5 Fiscal Deficit and Deficit Financing

Comparison and Analysis of Fiscal Deficit and Deficit Financing Items in 2022-2024 MTEF, 2022 FGN Budget and Actual Year Performance

2022 Budget Deficit and performance of the financing items

The overall budget deficit was ₦6.39 trillion for 2022. This represented 3.46% of GDP. The budget deficit is to be financed mainly by borrowings:

- Domestic sources: ₦2.57tn
- Foreign sources: ₦2.57tn
- Multi-lateral /bi-lateral loan drawdowns: ₦1.16tn
- Privatization Proceeds ₦90.7bn

The 2022 Budget deficit in the 2022-2024 MTEF was projected to be at ₦5,622.63 billion including GOEs and project-tied loans and ₦4,643.25 billion was projected excluding GOEs and project-tied loans. However, in the approved budget of 2022, the sum of ₦6,386.07 billion was projected including project-tied loans. This showed a variance of ₦763.44 billion translating to a 13.58 % deviation from the MTEF.

However, the addition of the 2022 Budget deficit in the 2022 fiscal framework was expected to be financed through earnings from privatization proceeds of ₦22.68 billion, multi-lateral/Bi-lateral project-tied loans of ₦288.96 billion, foreign borrowing of ₦642.48 billion, and domestic borrowing (inclusive of CBN borrowing) of ₦1,088.40 billion on pro-rata basis.

Table 2.20: Comparison Between Fiscal Items in the 2022-2024 MTEF and 2022 Budget

FISCAL ITEMS	2022-2024 MTEF ₦bn	2022 BUDGET ₦bn	VARIANCE ₦bn	PERCENTAGE
Fiscal Deficit (excluding GOEs sand Project-tied)	4,643.25		-	-
Total Fiscal Deficit (including GOEs sand Project-tied)	5,622.63	6,386.07	(763.44)	(13.58)
Deficit Financing Items			-	
Privatization proceeds	90.73	90.73	-	-
Multi-Lateral project-tied loans	638.31	1,155.82	(517.51)	(81.08)
Domestic Borrowing	2,446.79	2,569.75	(122.96)	(5.03)
Foreign Borrowing	2,446.79	2,569.75	(122.96)	(5.03)

Source-Budget Office (Approved Budget and Budget Implementation Report)

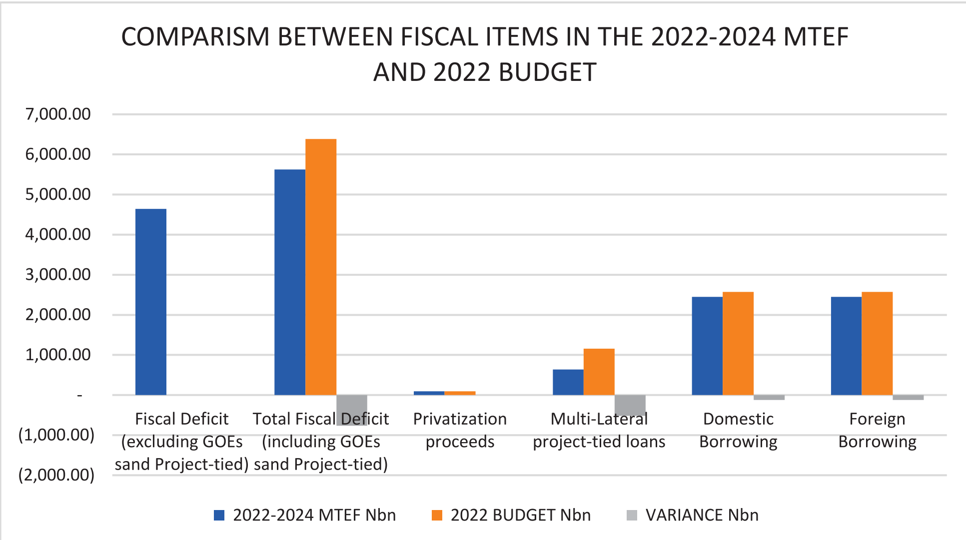


Fig. 15 Comparison Between Fiscal Items in the 2022-2024 MTEF and 2022 Budget

Table 2.21: Comparison Between 2022 Budget and Actual Fiscal Deficit Financing Items

FISCAL ITEMS	2022 ANNUAL BUDGET ₦bn	2022 HALF YEAR BUDGET ₦bn	2022 HALF YEAR ACTUAL ₦bn	VARIANCE ₦bn	VARIANCE IN PERCENTAGE %
Fiscal Deficit (excluding GOEs sand Project-tied)					
Total Fiscal Deficit (including GOEs and Project-tied)	6,386.07	3,193.04	7,030.22	(3,837.19)	220.17
Deficit Financing Items		-		-	
Privatization proceeds	90.73	45.37	22.68	22.69	49.99
Multi-Lateral project-tied loans	1,155.82	577.91	288.96	288.95	50.00
Domestic Borrowing	2,569.75	1,284.88	6,520.00	(5,235.13)	507.44
Foreign Borrowing	2,569.75	1,284.88	510.21	774.67	39.71

Source-Budget Office (Approved Budget and Budget Implementation Report)

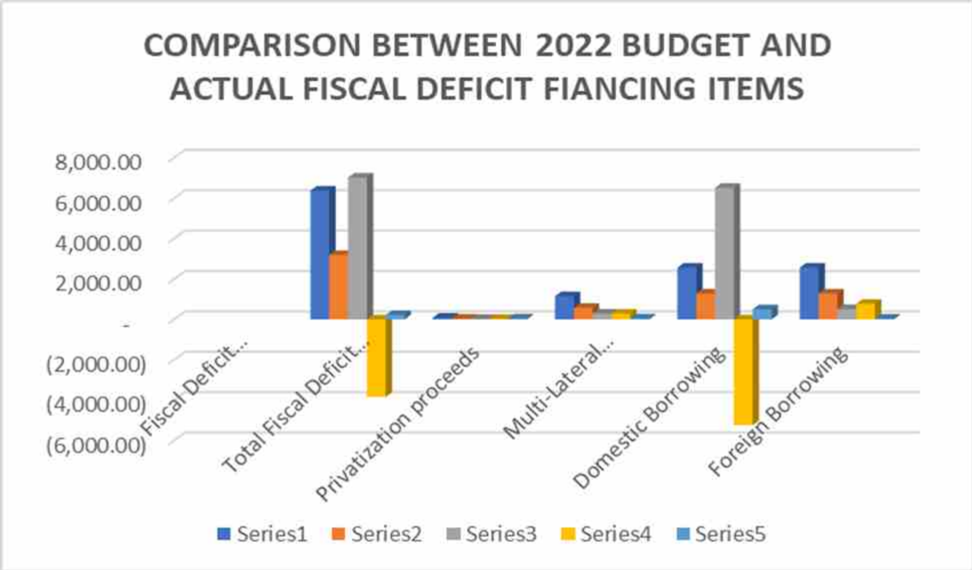


Fig. 16 Comparison Between 2022 Budget and Actual Fiscal Deficit Financing Items

2.11 ASSESSMENT OF FGN BUDGET IMPLEMENTATION FOR THE HALF YEAR 2023

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

Table 2.22: Performance of Gross Oil and Non-oil Revenue in Half Year 2023

REVENUE CATEGORY	2023 BUDGET			VARIANCE	
A) OIL REVENUE	ANNUAL BUDGET(₦bn)	HALF YEAR BUDGET(₦bn)	HALF YEAR ACTUAL(₦bn)	ACTUAL-BUDGET(₦bn)	%
Gross Profit from Crude Oil and Gas sales	490.84	245.42	645.82	400.4	163.15
Petroleum Profit Tax and Gas Taxes 30% CITA.	5161.87	2580.93	1800.22	-780.72	-30.25
Royalties(Oil and Gas)	3498.97	1749.48	1032.43	-717.05	-40.99
Concessional Rentals	4.95	2.48	3.18	0.7	28.31
Gas Flared Penalties	112.71	56.36	52.95	-3.41	-6.05
Incident Oil Revenue	100.58	50.28	81.75	31.47	0.06
Miscellanous(Pipeline fees etc)	14.79	7.4	7.4	0	62.59
Exchange Gains	0	0	25.44	25.44	0
Solid Minerals Rvenue	8.68	4.34	5.58	1.24	28.51
SUB-TOTAL	**9384.72**	**4692.35**	**3649.18**	**-1043.16**	**-22.23**
B) NON-OIL REVENUE					
Value Added Tax	2953.77	1476.9	1490.95	14.05	0.95
Company Income Tax	2092.67	1046.34	1753.01	706.67	67.54
Custom and Excise Duty	2115.87	1057.92	682.23	375.69	-35.51
Special Levies	372.53	186.24	82.4	103.84	-55.76
Electronic Money Transfer Levy	137.03	68.52	83.02	14.5	21.17
SUB-TOTAL	**7671.87**	**3835.92**	**4091.61**	**255.69**	**6.67**
TOTAL	**17056.79**	**8528.27**	**7740.79**	**-787.27**	**-15.56**

Source: Budget Office of the Federation

Oil Revenue Performance for the Half Year 2023

Table 2.22 above shows that Gross Oil Revenue of ₦3,649.18 billion was realized as against the prorated projection of ₦4,692.35 billion for the first half of the year 2023. This denotes a decrease of ₦1,043.16 billion (22.23%) when compared to the half year budget. However, an increase of ₦1,476.83 billion (67.98%) above the actual half year for oil performance was reported in 2022.

Crude Oil and Gas sales of ₦645.86 billion, Concessional Rentals of ₦3.18 billion and Incidental Oil Revenue (Royalty Recovery & Marginal Field Licences) of ₦81.75 billion surpassed the Half year projection while other Oil Revenue items such as Petroleum Profit and Gas Taxes of ₦1,800.22 billion, Royalties (Oil & Gas) of ₦1,032.43 billion, Gas Flared Penalty of ₦52.95 billion fell below

their half year projections as seen in table 2.22 above.
On the other hand, Miscellaneous (Pipeline fees etc.) had the same half year projections and actual performance of ₦7.40 billion (100%) while Exchange Gain which had zero as half year projection ended up yielding ₦24.44 billion at half year 2023.

Non – Oil Revenue Performance for the half Year 2023
The Gross non-oil revenue from the 2023 half-year amounted to ₦4,091.61 billion as against the prorated projection of ₦3,835.92 billion (6.67%) above the half-year budget. It however had an increase of ₦855.01 billion above the actual half-year Oil revenue performance reported in 2022.

There was the underperformance of some of the non-oil revenue items when compared to the half-year budget estimates, Custom (Import and Excise and fees) amounted to ₦682.23 billion as against ₦1,057.92 billion that was projected in the budget, special levies of ₦82.40 billion as against ₦186.24 billion prorated in the budget, they both fell below their half year projections by (-35.51%) and (-55.76%) respectively. Company income tax of ₦1,753.01 billion, value added tax of ₦1410.95 billion, and Electronic Money Transfer Levy of ₦83.02 billion were above their half-year estimates.
Solid Minerals and other Mining revenue also recorded a revenue of ₦5.58 billion as against ₦4.34 billion, which increased by ₦1.24 billion (28.51%)

The improved performance of most of the non-oil revenue items in the second quarter of Half-year 2023 could be ascribed to inflation and increases in economic activities as well as the collection efficiency of taxes.

By the trend of figures recorded, the projected amount for Gross Oil Revenue and Non-Oil Revenue in the budget for the half year 2022 amounted to ₦17,056.59 billion while the actual revenue stood at ₦7,740.79 billion with a decrease of ₦9,315.80 billion.

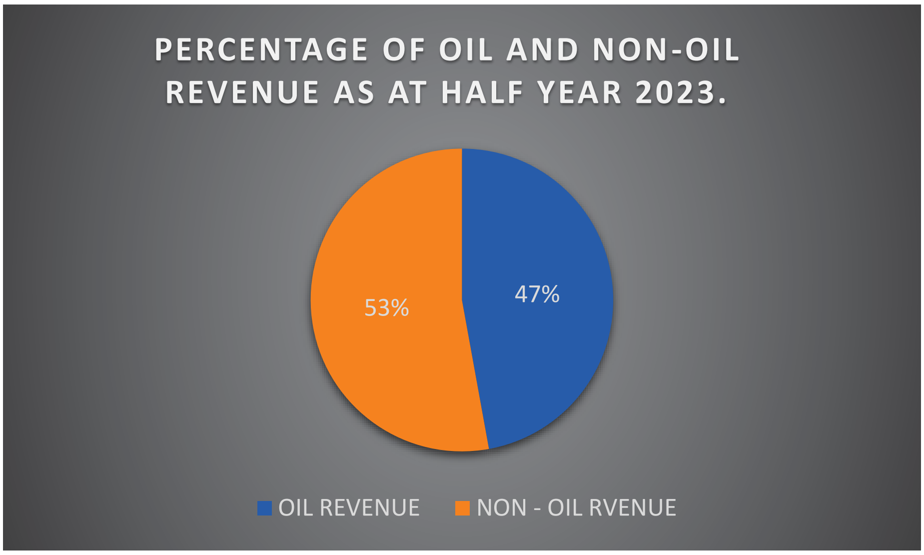


Fig 17: Actual Contribution of Oil And Non-Oil Revenue In Percentage

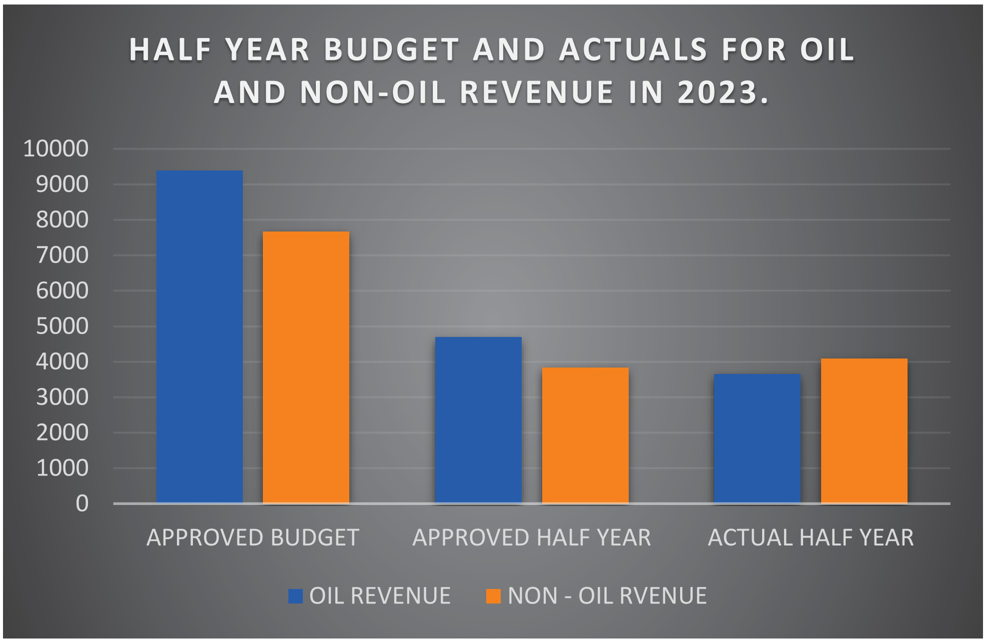


Fig 18: Half-Year Budget and Actual Of Oil And Non-Oil Revenue In 2023

Table 2.23: FGN Revenue performance for half year 2023

REVENUE ITEMS	2023 BUDGET			VARIANCE	
	ANNUAL BUDGET(₦bn)	HALF YEAR BUDGET(₦bn)	HALF YEAR ACTUAL(₦bn)	ACTUAL-BUDGET(₦bn)	%
FGN Share of Oil Revenue	2229.64	1114.82	610.08	-504.74	-45.28
FGN Share of Dividend (NLNG)	81.71	40.89	0	-40.89	-40.89
FGN Share of Minerals & Mining	3.64	1.82	2.34	0.52	28.5
FGN Share of Non-Oil Revenue	2433.15	1216.58	1340.38	123.81	10.18
Share of Company Income Tax(CIT)	933.28	233.32	802.14	335.5	71.9
Share of Value Added Tax(VAT)	383.09	191.55	195.08	3.53	1.84
Share of Customs Duty	949.59	474.8	306.18	-168.62	-35.51
Share of Federation Account Levies	167.19	83.59	36.98	-46.61	-55.76
Electronic Money Transfer Levy(Stamp Duty)	19.09	9.54	11.57	2.02	21.17
Share of Oil Price Royalty	13.37	6.68	0	-6.68	-100
FGN Independent Revenue	3169.07	1584.54	963.25	621.29	-39.21
Draw-Down from Special Levies	300	150	38	-112	-74.67
Signature Bonus,Renewals&Early Renewals	57.05	28.52	209.12	180.59	633.12
Domestic Recoveries+Assets+Fines	27.9	13.95	0	-13.95	-100
Grants and Donors Funding	43.03	21.51	480.19	458.67	2132.95
Education Tax(TETFUND)	248.27	124.13	110.16	-13.98	-11.26
GOE's Retained Revenue	2419.11	1209.56	354.77	-854.78	-70.67
FGN RETAINED REVENUE EXCLUDING GOE's	**8262**	**4313**	**3765.08**	**-547.92**	**-12.7**
AGGREGATE FGN REVENUE	**11045.11**	**5522.55**	**4119.85**	**-1402.7**	**25.4**

Source: BIR 2023 Second Quarter

2.11.2 FGN Performance Analysis of Revenue Categories for Half Year, 2023

Oil Revenue

A breakdown of the Oil Revenue items indicates the sum of ₦610.08 billion was realized as of half year 2023 as seen in Table 2.23. This was lower than the budget amount of ₦1,114.82 billion by ₦504.74 billion (45.28%)

FGN's Share of Dividend (NLNG) of ₦40.89 billion was projected for the half year 2023 while ₦0.00 was received in the period under review.
The sum of ₦2.34 billion was received as Share of Minerals and Mining for the half year against the projection of ₦1.82 billion indicating an increase of ₦0.52 billion (28.50%).

Non-Oil Revenue

The same table reveals that ₦1,340.38 billion was achieved in the first half of 2023 from non-oil revenue as against ₦1,216.58 billion that was budgeted for the year. This shows an increase of ₦128.81 billion (10.18%) as of the end of the second quarter.

The increase was due to the improvement of non-oil revenue items, Company Income Tax of ₦233.32 billion, and Electronic Money Transfer Levy (EMTL) of ₦11.57 billion as against ₦9.54 billion projected.

From Table 2.23 above, there was Independent Revenue ₦963.25 billion realized as against the budget projection of ₦1,584.54 billion in the period under review. Showing a decrease of ₦621.29 billion (39.21%).
The Transfer from Special Levies for the first half of the year 2023 was projected at ₦150.00 billion but at the end of the period under review, ₦38.00 billion was realized representing a shortfall of ₦112,00 billion (74.67%).

The Signature Bonus, Renewal, and Early Renewal revenue was projected at ₦28.52 billion but ₦209.12 billion was realized with an increase of ₦180.59 billion (633.12%) while EMTL (Stamp Duty) had ₦11.57 billion as against the projected amount of ₦9.54 billion representing an increase of ₦2.02 billion (21.17%).

Education Tax (TETFUND) was projected at ₦124.13 billion for the period and ₦110.16 billion was received showing a shortfall of ₦13.98 billion (11.26%).

Domestic Recoveries +Assets +Fines had no actual despite the budgeted amount of ₦13.95 billion for the half year 2023, Grants and Donors Funding had a projection of ₦21.31 billion but had an actual of ₦480.19 billion with a variance of 458.67 billion (2131.95%) resulting in a significant decrease.

The GOE's Retained Revenue stood at ₦354.77 billion as against the prorated projection of ₦1,209.56 billion, with a decrease of ₦854.78 billion (70.67%) in the half-year budget in 2023.

2.11.3 2023 Half Year Fiscal Deficit and Deficit Financing - Comparison and Analysis of Fiscal Deficit and Deficit Financing Items in 2023 – 2025 MTEF and 2023 FGN Budget

Fiscal Deficit

The budget deficit in the 2023 – 2025 MTEF/FSP was projected at ₦12,413.92 billion, including GOEs and Project-tied loans while ₦10,150.62 billion was projected excluding the GOEs and project-tied loans in MTEF of same period. However, in the 2023 Budget, the sum of ₦11,601.6 billion was budgeted excluding GOEs and Project-tied loans. This amount denotes an increase of

₦1,450.99 billion which translates to 14.29% deviation from the MTEF projection.

Deficit Financing

The Financing Items projected to finance the fiscal deficit in 2023 – 2025 MTEF were:

1. Privatization Proceeds
2. Multi- lateral/Bi-lateral Project-tied loans
3. Domestic Borrowing
4. Foreign Borrowing

Table 2.24 below shows the projected values allocated to the Deficit Financing Items (DFI) in 2023-2025 MTEF and 2023 Budget as well as the total Fiscal Deficit including GOEs and Project-tied loans. The sum of ₦206.18 billion was projected both in the 2023-2025 MTEF and 2023 Budget to be financed from Privatization Proceeds. While in the case of Multi and Bi- lateral loans, the sum of ₦1,771.40 billion was projected in both 2023 budget and 2023-2025 MTEF. against the projected sum of ₦638.32 billion in the 2022-2024 MTEF.

The same table also reveals that the sum of ₦8,349.07 billion and ₦2,087.27 billion was projected in the 2023 – 2025 MTEF/FSP for Domestic and Foreign Borrowing respectively, while in the 2023 budget the sum of ₦7,043.59 billion and ₦1,760.90 billion were projected for Domestic and Foreign borrowing respectively. This indicates a decrease of ₦1,305.48 billion (15.64%) and ₦326.37 billion (15.64%) respectively as against the projection in the MTEF/FSP.

Table 2.24: Comparison and Analysis of Fiscal Deficit and Deficit Financing Items

Fiscal Items	Projections		Variance (MTEF 2023 - 2025 vs 2023 Budget)	
	2023-2025 MTEF (Nbn)	2023 Budget (Nbn)	(Nbn)	%
Fiscal Deficit				
Fiscal Deficit (excluding GOEs and Project-tied loans)	10,150.62	11,601.61	1,450.99	14.29
Total Fiscal Deficit (including GOEs and Project-tied loans)	12,413.93		-12,413.93	(100)
Deficit Financing Items				
Privatization Proceeds	206.18	206.18	0.00	0.0
Multi-lateral/Bi-lateral Project-tied loans	1,771.40	1,771.40		0.0
Domestic Borrowing	8,349.07	7,043.59	-1,305.48	(15.63)
Foreign Borrowing	2,087.27	1,760.90	-326.37	(15.63)

Source: 2023-2025 MTEF and 2023 second Quarter BIR

Fiscal Balance for the year 2023

The 2023 Budget Deficit (inclusive of Government Owned Enterprises and Project- tied Loans) was projected at ₦12,413.93 billion. This value represents 5.5% of the estimated Gross Domestic Product (GDP) of ₦225,507.29 billion for the 2023 fiscal year.

Budget Deficit Projection and Performance of the Budget Deficit Financing Items

A 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 (2023), there was a 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. The 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 the Government. Table 2.25 below shows the projected and actual fiscal deficits for the half-year 2023.

Table 2.25: Budget Deficit and Deficit Financing Items

Items	2023 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)	(10,782.10)	(2,900.40)	(5,800.80)	3,488.47	(2,312.34)	(39.86)
Financing Items:						
Privatization proceeds	206.18	51.55	103.09	0.00	(103.09)	(100.00)
Multi-lateral/ Bi-lateral project-tied Loans	1,771.40	442.85	885.70	0.00	(885.70)	(100.00)
Foreign Borrowing	1,760.93	440.22	880.45	0.00	(880.45)	(100)
Domestic Borrowing	7,043.59	1,760.90	3,521.80	2,530.00	(991.80)	(28.16)

Source: Half year, 2023 BIR

Deficit Financing

Deficit financing for the 2023 fiscal year was projected to be achieved basically from the financing items in Table 2.25 above. The budgeted deficit sum of ₦10,782.10 billion was to be financed as follows;

Privatization proceeds - - - ₦206.18 (1.91%)
Multi-lateral/ Bi-lateral project-tied Loans- ₦1,771.40 billion (16.43%)
Foreign Borrowing - - - ₦1,760.93 billion (16.33%)
Domestic Borrowing - - - ₦7,043.59 billion (65.33%)

The annual projected deficit financing figures allocated to the financing sources show that Domestic Borrowing had the highest amount of ₦7,043.59 billion which translates to 65.33% of the fiscal deficit for the year under review. Multi-lateral/Bi-lateral loans followed with ₦1,771.40 billion (16.43%), while Privatization proceeds were the least amongst the financing sources with ₦206.18 billion (1.91%) of the total projected deficit for the year 2023.

Annual Budget for Deficit Financing items, 2023

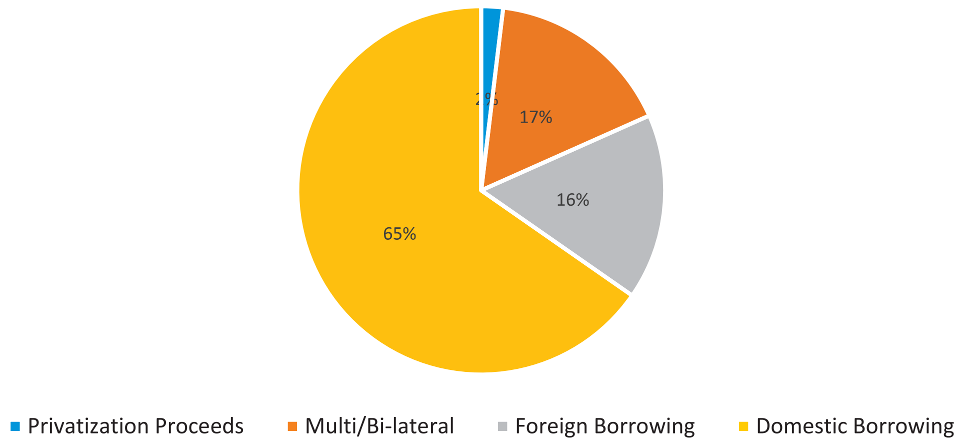


Fig.19. Deficit Financing Items, 2023

2.11.4 Implementation and Performance of the Deficit Financing sources in the second quarter of 2023 Fiscal year

The Fiscal framework for the 2023 fiscal year projects a quarterly fiscal deficit of ₦2,900.40 billion, which is expected to be financed through earnings from Privatization Proceeds of ₦51.55 billion, Multi-Bilateral Project-tied Loans of ₦442.85 billion, Foreign Borrowing of ₦440.22 billion and Domestic Borrowing of ₦1,760.90 Billion.

It is instructive to note that, the sum of ₦103.09 billion, ₦885.70 billion and 880.45 billion were budgeted to be achieved in the first half year 2023 from privatization proceeds, Multi/Bi- lateral borrowings, and Foreign borrowing respectively.

The Budget Deficit projection in the first half year 2023 was ₦6,391.04 billion from the aforementioned four sources, of which only ₦2,530.00 billion was achieved from domestic borrowing only. This translates to 39.59% implementation in the first half year.

As at 30th June 2023, no financing came from the remaining three (3) financing sources, therefore, their contributions for financing the budget deficit for the first half-year were nil. This may be attributed to the 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 a short amortization period.

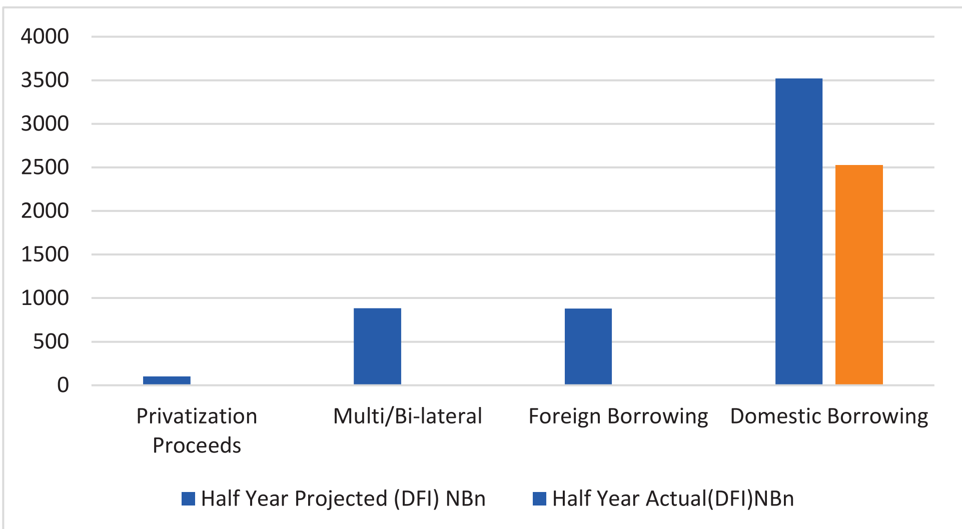


Fig.20 2023 Deficit Financing Items (Budget and Actual) Half-Year

2.12 ASSESSMENT OF FGN REVENUE PERFORMANCE USING PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) AND FISCAL TRANSPARENCY CODE (FTC) – 2023 HALF-YEAR

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

The 2023 half-year budget projections and the performances of Oil and Non-Oil revenue as highlighted in Tables 2.22 and 2.23 above clearly showed that there was revenue outturn (i.e. the change in revenue between the original approved budget and the end of the year outturn – PEFA) in the first half year 2023.

For instance, the Gross Oil Revenue of ₦3,649.18 billion was realized as against ₦4,692.35 billion prorated budget projection with a difference of ₦1,043.16 billion (-22.23%) showing a decline from the projected value. On the other hand, the actual Gross Non-Oil revenue of ₦7,440.79 billion was achieved in the first half year against ₦8,528.27 billion that was budgeted for the period. This shows a shortfall of ₦ 787.27 billion (15.56%).

Table 2.25 above revealed that the budget deficit projection for the half year was ₦5,800.80 billion of which ₦2,530.00 billion was achieved from only one source out of the four deficit financing sources.

It is instructive to note that the sum of ₦3,521.80 billion was estimated to come from domestic borrowing for the first half year 2023 but the sum of ₦2,530.00 billion was the actual finance for the period under review. This shows a shortfall from the projected amount by ₦991.80 billion.

The trend of the actual revenue and the deficit financing every quarter already showed deviations from the quarterly estimated figures. Therefore, the reliability of the budget and achievement of the set targets for the period under review were not met.

FTC requirement on MTBF: Budget documentation includes the outturns and projections of revenues, expenditure and financing over the medium-term on the same basis as the annual budget.
Given the trend, actual figures of the Aggregate revenue, the unutilized financing items, and projects and programs left for the remaining half year indicate that the target for the deficit financing may not be achieved; however, the MTBF may not likely be the same with the annual budget projections at the end of the Fiscal year 2023.

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 the 2023 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 2023 half year budget implementation report was published late, and the second half-year report has not been published and made accessible on the website of the Budget Office as of the time of writing this report thereby violating the provisions of Section 30(2) of the FRA 2007.

Management of Assets and Liabilities
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 the Budget Implementation Report for 2023, clearly shows that the mid-year deficit from domestic borrowing was the only deficit financing out of the four financing sources that were used to finance the budget deficit. However, the domestic borrowing has an under-financing gap of ₦991.80 billion (28.16%) from the ₦3,521.80 billion projected for the first half year 2023.

Consistency with previous estimates: PEFA benchmarks
By PEFA standards, the budget documents explain all changes to expenditure estimates. Budget Implementation Report (BIR) for the first half year 2023 shows that there was a shortfall in deficit financing for domestic borrowing from ₦3,521.80 billion projected to ₦2,530.00 billion (actual) and is the only source of financing that was utilized for the period under review, but no explanation was given in the report.

Policy-Based Fiscal Strategy and Budgeting
Fiscal Strategy Adoption: PEFA benchmark
The Government has adopted, submitted to the legislature, and published a 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 2023-2025)

FTC: Macroeconomic Risks
Budget documentation includes sensitivity analysis, alternative scenarios and probabilistic forecast of fiscal outcomes.
The budget document only included a fiscal forecast to major macroeconomic assumptions, and two (2) scenarios 1&2 but no probabilistic forecast of fiscal outcomes.

The analysis of potential fiscal risks for oil and non-oil revenues and possible measures to control or mitigate them were not included in the 2023 budget.

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 of a fiscal year.

The actual budget implementation for the first half of 2023 showed underperformance based on the forecast/budgeted values allocated to the budget items had significant variance for the year under review.

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

The first half year BIR contained Revenue Outturns, the Revenue sub-heads and deficit financing items for the half year 2023 as highlighted in Tables 2.9 and 2.12 above shows variations between the forecast revenue and the actual revenue. For instance, the Gross Oil Revenue of ₦3,649.18 billion (actual) was realized in the first half of the year 2023 as against ₦4,692.35 billion budgeted for the same period. This denotes a shortfall of ₦787.27 billion (15.56%). Similarly, on the domestic borrowing, the sum of ₦3,521.80 billion was projected for the half year but only ₦2,530.00 billion was realized. This indicated a variance of ₦991.80 billion (28.16%) at the end of the half year.

There was no reason or explanations for the variance within the period under review.

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 10th July 2024 only half year of 2023 budget implementation report has been published. This is not good enough for 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 general improvement on treasury operations.

2.13 ASSESSMENT OF FGN EXPENDITURE PERFORMANCE FOR 2023 HALF YEAR

Table 2.26: 2023-2025 MTEF Vs Budget Expenditure Projections

FISCAL ITEMS		MTEF (SCENARIO 2 - SUBSIDY REFORM)	2023 APPROVED BUDGET / PROJECTIONS	VARIANCE	
		₦		₦	%
STATUTORY TRANSFER		**722,109,468,797**	**967,486,010,536**	**- 245,376,541,739**	**-34**
DEBT SERVICE		**6,309,870,967,327**	**6,309,870,967,327**	**-**	**0**
SINKING FUND		247,726,644,470	247,726,644,470	-	0
RECURRENT (NON-DEBT)		**8,522,742,458,276**	**8,329,370,195,637**	**193,372,262,639**	**2**
a	Personnel Costs (MDAs)	4,547,575,971,000	4,103,593,137,536	**443,982,833,464**	**10**
b	Personnel Costs (GOEs)	779,313,511,833	912,320,744,988	**- 133,007,233,155**	**-17**
c	Overheads (MDAs)	451,655,495,834	443,276,374,887	**8,379,120,947**	**2**
d	Overheads (GOEs)	451,001,890,322	671,403,880,673	**- 220,401,990,351**	**-49**
e	Pensions, Gratuities & Retirees' Benefits	827,862,188,757	854,812,179,406	**- 26,949,990,649**	**-3**
f	Other Service Wide Votes (including GAVI/Immunization)	1,037,919,984,040	1,066,550,461,658	**- 28,630,477,618**	**-3**
g	Presidential Amnesty Programme	65,000,000,000	65,000,000,000	-	0
h	TETFUND - Recurrent	12,413,416,489	12,413,416,489	-	0
SPECIAL INTERVENTIONS (Recurrent)		**350,000,000,000**	**200,000,000,000**	**150,000,000,000**	**43**
AGGREGATE CAPITAL EXPENDITURE		**4,369,837,076,946**	**6,445,851,373,384**	**-2,076,014,296,438**	**-48**
a	Capital Supplementation	437,432,000,000	779,105,508,000	**- 341,673,508,000**	**-78**
b	Capital Expenditure in Statutory Transfers	411,365,278,378	473,116,443,962	**- 61,751,165,584**	**-15**
c	Special Intervention Programme (Capital) - Family Home Fur	7,000,000,000	7,000,000,000	-	0
d	Amount Available for MDAs Capital Expenditure	1,000,000,000,000	2,287,587,739,304	**-1,287,587,739,304**	**-129**
e	GOEs Capital Expenditure	450,385,464,550	835,387,348,099	**- 385,001,883,549**	**-85**
f	TETFUND Capital Expenditure	235,854,913,298	235,854,913,298	-	0
g	Grants and Donor Funded Projects	43,028,488,073	43,028,488,073	-	0
h	Multi-lateral / Bi-lateral Project-tied Loans	1,771,404,182,322	1,771,404,182,322	-	0
i	FGN Share of Oil Price Royalty Transferred to NSIA	13,366,750,326	13,366,750,326	-	0
Capital Expenditure (Exclusive of Transfers)		**3,958,471,798,568**	**5,972,734,929,422**	**-2,014,263,130,854**	**-51**
TOTAL FGN BUDGET (Excluding GOEs & Project-tied Loans)		**16,308,816,288,411**	**17,636,672,591,311**	**-1,327,856,302,900**	**-8**
TOTAL FGN BUDGET (Including GOEs & Project-tied Loans)		**19,760,921,337,438**	**21,827,188,747,392**	**-2,066,267,409,954**	**-10**
SOURCE: 2023-2025 MTEF FSP final and HMFBNP 2023 Approved Budget Presentation.					

Table 2.26 above shows generally that the 2023 Approved Budget deviated from its proposed MTEF with the sum of ₦2,066,267,409,954 (Two Trillion, Sixty-Six Billion, Two Hundred and Sixty-Seven Million, Four Hundred and Nine Thousand, Nine Hundred and Fifty-Four Naira only) which indicates a variance of 10%.

This is reasonably an improved step when compared to the previous fiscal year 2022, where the Approved Budget had a variance of 22% when compared with its MTEF.
Also, in 2023, there were up to nine (9) fiscal items from the Approved Budget like Debt Service, Sinking Fund, Multi-lateral / Bi-lateral Project-tied Loans, Presidential Amnesty Program, etc. that did not vary from their initial projected MTEF figures. Unlike in 2022, where there were just three (3) fiscal items in such a scenario.

There were also three (3) fiscal items all under the Recurrent (Non-Debt) Expenditure with positive variances, that is, a decrease in the Approved Budget figure when compared with the MTEF. These fiscal items are Personnel Costs (MDAs), Overheads (MDAs), and Special Interventions which was the highest amongst them with a percentage positive variance of 43%. This gave the Recurrent (Non-Debt) Expenditure a positive total variance of 2%, that is, a sum of ₦193 billion (One Hundred and Ninety-Three billion) Naira.

Every other fiscal item had negative variances with amount available for MDAs Capital Expenditure being the highest with a percentage variance of 129%, followed by GOEs Capital Expenditure with 85% and Pensions, Gratuities & Retirees' Benefits with 49%.
It therefore means that the 2023 Medium Term Budget was very close with the 2023 Approved Budget because of its 10% variance as against the 22% variance obtained from fiscal year, 2022.

Table 2.27 2023-2025 MTEF Vs BUDGET in Summary

	STATUTORY TRANSFER	RECURRENT EXPENDITURE		AGGREGATE CAPITAL EXPENDITURE	TOTAL
		DEBT SERVICE	NON-Debt		
	%	%	%	%	%
2023-2025 MTEF	3.65	31.93	43.13	22.11	100.83
2023 PROJECTIONS / APPROVED BUDGET	4.43	28.91	38.16	29.53	101.03

Source: 2023-2025 MTEF & 2023 Half Year BIR

In Table 2.27, while comparing the 2023 MTEF with its 2023 Approved Budget (from the expenditure angle), it shows that no one sub-head had the same weight, but it is expected that an approved budget derived from the MTEF.

As observed in the previous year 2022, the percentage total is over one hundred percent (100%) when comparing each sub-total against the total FGN Budget (including GOEs & Project-tied Loans). This impacted the credibility of the budget.

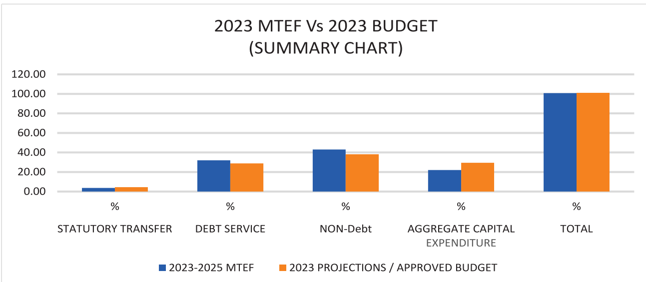


FIG 21 2023 MTEF vs 2023 Budget

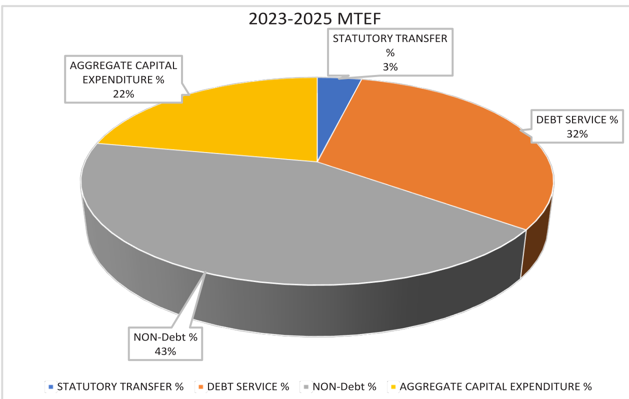


FIG 22 2023 – 2025 MTEF

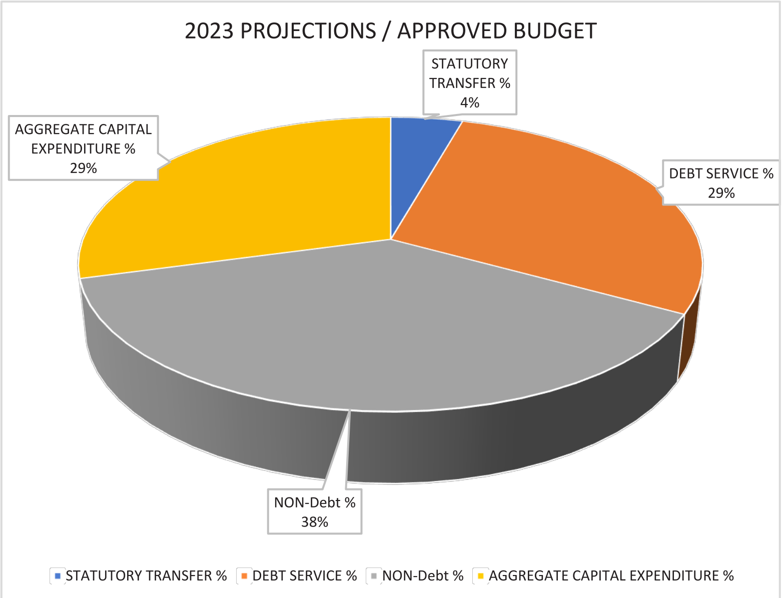


Fig. 23 2023 Projections/ Approved Budget

2.28 2023 Approved Budget Vs Actual Expenditure (Half Year Analysis)

S/NO.	Items	2023 Approved Budget		2023 Half Year Actual	Actual vs Budget (Half Year)	
	Expenditure	Budget	Half Year	Actual	Variance	
		₦bn	₦bn	₦bn	₦bn	%
1	**Recurrent:**					
2	Personnel Cost	4,103.59	2,051.80	1,973.18	(78.62)	(3.83)
3	Personnel Cost (GOEs)	912.32	456.16	68.44	(387.72)	(85.00)
4	CRF Pensions	854.81	427.41	240.45	(186.96)	(43.74)
5	Overhead Cost	443.28	221.64	153.25	(68.39)	(30.86)
6	Overhead Cost (GOEs)	671.40	335.70	52.24	(283.46)	(84.44)
7	Other Service-Wide Votes + Gavi/Immunization	1,066.55	533.28	261.98	(271.30)	(50.87)
8	Presidential Amnesty Programme	65.00	32.50	32.50	-	-
9	Tetfund Personnel	12.41	6.21	5.51	(0.70)	(11.20)
10	Special Intervention (Recurrent)	200.00	100.00	-	(100.00)	(100.00)
11	**Sub-Total Non Debt**	8,329.36	4,164.68	2,787.55	(1,377.13)	(33.07)
12	Domestic Debt Service	3,295.11	1,647.56	1,440.01	(207.55)	(12.60)
!3	Foreign Debt Service	1,814.76	907.38	443.26	(464.12)	(51.15)
14	Total Debt Service	5,109.87	2,554.94	1,883.27	(671.67)	(26.29)
15	Interest on Ways and Means	1,200.00	600.00	1,696.65	1,096.65	182.78
16	Sinking Fund to Retire Maturing Loans	247.73	123.87	-	(123.87)	(100.00)
17	**Sub-Total Debts**	6,557.60	3,278.80	3,579.92	301.12	9.18
18	**Total Recurrent Expenditure**	14,886.96	7,443.48	6,367.47	(1,076.01)	(14.46)
19	**CAPITAL EXPENDITURE**					
20	Capital Expenditure	4,185.48	2,092.74	734.32	(1,358.42)	(64.91)
21	Capital Expenditure (GOEs)	835.39	417.70	32.24	(385.46)	(92.28)
22	Multi-Lateral / Bi-Lateral Projects-Tied Loans	1,771.40	885.70	-	(885.70)	(100.00)
23	**Total Capital Expenditure**	6,792.27	3,396.14	766.56	(2,629.58)	(77.43)
24	**TRANSFERS**					
25	Statutory Transfers	967.49	483.75	474.28	(9.47)	(1.96)
26	**TOTAL FGN BUDGET**	22,646.72	11,323.36	7,608.31	(3,715.05)	(32.81)

SOURCE: OAGF and Budget Office of the Federation, 2023

Table 2.29 2023 Approved Budget and Half Year Actual Total non-debt, debt, capital expenditure and Statutory Transfer

S/NO.	Items	2023 Approved Budget		2023 Half Year Actual	Actual vs Budget (Half Year)	
	Expenditure	Budget	Half Year	Actual	Variance	
		₦bn	₦bn	₦bn	₦bn	%
1	Total Non Debt	8,329.36	4,164.68	2,787.55	(1,377.13)	(33.07)
2	Total Debts	6,557.60	3,278.80	3,579.92	301.12	9.18
3	Total Capital Expenditure	6,792.27	3,396.14	766.56	(2,629.58)	(77.43)
4	Statutory Transfers	967.49	483.75	474.28	(9.47)	(1.96)

Source: OAGF and Budget Office of the Federation

2.13.1 Analysis from Tables 2.28 & 2.29

The 2023 half-year Total FGN Budget was ₦11,323.36 billion while its actual corresponding expenditure was ₦7,608.31 billion which fell below the budgeted sum. With a negative variance of ₦3,715.05 billion is (32.81% of the budgeted sum). This underperformance accounted for the fact that all the expenditure heads had negative variances of various degrees except Interest on Ways and Means which had positive variances at different figures, while the Presidential Amnesty Program had a nil variance.

Apart from the above, the sub-total indicates; only the Debt sub-total performed above the budgeted for the half-year budget implementation with the sum of ₦301.12 billion, a negative variance of 9.18% Every other sub-total had a negative variance with the Total Capital Expenditure (exclusive of Transfers) having the lowest negative percentage variance of 77.43%.

2023 Half-Year Sub-Totals of Budget and Actual Expenditure Expressed in Percentages of Their Grand Totals, And Its Variances: Actual Vs Budge

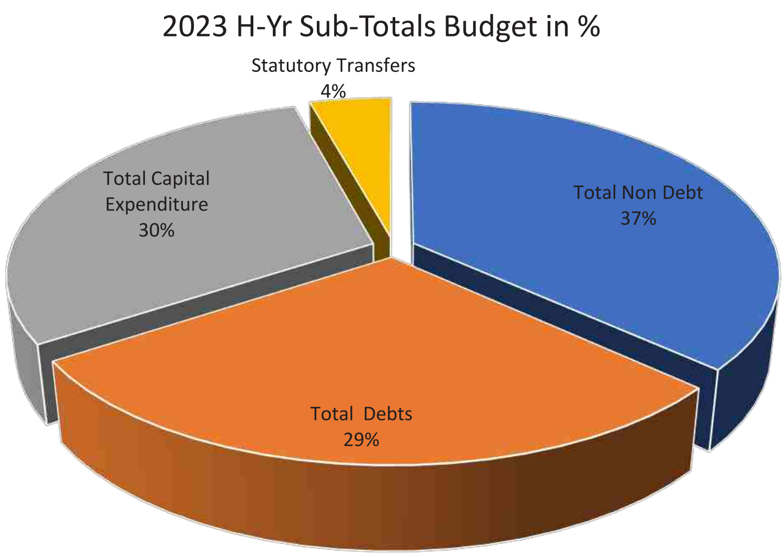


FIG. 24 2023 Half-Year Sub-Totals of Budget in %

FIG. 24 2023 Half-Year Sub-Totals of Budget in %

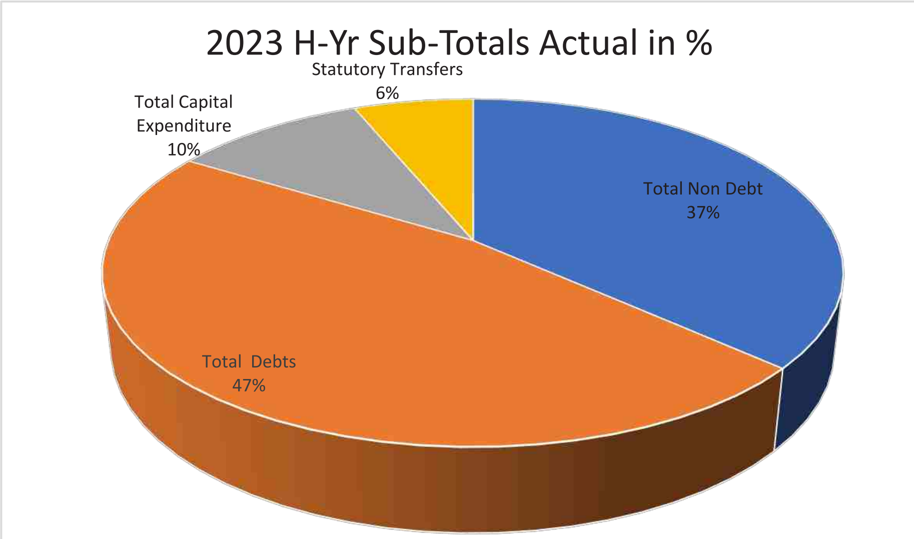


Fig. 25 2023 Half-Year Sub-Totals of Actuals in %

2.13.2 Analysis From 2023 Half-Year Sub-Totals of Budget and Actual Expenditure Expressed in Percentages of Their Grand Totals, And Its Variances: Actual Vs Budget

The following allocations were planned for amongst the sub-totals. Total Capital Expenditure (exclusive of Transfers) 30%; Debts 29%; Non-Debts 37% and Statutory Transfers 4%. While during the execution of this half-year budget. Total Capital Expenditure (exclusive of Transfers) 10%; Debts 47%; Non-Debts 37% and Statutory Transfers 6%. This further supports the fact that the Capital Expenditure was the worst hit during the half-year 2023 budget execution. Whereas Debts sub-total performed above its budgeted amount.

2.13.3 Analysis of the 2023 Budget with Focus on Capital and Recurrent Expenditure using UNDP Benchmark of 70%: 30% (i.e Capital 70% and Recurrent Expenditure 30%)

The United Nations Development Program (UNDP) recommendation on budget is that countries should allocate 70% of their budgets to capital expenditure and 30% to recurrent expenditure. This is the international budget benchmark for budgetary provisions for all the countries of the world, whether advanced or developing countries.

However, Nigeria has over the years been allocating more to recurrent expenditure and less to capital expenditure (in most cases, more than 60% to recurrent expenditure and less than 40% to capital expenditure). This is not in tandem to UNDP recommendation.

According to UNDP, allocating more to recurrent expenditure and less to capital expenditure will hinder a country's development. This is because economic growth and development can only be achieved by investing on infrastructure and other structural programs through increased capital expenditure.

This study aims to present an analysis of 2023 approved budget and actual expenditure to see if Nigeria achieved the **UNDP BENCHMARK** for the period.

Table 2.30: 2023 Approved Budget & Actual Expenditure

S/NO	ITEMS	Approved Budget (₦bn)	A Half-Year Actual Expenditure (₦bn)
1	Recurrent Expenditure	14,886.96	6,367.47
2	Capital Expenditure	6,792.27	766.56
3	Statutory Transfer	967.49	474.28
4	Total FGN Budget	22,646.72	7,608.31

Source: Budget Implementation Report (OAGF & Budget Office of The Federation)

Percentage (%) Analysis of Approved Budget
From Table 2.30 above, the aggregate FGN approved budget for 2023 amounted to ₦22,646.72 billion, of which the capital component (excluding statutory transfer) amounted to ₦6,792.27 billion, the recurrent expenditure amounted to ₦14, 886.96 billion of the total budget, and the statutory transfer amounted to ₦967.49billion. The sum of capital expenditure (excluding statutory transfer) of ₦6, 792.27 billion represents 30% of the total budget. For the recurrent expenditure, the sum of ₦14, 886.96 billion was budgeted, which represents 66% of the total budget for the year. Analysis without the statutory component of the budget will not be all-encompassing. However, the capital expenditure (including statutory transfers) amounted to ₦7,759.76 billion. This represents 34% of the total budget for the year.

Percentage (%) Analysis of Actual Expenditure (Half-Year)
From table 2.30 above, the total actual expenditure amounted to ₦7,608.31billion, of which the actual capital expenditure component (excluding statutory transfer) amounted to ₦766.56 billion, the actual recurrent expenditure amounted to ₦6, 367.47 billion of the total budget, and the actual statutory transfer amounted to ₦474.28 billion. The actual capital expenditure (excluding statutory transfer) of ₦766.56 billion represents 10% of the total actual expenditure for the year. For the recurrent actual expenditure, the sum of ₦6,367.47 billion was spent, which represents 84% of the total actual expenditure for the year. An analysis without the statutory component of the budget will however not be a holistic one. Therefore, the actual capital expenditure (including statutory transfers) amounted to ₦1,240.84 billion. This represents 16% of the total actual spending for the year.

2.13.4 Comparison with UNDP Benchmark

Approved Budget
Comparing the 2023 approved budget for both capital (excluding statutory transfer) and recurrent expenditure with the UNDP benchmark shows that Nigeria is still far from the UNDP recommendation. The approved capital expenditure (excluding statutory transfer) was merely 30% as against the 70% recommendation. This reveals that Nigeria's approved capital expenditure budget for 2023 fell below the UNDP benchmark by 40%. The recurrent expenditure was 66%, which is about 36% above the recommended threshold. The capital expenditure (including statutory transfers) was 34%, which was 36% below the UNDP threshold.

Actual Expenditure

The 2023 actual expenditure for both the capital and recurrent expenditure, the trend remains the same. It shows that in the 2023 fiscal year, Nigeria failed to comply with the UNDP benchmark for capital and recurrent expenditure. The total actual expenditure (excluding statutory transfers) was just 10% of the total actual spending for the year. This is abysmally low compared to UNDP's 70% threshold. This shows that Nigeria fell below the UNDP benchmark by a whopping 60%. For the recurrent actual expenditure, it was very high, up to 84% of the total spending. This reveals that Nigeria's actual recurrent spending was 54% above the recommended threshold. For the capital expenditure (including statutory transfers), it was 16% which is 54% below the recommended threshold.

The UNDP posits that no country under high provision for recurrent expenditure and less for capital expenditure as we have in Nigeria in 2023 would experience economic growth and development. For Nigeria to grow, there is a need to cut down on recurrent expenditure and increase its capital expenditure. This calls for the overhaul of the entire budgetary system, especially in the coming years for her to experience economic growth.

Fiscal Deficit and Deficit Financing

2.13.5 Comparison and Analysis of Fiscal Deficit and Deficit Financing Items in 2023-2025 MTEF, 2023 FGN Budget and Half-Year Actual Performance

2023 Budget Deficit and performance of the financing items

The approved budget for 2023 is the scenario 2 proposal which shows the implementation of the subsidy removal policy. In this scenario, the budget deficit is projected to be ₦11.33 trillion in 2023, up from ₦6.39 trillion in 2022. This represents 5.01% of the estimated GDP, above the 3% threshold stipulated in the Fiscal Responsibility Act (FRA), 2007. This deficit level assumes that petrol subsidy reform will be implemented from mid-2023 (June 2023) in line with the timeline for suspension thereof.

The 2023 Budget deficit in the MTEF 2023-2025 was estimated to be at ₦11.30 trillion including GOEs and project-tied loans and ₦9.03 trillion excluding GOEs and project-tied loans. However, in the approved budget of 2023, the sum of ₦11.33 trillion was projected including GEOs and project-tied loans, and ₦9.56 trillion excluding GOEs and project-tied loans. This shows a variance of ₦35 billion, which translates to about 0.31% deviation from the MTEF.

Deficit Financing

The financing items projected to finance the 2023 fiscal deficit include:

1. Privatization proceeds
2. Multi-lateral/Bi-lateral project-tied loans
3. Domestic Borrowings
4. Foreign Borrowings

The total debt stock as of 30th June 2023 stood at ₦87,379.40 billion. The breakdown comprises ₦54,130.42 billion or 61.95% for domestic borrowing and ₦33,428.98 billion which is 38.05% for foreign borrowing. This translates to a net present value of debt/GDP ratio of 43.84% as of 30th June 2023. This is above the country's threshold of 40%.

Table 2.31: Comparison Between Fiscal Items in the 2023-2025 MTEF and 2023 Budget

FISCAL ITEMS	2023-2025 MTEF ₦bn	2023 BUDGET ₦bn	VARIANCE ₦bn	PERCENTAGE
Fiscal Deficit (excluding GOEs sand Project-tied)	9,037.00	9,564.13	527.13	5.83
Total Fiscal Deficit (including GOEs sand Project-tied)	11,300.00	11,335.53	35.53	0.31
Deficit Financing Items				
Privatization proceeds	206.18	206.18	-	-
Multi-Lateral project-tied loans	1,771.40	1,771.40	-	-
Domestic Borrowing	7,458.31	7,043.59	451.00	6.05
Foreign Borrowing	1,864.57	1,760.89	132.00	7.08

Source-Budget Office (Approved Budget and Budget Implementation Report)

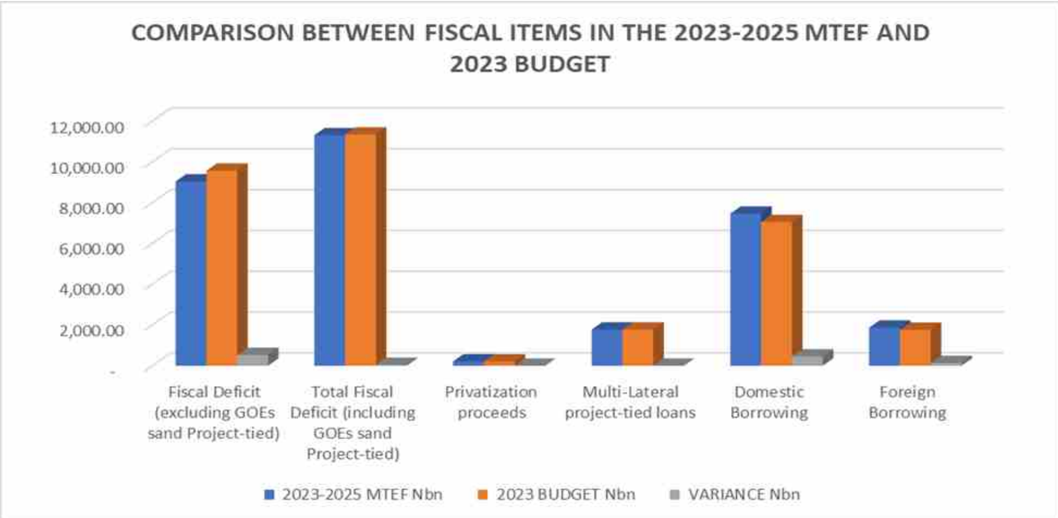


Fig. 26 Comparison Between Fiscal Items in the 2023-2025 MTEF and 2023 Budget

Table 2.32: Comparison Between 2023 Budget and Actual Fiscal Deficit Financing Items

FISCAL ITEMS	2023 ANNUAL BUDGET ₦bn	2023 HALF YEAR BUDGET ₦bn	2023 HALF YEAR ACTUAL ₦bn	VARIANCE ₦bn	VARIANCE IN PERCENTAGE %
Fiscal Deficit (excluding GOEs sand Project-tied)	9,564.13	4,783.06			
Total Fiscal Deficit (including GOEs sand Project-tied)	11,335.53	5,667.76			
Deficit Financing Items					
Privatization proceeds	206.18	103.00			0.00
Multi-Lateral project-tied loans	1,771.40	885.70	2,630.90	(1,745.20)	297.04
Domestic Borrowing	7,043.59	3,521.80	5,413.42	(1,891.62)	153.71
Foreign Borrowing	1,760.89	880.45	3,342.98	(2,462.53)	379.69

Source-Budget Office (Approved Budget and Budget Implementation Report)

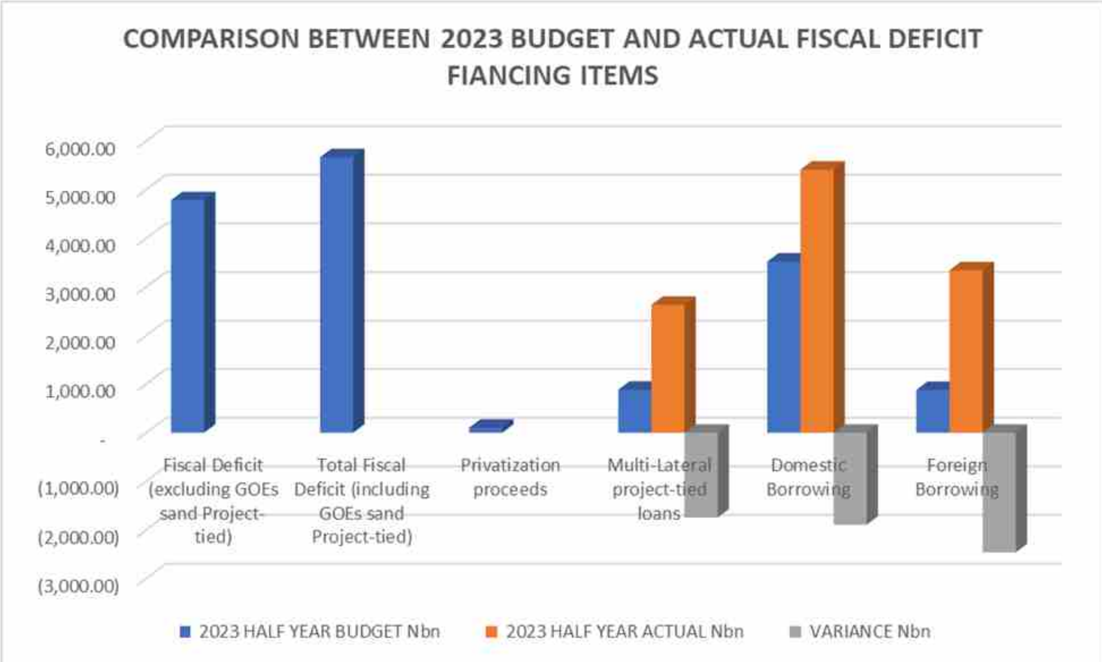


Fig. 27 Comparison Between the 2023 Budget and Actual Fiscal Deficit Financing Items

General Observations

1. Nigeria's fiscal deficit was projected to increase in both the 2022-2024 MTEF and 2022 budget, as well as the 2023-2025 MTEF and 2023 budget. This indicates a persistent gap between government revenues and expenditures.

2. Deficit financing is a major component of Nigeria's fiscal deficit, and it contributed significantly to the deficit in both the MTEF and budget periods analyzed.

3. In the 2022-2024 MTEF and 2022 budget, the deficit financing items primarily included domestic borrowing, external borrowing, and a drawdown of existing balances. This reliance on borrowing suggests a limited ability to generate sufficient revenue internally and a continuation of the trend of relying on debt to finance the deficit.

4. There is a material difference between the estimated fiscal deficit in the MTEF for 2022-2024 and 2023-2025 and the Budget fiscal deficit for 2022 and 2023. There is also a difference between the actual expenditure and Budget estimates for both the 2022 and 2023 Budgets.

5. The Fiscal Responsibility Commission over the years has observed and is concerned that Nigeria had failed to meet with UNDP budget benchmark for capital and recurrent expenditure. The Commission is disconcerted that this trend and practice may continue for the foreseeable future.

General Recommendations

1. The Federal Government is urged to evaluate the level of fiscal transparency in the budget documents, including the clarity and comprehensiveness of fiscal data and forecasts in future budgets.
2. The Federal Government should assess the extent to which the budget adheres to the principles of comprehensiveness, reasonableness, and reliability.
3. The Federal Government should analyze the level of information provided on deficit financing sources and their impact on sustainable development.
4. The Federal Government should focus on expanding its revenue base by implementing

measures to increase tax compliance and reduce tax evasion. This can be achieved through tax reforms and better enforcement mechanisms, which will in turn reduce Budget deficit considerably.

5. Efforts should be made to diversify the economy and reduce dependency on oil revenue. This can be achieved by promoting non-oil sectors such as agriculture, mining, manufacturing, and services, which have the potential to generate more revenue.
6. Implementing strict fiscal discipline is crucial to reduce wasteful spending and ensure efficient utilization of resources. This can be done by strengthening budgetary controls, monitoring expenditure patterns, and eliminating leakages and corruption.
7. The Federal government should explore alternative sources of financing, such as public-private partnerships and foreign direct investment, to reduce reliance on borrowing. This will help reduce the burden of debt and create sustainable long-term financing options.
8. There is a need for a more accurate forecast between the MTEF and Budget and also between the Budget expenditure and actual expenditure.
9. There is a need to advocate for greater transparency in budget documents, this should include clear disclosure of deficit financing sources, terms, and conditions to enhance understanding and accountability. The extent to which the budget adheres to the principles of comprehensiveness, reasonableness, and reliability in line with the Financial Transparency Code (FTC) and the Public Expenditure and Financial Accountability (PEFA) standards. Will help to improve governance, reduce corruption, and foster greater accountability and transparency in fiscal management.
10. The Federal Government is encouraged to adopt international best practices in fiscal management, such as conducting regular fiscal risk assessments and ensuring effective expenditure tracking and monitoring.
11. The following actions are recommended to improve Nigeria's budgetary provisions toward achieving the international budget benchmark for her subsequent capital and recurrent budget.
    - (i) Blocking revenue leakages
    - (ii) Exploring potentials for increased revenue generation
    - (iii) Strengthening relevant revenue and expenditure monitoring agencies to carry out their mandate effectively and efficiently.
    - (iv) Automation of revenue collection.
    - (v) Reduction in public debt and its attendant debt servicing.
    - (vi) Cutting down unnecessary recurrent expenditure and improving her capital expenditure
    - (vii) Intensifying the fight against corruption and fraudulent practices etc.
12. There should be an improved compliance with the provisions of the FRA 2007. This will enhance overall budget transparency, prudent allocations of the scare resources and an improved revenue generation.

PROJECTS EXPENDITURE CONTROL

In accordance with its mandate to promote prudent and transparent fiscal management as stipulated in Section 2(1a) and Section 30 of the Fiscal Responsibility Act 2007, the Fiscal Responsibility Commission (FRC) has been conducting physical verification exercises of Federal Government Projects since 2013. These projects, implemented by various Ministries, Departments, and Agencies (MDAs) of the Federal Government, are those approved by the National Assembly through the budgetary process.

The selection of projects for verification is based on lists provided by the MDAs, as requested by the FRC. After each verification exercise, the Commission consolidates its observations and recommendations into a comprehensive report, which is published to promote transparency and accountability in the use of public funds.

2023 Follow-Up Exercise

At the beginning of 2023, the Projects/Expenditure Control Unit commenced follow-up actions based on the 2022 Physical Verification Exercise Report, focusing on selected FGN capital projects implemented by MDAs. These follow-up efforts were aimed at resolving issues identified during the initial verification exercise. As a result, several findings and observations were made, prompting the invitation of the following MDAs to the Commission for further clarification and discussions:

- Federal Ministry of Works and Housing
- University of Nigeria Teaching Hospital (UNTH), Enugu State
- Federal Ministry of Water Resources
- Nigeria Immigration Service
- Nigeria Security and Civil Defence Corps (NSCDC)

Out of the five MDAs invited, three (3) acknowledged the Commission's letters and participated in meetings to address the outstanding issues. During these meetings, the relevant projects were revisited, and re-verification was conducted where necessary.

Meanwhile, in 2023, the Fiscal Responsibility Commission expanded its verification efforts by reaching out to a total of eleven (11) MDAs following multiple follow-up communications. Out of these, ten (10) MDAs responded and submitted their project data for review. After analysis of the submitted data, seven (7) MDAs, encompassing a total of fifty-five (55) projects, were selected for physical verification.

The MDAs whose projects were physically verified are:

- Federal Ministry of Works and Housing
- Federal Ministry of Health
- Federal Ministry of Water Resources
- Universal Basic Education Commission (UBEC)
- Federal Ministry of Aviation
- Transmission Company of Nigeria (TCN)
- National Drug Law Enforcement Agency (NDLEA)

These verifications were conducted with the aim of ensuring that public funds allocated for capital projects were used efficiently and that the projects were progressing according to approved plans.

However, despite the correspondences, the following MDAs did not respond to the Commission's requests for project submissions and review:

- National Primary Health Care Development Agency (NPHCDA)
- Federal Ministry of Justice
- National Population Commission (NPC)
- Federal Ministry of Agriculture and Rural Development

PHYSICAL VERIFICATION EXERCISE OF SELECTED FGN CAPITAL PROJECTS

The 2023 physical verification exercise could not be conducted in 2023 due to financial constraints. Consequently, it held between January 28, 2024 and February 9, 2024.

The projects were selected from the six geo-political zones of the nation, encompassing works, water resources, aviation, and health sectors, along with entities like the Transmission Company of Nigeria, Universal Basic Education Commission, and the National Drug Law Enforcement Agency.

The aim of the exercise is to ensure the strict adherence of Ministries, Departments, and Agencies (MDAs) to the Fiscal Responsibility Act (FRA), 2007 by:

- Ensuring adherence to procurement processes in contract awards
- Ensuring prudent utilization of government funds
- Cross-referencing budget allocations with actual project expenditures
- Investigating causes of project abandonment or delays
- Fostering citizen involvement and interest in projects within their regions

- Physically verifying the existence of designated capital projects.

Methodology

To achieve the objectives of the exercise, the following methodology was employed:

- Requesting and acquiring financial and technical data from MDAs regarding projects undertaken in the preceding three years.
- Reviewing submissions from MDAs to assess budget performance.
- Conducting physical verifications of projects in collaboration with MDA officials, contractors, and consultants.
- Obtaining progress reports on each project from MDA officials/client agencies, contractors, consultants, and stakeholders to inform decision-making.
- Reporting on each visited project, including findings and recommendations.

Challenges and Constraints

- Insufficient and untimely data from MDAs.
- MDAs providing non-technical guides to accompany FRC teams to projects.
- Contractors' failure to be present at project sites, showing contempt towards teams.
- Security challenges across the country hindering access to certain regions.

This report follows the order of geo-political zones as follows: North-Central, North-East, North-West, South-East, South-South, and South-West.

NORTH CENTRAL ZONE

1. JOS UNIVERSITY TEACHING HOSPITAL, PLATEAU STATE

a. Completion of Additional Wards (Amenity).
b. Construction of Psychiatric Complex
c. Construction of Stores Department.
d. Completion of Administrative Block.

2. FEDERAL MINISTRY OF WATER RESOURCES

a. Construction of Mangu Dam
b. Construction of Oturkpo Multipurpose Dam

3. FEDERAL MINISTRY OF WORKS AND HOUSING

a. Reconstruction of Bida –Lambata Road in Niger State.
b. Construction of Agaie-Katcha-Baro Road in Niger State.
c. Construction of Baro Port to Gulu Town in Niger State.

4. **TRANSMISSION COMPANY OF NIGERIA**

a. Makeri –Pankshin 132kv Dc line(122KM), Plateau State

5. **UNIVERSAL BASIC EDUCATION COMMISSION(UBEC)**

a. Construction and Furnishing of One (1) Additional Block of Twenty-Five (25) Classrooms (Storey Building) at Model Smart School, Wase LGA, Plateau State.
b. Construction of Thirteen (13) Rooms Hostels and Hall with Toilet Facilities and Three (3) Bedroom Staff Quarters at Model Smart School, Wase Town, Wase LGA, Plateau State.

6. NATIONAL DRUG LAW ENFORCEMENT AGENCY(NDLEA)

a. Construction of NDLEA Area Command in Igumale, Ado/Okpokwu, Benue State.

7. FEDERAL MINISTRY OF AVIATION.

a. Minna Airport, Apro Runway, Niger State

Front view of the Completed Construction of Amenity ward at JUTH

On-going Works at Lapai Axis of the Bida – Lambata Road

NORTH-EAST ZONE

1. Rehabilitation of Nguru-Gashua-Bayamari road, section I (Nguru-Gashua) phase II (Km 30+000 - Km62+000) in Yobe State.
Contract No. 6348

2. Rehabilitation of Nguru-Gashua-Bayamari road, section II phase II: Nguru-Bayamari road, Contract No. 6479 in Yobe State.

3. Construction of 5 nos of 3-bedroom block of flats (blks C3, C4, C5, C6, & C7), Yola command, Adamawa State.

4. Construction of 2-bedroom block of flats (blks B2 & B5), Yola command, Adamawa State.

5. Construction of 5 numbers of 2bedroom block of flats (blks B6 & B7), Yola command, Adamawa State.
6. Construction and furnishing of Examination Centre (Hall) at Gdss Luggere, Jimeta in Yola North, Adamawa State.

7. Construction and furnishing of Science Laboratory Hall at Gdss Gurin, Fufore L.G.A in Yola North, Adamawa State.

8. Federal Medical Centre, Nguru-Yobe State
    a. Construction of Medical Record Complex Phase 2
    b. Construction of Specialty Clinic Complex
    c. Construction of Trauma Centre
    d. Construction of Main Theatre
    e. Construction of Administrative Block

9. Federal Medical Centre, Yola- Adamawa State
    a. Construction of 1 no. storey building of hematology and Chemical Pathology Laboratory Block.
    b. Vertical Extension of 1 no. storey building of 80 beds space ward
    c. Construction of Wellness Centre
    d. Construction of 1 no. storey building of Ear, Nose & Throat (Ent) and Ophthalmology block (Phase II)

10. Construction of Nguru (Wachakal) Airstrip in Yobe State.

11. Construction of Monkin Earth Dam project.

12. Construction of 2x60mva, 132/33kv substation at Song and 2x132kv line bays extension at Yola substation (Lot 2011-17)

External view of the 5 numbers of 2-bedroom block of flats (blocks B6 & B7), Yola Command, Adamawa

Intake Tower and Access Bridge under Construction at the Monkin Earth dam project in Taraba state

NORTH WEST ZONE

1. Rehabilitation of Abuja-Kaduna-Zaria-Kano Dual Carriageway (Section 3: Zaria –Kano) contract no. 6350
2. Construction of Kano Western by – Pass Road
3. Construction of Ingawa/Dallaje Dam, Katsina State
4. Construction of Galma Dam, Anchan, Kaduna State
5. Ahmadu Bello University Teaching Hospital, Zaria, Kaduna State
   a. Construction of Trauma Centre
   b. Construction of Oncology Treatment Centre
   c. Construction of Paediatrics complex, ABUTH, Zaria
6. National orthopaedic hospital Dala, Kano
   a. Construction of General Out Patient Department (GOPD)
   b. Renovation/Expansion of accident and emergency unit
   c. Conversion of uncompleted oxygen plant to central stores and offices.
7. Apron Expansion at Katsina Airport, Katsina State.
8. Improvement of Runway Shoulder for Kano Airport, Kano State.
9. Construction of 2x60mva, 132/33kv Substation at Bichi, Kano State
10. Construction of One (1) Storey Building of State-of-the Art Library at Dawakin Kudu, Kano State.

Laying of bituminous emulsion and spraying of aggregates for the second coat surface Kano Western By – Pass Road

Completed Paediatrics Complex at ABUTH

SOUTH EAST ZONE

1. Reconstruction of Bende-Ohafia-Arochukwu road, section 1 in Abia State. C/No. 6481.
2. Construction of Nnenwe-Uduma-Mpu-Uburu, section I, (26.27Km) and section II, spur to ishiagu-Mile 2 (14Km) in Enugu/Ebonyi States. C/No. 6148.
3. Construction of Ezelakpata Water Supply, Imo-State.
4. The Construction of Umuahia-Mbalano 132KV single circuit line transmission line.
5. Construction of 2x60MVA, 132/33KV Substation at Amasiri, Afikpo and 2x132KV Line bays extension at Abakiliki Sub-station (LOT 2010-28).
6. Nnamdi Azikiwe University Teaching Hospital Nnewi, Anambra-State:
    a. Completing the Construction of Administrative Block at Permanent site.
    b. Completing the Construction G.O.P.D Block at Permanent site.
    c. Completing the Construction of Male Surgical Ward at Permanent site.
    d. Completing the Construction of Obstetric Ward at Permanent site.
7. Federal Teaching Hospital Abakiliki, Ebonyi State.
    a. Construction of 500 Sitting Capacity Modern E-Library.
    b. Construction of Administrative Block.
    c. Construction of Physiotherapy Complex, Phase II at (FETHA-II).
8. Construction of Forensic Laboratory Building at National Drug Law Enforcement Agency (NDLEA) Complex in Enugu State.
9. a. Construction of New Terminal Building at the Akanu Ibiam International Airport, Enugu.
    b. Construction of Control Tower and Technical Building at the Akanu Ibiam International Airport Enugu.

The completed switch yard component at Amasiri, Afikpo

The view of the completed tiling of the international waiting Lounge at the Akanu-Ibiam international airport, Enugu

SOUTH-SOUTH ZONE

1. Dualization of Sapele - Ewu road: section I: Sapele-Agbor in Delta State C/No. 6249.
2. Rehabilitation of Enugu – Port-Harcourt expressway, section IV: Aba – Port-Harcourt in Rivers State. C/No. 6252.
3. Dualization of Sapele - Ewu Road: Section II: Agbor - Ewu in Delta State C/No. 6250.
4. Construction of 132kv Opai - Kwale (DC) Trans Line (14km) Delta State.
5. Yenagoa - Oporoma 132kv DC Trans Line (50km) Bayelsa State.

6. Federal Medical Centre, Asaba, Delta State.
   a. Construction of a Two-Storey NHIS/Retainership Complex Phase 2
   b. Landscaping, Drainage and Beautification Phase 2
   c. Establishment of Cancer Centre Phase 1
   d. Construction of Officers Quarters Phase 2
   e. Completion of Two-Story Subspecialty Complex

7. University of Benin Teaching Hospital, Edo State.
   a. Construction of NHIS Complex
   b. Construction of Training Schools Complex
   c. Construction of Student's Hostel Complex
   d. Construction of Internal Road and Car Parks with the Hospital Premises.

Earthworks Part of Section I of the dualization of Sapele - Agbor Road in Delta State

On-going Construction and Completion of Two-Story Sub-Specialty Complex at FMC, Asaba, Delta State

SOUTH WEST ZONE

1. University College Hospital, Ibadan, Oyo State
    a. Extension of Emergency Clinic (Phase 1)
    b. Construction of Cardiac Building
    c. Extension of Outpatient Clinics Building
2. Power Supply for Middle Ogun Irrigation Project in Iseyin, Oyo State
3. Construction of 132kv Isenyin Shaki Double Circuit Transmission Line, Oyo State
4. Rehabilitation of outstanding section of Iseyin Okeho road including Two Bridges in Oyo State. Contract No. 6671
5. Rehabilitation of Ibadan – Oyo Dual Carriageway in Oyo State. Contract No. 7644
6. Rehabilitation, Reconstruction and Expansion Works on Lagos – Ibadan Dual Carriageway Section 1 (Lagos - Shagamu) in Lagos State. Contract No. 6204
7. Aviation in Lagos State
    i. Expansion of Cargo Apron at MMIA, Lagos State
    ii. Expansion of GAT Terminal and Park at MMIA, Lagos State

Ongoing Extension work on the Accident and Emergency Ward at UCH, Ibadan

Newly Constructed VIP Lounge Terminal Building at Domestic Terminal (GAT) MMIA, Lagos

GENERAL OBSERVATIONS

1. Projects suffer from inadequate releases and insufficient budgetary allocations which inadvertently affect delivery time of projects.
2. There are delays in commencement of projects due to litigation/petitions by other bidders of projects.
3. While some work is commendable in quality, others exhibit structural defects, poor finishing, and the use of substandard construction materials.
4. Activities along road corridors like parking of articulated vehicles have posed threats to already constructed road structures and caused frequent traffic accidents.
5. Some MDAs do not submit project documents or present them for sighting as requested by the commission prior to engaging in the exercise. This makes it difficult to ascertain whether due process has been followed or value for money achieved.
6. Some hospitals have the poor habit of improper record keeping of project documents.
7. Reports of frequent theft/vandalization of valuable equipment and materials on site are common.
8. Variation in contract sums is being driven by inflation in construction material prices which is occasioned be instability in foreign exchange rates.
9. Progress of projects and team visits to some sites have been hampered by insecurity and the activities of armed bandits even as there have been cases of kidnapping of construction workers.
10. Obtaining adequate information is hindered by the occasional exclusion of State Controllers of Works from road projects within their states.
11. Project contractors, consultants, and agency officials are often either unavailable or their representatives technically incompetent to respond to teams' queries despite being duly informed by the Commission.
12. Absence of Ministry/company representatives to provide insight for the team has been observed.
13. Some contractors lack the necessary expertise and capacity to deliver on projects.
14. Completed buildings remain unused while either waiting for a succeeding phase or due to lack of access roads, leading to vandalization.
15. Compensation issues have hindered the progress of some projects.

GENERAL RECOMMENDATIONS

1. Funds should be released and certificates paid promptly according to schedule. Also, projects should to seek alternative funding sources, both local and international, to supplement budget allocations.
2. The Federal Government should promote Public-Private Partnerships to ease funding problems.
3. Project work should begin as soon as possible to avoid variations and other issues that may arise as a result of delays in commencement.
4. Strict monitoring and a culture of maintenance should be promoted to ensure project requirements are met.
5. Proper provisions should be made for diversions when road constructions are in progress to avoid damaging already completed work and also to prevent accidents that may occur.
6. Best practices in record keeping especially of contract and procurement documents is very important, and these documents should be provided for monitoring teams when the need arises to ensure accountability
7. Projects should be put to use as soon as possible to avoid vandalization of already installed equipment.
8. Security outfits should promptly intervene on project sites when needed.
9. Timely and effective communication between the Federal Ministry of Works HQ and its state offices is essential for Controllers to stay informed about project financial commitments,

facilitating effective supervision.

10. Client MDAs must ensure the presence of contractors, consultants, and project officials during verification exercises for thorough briefings.
11. Defaulting contractors should be questioned regarding observed project issues during assessments.
12. Awarding entities should verify contractors' capacity to complete projects before engagement.
13. Projects located in areas lacking access roads should include road construction as part of the contract to ensure usability upon completion.
14. Projects should endeavour to sort out compensation issues as soon as possible to avoid unnecessary delays in commencement of projects.
15. Encouraging adequate supervision and follow-up on projects can prevent abandonment.

CHAPTER 3

DEBT, INDEBTEDNESS AND BORROWING

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.

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

Section 41 of the FRA, 2007 provides that governments 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 only for capital expenditure and human development as specified in section 41(1)(a) of FRA, 2007, the Commission has continuously monitor 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 embarked on the following actions and activities in 2023:

- The Commission obtained information on borrowings by the State Governments from commercial banks in the country.
- The Commission requested that the State Governments should furnish it with the details on the utilization of borrowings from the commercial banks.
- The Commission analyzed the submission made by the States Government and embarked on the verification of the amounts borrowed by the following States: Plateau, Adamawa, Yobe, Ekiti, Delta and Abia, encompassing five of the six geo-political zones in the country.

The exercise was aimed at ascertaining the actual utilization of the loans and its 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 very 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 2023, it was not possible for the Commission to verify the compliance of each Government with this provision of the FRA, 2007 because the consolidated debt limits of the tiers of Government in the Federation are yet to be set by the President, as specified in Section 42(1) of the FRA, 2007. The Commission has written sufficiently to the Hon. Minister of Finance on the need to advice the President to set the debt limits of the Governments in the Federation, however the limit remains unset. Meanwhile, the Commission will continue to engage and collaborate with the Hon. Minister of Finance and the Debt Management Office, to ensure that the consolidated debt limit of the tiers of Government in the Federation 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 2023

Tables 3.1 and 3.2 below, is a summary of debt balances of the Governments in the Federation in 2023, as well as the debt trend from 2019 – 2023:

Table 3.1 Summarized Public Debt Balances as at December 31, from 2019 – 2023

Debt Stock	2019 (₦) Million	2020 (₦) Million	2021 (₦) Million	2022 (₦) Million	2023 (₦) Million	% of Total Public Debt (2023)
External Debt: FG & States	9,022,421.64	12,705,618.48	15,855,231.25	18,702,251.88	38,219,849.44	39.26%
Domestic Debt: FGN	14,272,644.79	16,023,885.38	19,242,557.11	22,210,364.60	53,258,011.88	54.72%
Domestic Debt: States & FCT	4,106,314.86	4,186,010.99	4,458,244.14	5,337,751.46	5,862,846.93	6.02%
Total Public Debt	**27,401,381.29**	**32,915,514.85**	**39,556,032.50**	**46,250,367.94**	**97,340,708.25**	**100%**

Source: DMO

Note:
Domestic Debt Stock for two (2) States: Benue and Enugu were as at September 30 2023, and Katsina and Rivers States were as at March 31, 2023, while Domestic Debt Stock for Kano State was as at December 1, 2022. All the remaining States and FCT were as at December 31, 2023

3.1.1 Trend Analysis of Total Public Debt Stock of the Governments in the Federation (2019-2023)

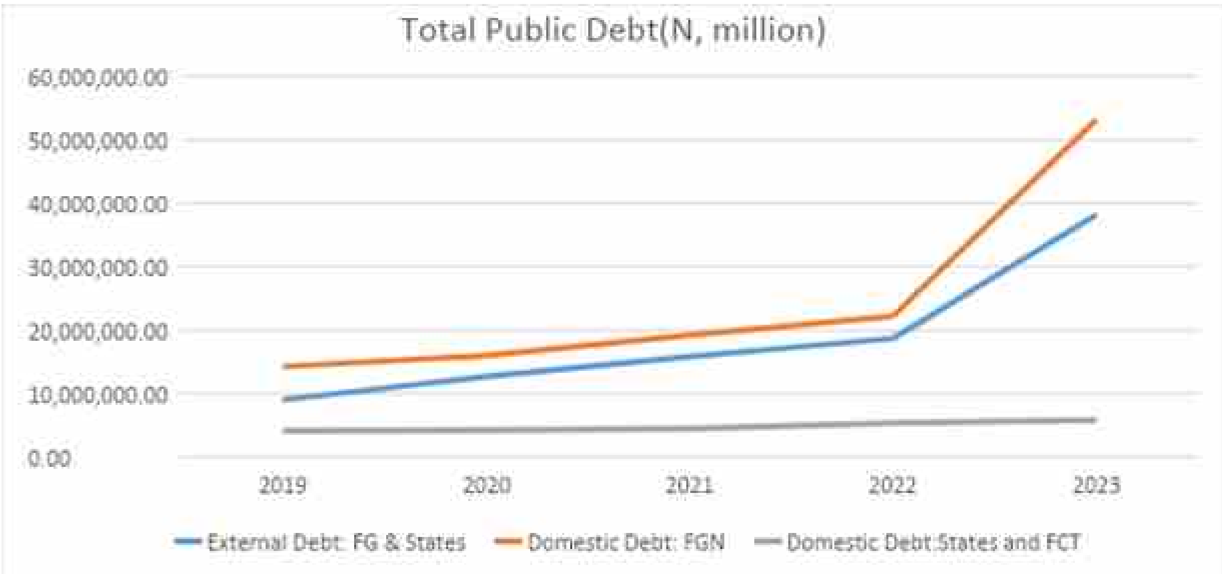


Fig. 1
Source: FRC/DMO

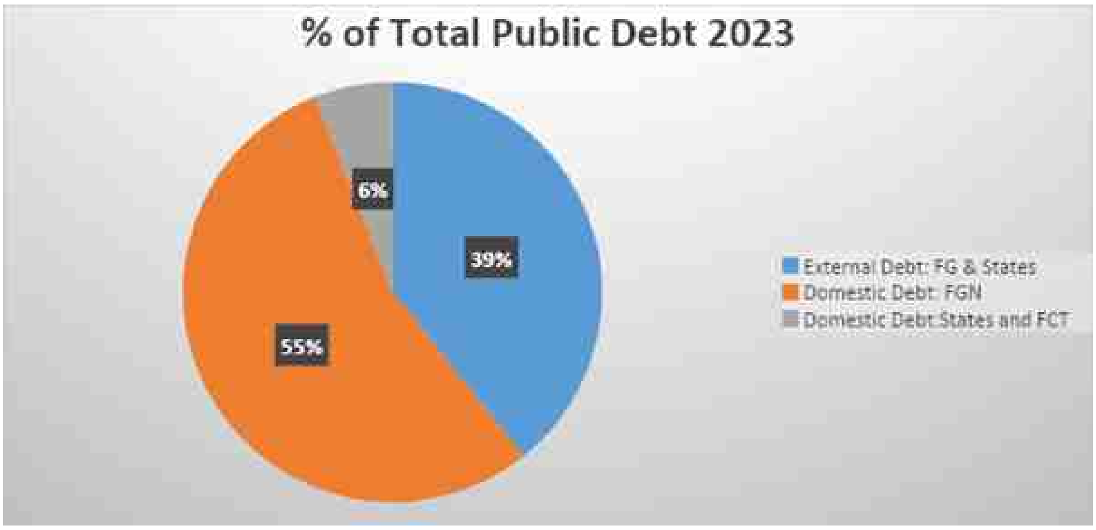


Fig. 2
Source: FRC/DMO

Table 3.2 Nigeria's Total Public Debt Balance As Percentage Of GDP 2019-2023

	2019	2020	2021	2022	2023
US$ Million	84,053.32	86,392.54	95,779.64	103,218.99	108,229.34
(₦)Million	27,401,381.29	32,915,514.85	39,556,032.50	46,250,367.94	97,340,708.25
GDP (₦) Million	140,767,010.00	152,316,126.10	176,039,307.97	199,336,043.78	244,574,643.84
% of GDP	19.47%	21.61%	22.47%	23.20%	39.8%

Source: DMO

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

2019: 1US$ to ₦326
2020: 1US$ to ₦381
2021: 1US$ to ₦412.99
2022: 1US$ to ₦448.08
2023: 1US$ to ₦899.39

As can be seen on Table 3.2 above, the total public debt stock of Nigeria at the end of 2023 was ₦97,340,708.25 million. It depicts an increase of ₦51, 090, 40.31 million or 110.46% when compared to ₦ 46,250,367.94 million public debt stock of the country at the end of 2022. Out of the total public debt stock of Nigeria at the end of 2023, the external debt stock of Federal, States and FCT was US$42,495.16 million, equivalent to ₦38,219,849.44 million. This amount accounts for 39.26% of the nation's total public debt balance at the end of 2023.

The domestic debt stock of the Federal, States and FCT as at the end of 2023 was ₦59,120,858.81 million, representing 60.74 % of the total public debt stock of the country within 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, 2023 were 39.26.%, and 60.74.% respectively. This indicates that the total public debt stock in 2023 comprised of more domestic debt than external debt. However, given the implications of higher domestic debt to external debt which include but not limited to; the crowding out of 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 2023 was 39.8%, which is less than both the global benchmark of 40% and the 56% threshold for countries in Nigeria's peer group. The implication of this is that Nigeria's total public debt balance of ₦97,340,708.25 million as at end of 2023 was still sustainable. This means the country still has enough fiscal space for borrowing. Nevertheless, there is need for the nation to be cautious as the rise in public debt is more likely to jeopardize national economic growth.

3.4 REVENUE PROFILE OF THE STATE GOVERNMENTS IN NIGERIA

In order to assess the State Governments on the basis of Debt Management Office (DMO) Revised Guideline on Public Debt Management, 2012, there is need to analyze the respective revenue profile of the 36 States and FCT. For the purpose of clarity, the Guideline provides the procedure for public debt assessment in Nigeria. Specifically, Section F 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 2023, their debt stocks as at December 2023, as well as the debt/revenue ratio, as shown in Tables 3.3, 3.4 and 3.5 below:

Table 3.3 Total Net Revenue of the 36 States, 2023

S/n	State	Total Net Revenue, 2023 (₦)	% of Total	Ranking
1	Abia	74,199,727,103.79	1.95	22nd
2	Adamawa	74,855,696,909.38	1.97	20th
3	Akwa- Ibom	285,005,338,499.07	7.48	3rd
4	Anambra	92,348,006,219.03	2.42	10th
5	Bauchi	73,045,336,616.70	1.92	23rd
6	Bayelsa	228,717,750,726.95	6.01	4th
7	Benue	86,267,390,889.85	2.27	14th
8	Borno	92,190,757,748.96	2.42	11th
9	Cross River	63,865,738,078.79	1.68	31st
10	Delta	390,283,516,300.42	10.25	1st
11	Ebonyi	65,548,665,845.84	1.72	29th
12	Edo	102,478,558,004.41	2.69	7th
13	Ekiti	61,667,317,896.66	1.62	34th
14	Enugu	76,671,131,302.91	2.01	17th

15	Gombe	60,339,740,135.84	1.58	35th
16	Imo	76,132,206,107.57	2.00	19th
17	Jigawa	90,379,603,889.05	2.37	12th
18	Kaduna	82,531,154,770.82	2.17	15th
19	Kano	122,524,250,667.86	3.22	6th
20	Katsina	86,318,270,097.70	2.27	13th
21	Kebbi	78,858,755,321.70	2.07	16th
22	Kogi	70,691,767,942.24	1.86	24th
23	Kwara	62,442,197,426.01	1.64	33rd
24	Lagos	190,729,132,486.32	5.01	5th
25	Nasarawa	69,274,748,974.06	1.82	27th
26	Niger	76,444,645,821.36	2.01	18th
27	Ogun	59,078,967,467.23	1.55	36th
28	Ondo	98,027,220,608.51	2.57	8th
29	Osun	64,006,313,455.95	1.68	30th
30	Oyo	97,659,810,328.78	2.56	9th
31	Plateau	63,434,257,337.84	1.67	32nd
32	Rivers	309,192,750,126.58	8.12	2nd
33	Sokoto	74,208,372,437.10	1.95	21st
34	Taraba	70,324,618,265.90	1.85	26th
35	Yobe	70,663,294,796.69	1.86	25th
36	Zamfara	68,237,689,692.72	1.79	28th
	Total	**3,808,644,700,300.59**	1.95	

Source: OAGF/FRC

The information contained in Table 3.3 above excludes Internally Generated Revenue (IGR) of the State Governments. The table shows that the total net revenue of the 36 states in 2023 was ₦3,808,644,700,300.59 an increase of ₦702, 035,502,627.95 or 22:60% over the combined total amount of ₦3,106,609,197,672.64 received by all the 36 States in 2022. 22.60%This increase has been attributed to the increase in oil revenue as a result of subsidy removal.

The analysis further reveals that, out of the 36 States of the Federation, Delta State received the highest net revenue of ₦390,283,516,300.42 accounting for 10.25% of the aggregate revenue accruing to the 36 States in 2023. Rivers State came 2nd with total net revenue of ₦309,192,750,126.58 representing 8.12% of the combined total revenue of the 36 States in 2023. Akwa-Ibom State was 3rd, with total net revenue of ₦285,005,338,499.07 and accounted for 7.48% of the combined total revenue of the 36 States in Nigeria, in 2023. It is worthy of note that the three States which received the highest net revenue among the 36 States of the Federation in 2023, namely; Delta, Rivers and Akwa-Ibom State are oil producing States that enjoy the 13% derivation.

However, Ogun State received the least total net revenue of ₦59,078,967,467.23 in 2023, depicting 1.55% of the total statutory revenue of the 36 States. The little net revenue of Ogun State was due to the huge deduction from its allocation at source on monthly basis, for loan repayment.

3.5 DEBT PROFILE OF FEDERAL AND STATE GOVERNMENTS

In an effort to properly analyze the debt profile of the three (3) tiers of Government in the Federation, it is pertinent to present their respective debt stocks for the period under review, as indicated in Table 3.4 below:

Table 3.4: Debt Profile of Federal and State Governments as at December 31, 2022

States	External Debt (US$)	External Debt (N899.393/US$) (₦)	Domestic Debt (₦)	Total Public Debt (₦)	% of Grand Total
ABIA	89,053,939.30	80,094,489,628.84	138,638,007,432.32	218,732,497,061.17	0.22
ADAMAWA	103,196,881.89	92,814,553,193.69	138,261,010,699.22	231,075,563,892.91	0.24
AKWA IBOM	42,611,400.30	38,324,395,150.02	190,476,345,365.94	228,800,740,515.96	0.24
ANAMBRA	107,242,746.92	96,453,375,880.62	74,196,577,787.14	170,649,953,667.76	0.18
BAUCHI	187,634,642.09	168,757,283,653.25	160,808,088,694.22	329,565,372,347.47	0.34
BAYELSA	59,341,824.19	53,371,621,283.72	151,155,583,528.17	204,527,204,811.89	0.21
BENUE	29,871,346.98	26,866,080,374.38	187,181,205,478.46	214,047,285,852.84	0.22
BORNO	20,487,776.55	18,426,562,814.63	98,771,221,990.27	117,197,784,804.90	0.12
CROSS-RIVER	211,125,104.40	189,884,441,021.63	220,201,482,435.66	410,085,923,457.29	0.42
DELTA	59,271,705.30	53,308,556,844.88	373,407,744,509.06	426,716,301,353.94	0.44
EBONYI	94,905,779.94	85,357,594,137.58	70,435,753,895.14	155,793,348,032.72	0.16
EDO	314,448,148.13	282,812,463,291.09	123,879,949,054.12	406,692,412,345.21	0.42
EKITI	121,049,293.97	108,870,887,651.56	110,573,532,309.52	219,444,419,961.08	0.23
ENUGU	120,451,145.25	108,332,916,879.83	92,213,239,076.87	200,546,155,956.70	0.21
GOMBE	54,881,154.07	49,359,725,802.48	88,974,631,780.44	138,334,357,582.92	0.14
IMO	77,371,356.47	69,587,256,409.62	217,112,608,530.49	286,699,864,940.11	0.29
JIGAWA	25,795,436.01	23,200,234,579.34	42,757,073,964.49	65,957,308,543.83	0.07
KADUNA	587,072,213.55	528,008,639,361.38	85,519,766,061.70	613,528,405,423.08	0.63
KANO	107,920,953.84	97,063,350,437.02	122,361,942,618.03	219,425,293,055.05	0.23
KATSINA	50,310,685.90	45,249,078,723.66	99,313,694,044.20	144,562,772,767.86	0.15
KEBBI	40,295,693.43	36,241,664,601.09	60,690,877,475.46	96,932,542,076.55	0.10
KOGI	51,174,954.62	46,026,395,960.55	121,808,350,345.34	167,834,746,305.89	0.17
KWARA	44,562,401.68	40,079,112,134.18	109,162,798,865.21	149,241,910,999.39	0.15
LAGOS	1,243,798,891.10	1,118,664,016,063.10	1,048,703,617,143.87	2,167,367,633,206.97	2.23
NASARAWA	51,888,170.46	46,667,857,294.53	71,151,081,271.86	117,818,938,566.39	0.12
NIGER	68,056,534.55	61,209,570,778.53	139,802,106,979.14	201,011,677,757.67	0.21
OGUN	168,833,006.66	151,847,224,358.96	278,675,120,734.01	430,522,345,092.97	0.44
ONDO	80,206,477.16	72,137,144,112.36	71,502,242,507.74	143,639,386,620.10	0.15
OSUN	87,247,488.51	78,469,780,433.47	144,604,559,829.88	223,074,340,263.35	0.23
OYO	63,830,584.72	57,408,781,083.08	159,944,726,303.69	217,353,507,386.77	0.22
PLATEAU	32,249,236.27	29,004,737,356.58	173,932,825,607.72	202,937,562,964.30	0.21
RIVERS	80,940,554.32	72,797,367,971.53	232,576,206,164.34	305,373,574,135.87	0.31
SOKOTO	36,472,381.40	32,803,004,524.49	89,215,926,510.84	122,018,931,035.33	0.13
TARABA	23,427,411.75	21,070,450,136.07	81,329,559,172.30	102,400,009,308.37	0.11
YOBE	21,488,967.49	19,327,026,937.73	91,419,360,969.06	110,746,387,906.79	0.11
ZAMFARA	29,051,198.79	26,128,444,833.33	110,567,180,885.79	136,695,625,719.12	0.14
FCT	22,490,892.52	20,228,151,296.24	91,519,931,195.71	111,748,082,491.95	0.11
Sub-Total State & FCT	**4,610,058,380.47**	**4,146,254,236,995.05**	**5,862,845,931,217.41**	**10,009,100,168,212.50**	**10.28**
FGN	**37,885,104,727.23**	**34,073,597,995,937.50**	**53,258,011,880,000.00**	**87,331,609,875,937.50**	**89.72**
Grand Total	**42,495,163,107.70**	**38,219,852,232,932.50**	**59,120,857,811,217.40**	**97,340,710,044,150.00**	**100.00%**

Source: DMO/FRC

NOTES:

I. Domestic Debt Stock for thirty one (31) States and the FCT: Abia, Adamawa, Akwa Ibom, Anambra, Bauchi, Bayelsa, Born, Cross River, Delta, Ebonyi, Edo, Ekiti, Gombe, Imo, Jigawa, Kaduna,Kebbi, Kogi, Kwara,Lagos, Nasarawa, Niger, Ogun, Ondo,Osun,Oyo, Plateau, Sokoto, Taraba, Yobe, and Zamfara are as at

II. December 31, 2023.

III. Domestic Debt Stock figures for Benue and Enugu States were as at September 30, 2023

IV. Domestic Debt Stock figures for Katsina and Rivers States were as at March 31, 2023

V. A domestic Debt Stock figure for Kano State was as at December 31, 2022.

VI. Central Bank of Nigeria (CBN) Official Exchange Rate of US$1 to N899.393 as at December 31 2023 was used in converting External Debt to Naira.

From Table 3.4 above, the combined total public debt stock of the 36 States and FCT at the end of 2023 was ₦10,009,100,168,212.50, representing 10.28% of the total public debt of the country as at the end of 2023. According to the report from DMO, the domestic debt stock figures for thirty one (31) States and the FCT: Abia, Adamawa, Akwa Ibom, Anambra, Bauchi, Bayelsa, Born, Cross River, Delta, Ebonyi, Edo, Ekiti, Gombe, Imo, Jigawa, Kaduna,Kebbi, Kogi, Kwara,Lagos, Nasarawa, Niger, Ogun, Ondo,Osun,Oyo, Plateau, Sokoto, Taraba, Yobe, and Zamfara are as at December 31, 2023. On the other hand, the domestic debt stock figures for Benue and Enugu States were as at September 30, 2023 while as the domestic debt stock figures for Kaduna and Rivers states were as at March 31, 2023 and the domestic debt stock figures for Kano was as at December 31, 2022.

Lagos, with a total debt stock of ₦2,167,367,633,206.97, accounting for 2.23% of the total public debt stock of the country at the end of 2023 was the most indebted state in the country.

Kaduna State was the second most indebted State, with a total debt stock of ₦613,528,405,423.08, representing 0.63% of the country's total public debt stock of the country at the end of 2023. The third highest indebted state in the country at the end of 2023 was Ogun state, with a total debt stock of ₦430,522,345,092.97, accounting for 0.44% of the combined total public debt stock of Nigeria.

On the other hand, Jigawa State had the least debt stock with a total debt stock of ₦65,957,308,543.83, representing 0.07% of the total public debt stock at the end of 2023 fiscal year. Kebbi had the second least debt stock of ₦96,932,542,076.55, representing 0.10% of the cumulative debt stock of the country at the end of 2023. The third least state at the end of the year was Taraba, having a total debt stock of ₦102,400,009,308.37, accounting for 0.11% of the total debt of the country at the end of 2023 fiscal year.

3.6 ANALYSIS OF THE STATE GOVERNMENTS' DEBT AS PROPORTION OF THEIR NET STATUTORY REVENUE IN 2023

It is instructive to note that Nigeria has just one national Gross Domestic Product (GDP), that is up to date as States are yet to have theirs completed at the moment. 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 by the President as stated in FRA, 2007.

However, States whose proportions of Debt-to-Revenue are above 50% are assumed to have violated Section F(C) of Debt Management Guidelines, 2012.

Table 3.5: Proportion of Total Debt to Net Statutory Revenue of the 36 States in 2023

S/N	State	Total Public Debt (₦)	Total Net Revenue (₦)	Debt to total net revenue ratio a:b	Excess of 50% threshold
1	**ABIA**	218,732,497,061.17	74,199,727,103.79	294.85	244.85
2	**ADAMAWA**	231,075,563,892.91	74,855,696,909.38	308.76	258.76
3	**AKWA IBOM**	228,800,740,515.96	285,005,338,499.07	80.29	30.29
4	**ANAMBRA**	170,649,953,667.76	92,348,006,219.03	184.85	134.85
5	**BAUCHI**	329,565,372,347.47	73,045,336,616.70	451.31	401.31
6	**BAYELSA**	204,527,204,811.89	228,717,750,726.95	89.44	39.44
7	**BENUE**	214,047,285,852.84	86,267,390,889.85	248.14	198.14
8	**BORNO**	117,197,784,804.90	92,190,757,748.96	127.14	77.14
9	**CROSS RIVER**	410,085,923,457.29	63,865,738,078.79	642.27	592.27
10	**DELTA**	426,716,301,353.94	390,283,516,300.42	109.34	59.34
11	**EBONYI**	155,793,348,032.72	65,548,665,845.84	237.75	187.75
12	**EDO**	406,692,412,345.21	102,478,558,004.41	397.01	347.01
13	**EKITI**	219,444,419,961.08	61,667,317,896.66	355.95	305.95
14	**ENUGU**	200,546,155,956.70	76,671,131,302.91	261.65	211.65
15	**GOMBE**	138,334,357,582.92	60,339,740,135.84	229.31	179.31
16	**IMO**	286,699,864,940.11	76,132,206,107.57	376.63	326.63
17	**JIGAWA**	65,957,308,543.83	90,379,603,889.05	72.99	22.99
18	**KADUNA**	613,528,405,423.08	82,531,154,770.82	743.75	693.75
19	**KANO**	219,425,293,055.05	122,524,250,667.86	179.13	129.13
20	**KATSINA**	144,562,772,767.86	86,318,270,097.70	167.51	117.51
21	**KEBBI**	96,932,542,076.55	78,858,755,321.70	122.95	72.95
22	**KOGI**	167,834,746,305.89	70,691,767,942.24	237.45	187.45
23	**KWARA**	149,241,910,999.39	62,442,197,426.01	239.04	189.04
24	**LAGOS**	2,167,367,633,206.97	190,729,132,486.32	1136.69	1086.69
25	**NASSARAWA**	117,818,938,566.39	69,274,748,974.06	170.11	120.11
28	**NIGER**	201,011,677,757.67	75,444,645,821.26	263.00	213.00
27	**OGUN**	430,522,345,092.97	59,078,967,467.23	728.87	678.87
28	**ONDO**	143,639,386,620.10	98,027,220,608.51	146.57	96.57
29	**OSUN**	223,074,340,263.35	64,006,313,455.95	348.59	298.59
30	**OYO**	217,353,507,386.77	97,659,810,328.78	222.60	172.60
31	**PLATEAU**	202,937,562,964.30	63,434,257,337.84	319.94	269.94
32	**RIVERS**	305,373,574,135.87	309,192,750,126.58	987.78	937.78
33	**SOKOTO**	122,018,931,035.33	74,208,372,437.10	164.45	114.45
34	**TARABA**	102,400,009,308.37	70,324,618,265.90	145.63	95.63
35	**YOBE**	110,746,387,906.79	70,663,294,796.69	156.74	106.74
36	**ZAMFARA**	136,695,625,719.12	68,237,689,692.72	200.34	150.34
	TOTAL	**9,897,352,085,720.52**	**3,808,644,700,300.59**	**10259.82**	**102.10**

DMO/FRC

Note: The Total Net Revenue excludes IGR

Table 3.5 above shows the proportion of the consolidated public debt of the State Governments to their respective total net revenue in 2023.

The information contained in the above table shows that all the 36 States surpassed the DMO threshold of 50%, Lagos State had the highest Debt-to-Total Net Revenue of 1,16.69% in the country, surpassing threshold by 1,086.69% at the end of 2023. While Jigawa State had the least Debt-to-Total Net Revenue of 72.99%, exceeding the DMO threshold, by 22.99%.

3.7 DEBT TO NET REVENUE RATIO OF THE STATE GOVERNMENTS BY GEO POLITICAL ZONES IN THE COUNTRY AS AT 31ST DECEMBER, 2023

Table 3.6.1 SOUTH EAST GEO-POLITICAL ZONE

S/N	STATES	TOTAL DEBT (₦)	NET TOTAL REVENUE EXCLUDING IGR (₦)	% OF TOTAL DEBT	% OF TOTAL REVENUE
1	ABIA	218,777,647,408.39	74,199,727,103.79	21.19	19.28
2	ANAMBRA	170,704,325,740.45	92,348,006,219.03	16.53	23.99
3	EBONYI	155,841,465,263.15	65,548,665,845.84	15.09	17.03
4	ENUGU	200,607,224,687.35	76,671,131,302.91	19.43	19.92
5	IMO	286,739,092,217.84	76,132,206,107.57	27.77	19.78
	TOTAL	**1,032,669,755,317.17**	**384,899,736,579.15**	100.00	100.00

Source: DMO/OAGF

Table 3.7.1 above, shows the total indebtedness and the total statutory revenue (net) for the States in the Zone as ₦1,032,669,755,317.17 and ₦384,899,736,579.15 respectively. Imo state have the highest debt with a total of ₦286,739,092,217.84 representing 27.77% of the total debt for the zone and the third highest in a revenue allocation of ₦76,132,206,107.57, representing 19.78% of the total revenue allocated to the zone.

Abia State is the second in the zone with a total debt of ₦218,777,647,408.39 accounting for 21.19 % of the total debt with the revenue allocation of ₦74,199,727,103.79 representing 19.28% of the total revenue allocated to the zone.

The State with the least debt in the zone is Ebonyi State with total of ₦155,841,465,263.15, accounting for 15.09% with revenue of ₦65,548,665,845.84 representing 17.03% of the total revenue allocated for the zone.

In terms of the net revenue allocation, Anambra State is the highest in the zone with a total of ₦92,348,006,217.03 representing 23.99% of the revenue allocation to the zone, and second State with less indebtedness in the zone to the tune of ₦170,704,325,740.45, representing 16.53% of the total debt within the period under review.

Table 3.6.2 SOUTH WEST GEO-POLITICAL ZONE

S/N	STATES	TOTAL DEBT (₦)	NET TOTAL REVENUE EXCLUDING IGR (₦)	% OF TOTAL DEBT	% OF TOTAL REVENUE
1	EKITI	219,505,791,953.12	61,667,317,896.66	6.45	10.80
2	LAGOS	2,167,998,239,244.76	190,729,132,486.32	63.72	33.39
3	OGUN	430,607,943,427.34	59,078,967,467.23	12.66	10.34
4	ONDO	143,680,051,304.02	98,027,220,608.51	4.22	17.16
5	OSUN	223,118,574,740.03	64,006,313,455.95	6.56	11.21
6	OYO	217,385,869,493.22	97,659,810,328.78	6.39	17.10
	TOTAL	**3,402,296,470,162.50**	**571,168,762,243.45**	100.00	100.00

Source: DMO/OAGF/FRC

The information in table 3.7.2 above clearly shows that, Lagos State had the highest figures in indebtedness and net revenue allocation in the zone as at 31st December, 2023 to the tune of ₦2,167,998,239,244.76 (63.72%) and ₦190,729,132,486.32 (33.93%) respectively.

The second State in terms of the level of indebtedness is Ogun State to the tune of ₦430,607,943,427.34, representing 12.66% of the total debt of the zone and the least State in net revenue allocation of ₦59,078,967,467.23 (10.34%).

Ondo State is the least State in term of the indebtedness and second in the net revenue allocation to the States in the South West Zone with total of ₦143,680,051,304.02 (4.22%) and ₦98,027,220,608.51 (17.10%) respectively.

Table 3.6.3 SOUTH-SOUTH GEO-POLITICAL ZONE.

S/N	STATES	TOTAL DEBT	TOTAL REVENUE	% OF TOTAL DEBT	% OF TOTAL REVENUE
1	**AKWA IBOM**	228,822,344,495.91	285,005,338,499.07	11.54	20.66
2	**BAYELSA**	204,557,291,116.75	228,717,750,726.95	10.32	16.58
3	**DELTA**	426,746,352,108.53	390,283,516,300.42	21.52	28.29
4	**EDO**	406,851,837,556.31	102,478,558,004.41	20.52	7.43
5	**RIVERS**	305,414,610,996.91	309,192,750,126.58	15.40	22.41
6	**CROSS RIVER**	410,192,963,885.22	63,865,738,078.79	20.69	4.63
	TOTAL	**1,982,585,400,159.63**	**1,379,543,651,736.21**	**100.00**	**100.00**

The above table 3.7.3 shows that, the States in the South-South zone have borrowed the total of ₦1,982,585,400,159.63 as at 31st December, 2023.

Delta State had the highest figures in indebtedness and net revenue allocation in the zone during the period under review to the tune of ₦426,746,352,108.53 (21.52%) and ₦390,283,516,300.42 (28.29%) respectively.

The second State in the South-South zone is Cross River state with debt figure of ₦410,192,963,885.22, representing 20.69% of the total debt of the zone and the net revenue allocation of ₦63,865,738,078.79, accounting for 4.63% of the net total revenue allocated to the South-South Geo-Political zone.

The least State in term of level of indebtedness is Bayelsa with total debt of ₦204,557,291,116.75, representing 10.32% of the total debt of the zone and net revenue allocation of ₦228,717,750,726.95 (16.58%).

River State Government is the second in net revenue allocation in the South-South zone to the tune of ₦309,192,750,126.58 equivalent to 22.41% of the total net revenue allocation for the zone, and fourth in the zone in term of indebtedness of ₦305,414,610,996.91 (15.40%)

Table 3.6.4 NORTH CENTRAL GEO-POLITICAL ZONE

S/N	STATES	TOTAL DEBT	TOTAL REVENUE	% OF TOTAL DEBT	% OF TOTAL REVENUE
1	**BENUE**	214,062,430,625.76	86,267,390,889.85	20.33	20.13
2	**KOGI**	167,860,692,007.88	70,691,767,942.24	15.94	16.50
3	**KWARA**	149,264,504,137.04	62,442,197,426.01	14.17	14.57
4	**NASARAWA**	117,845,245,868.81	69,274,748,974.06	11.19	16.16
5	**NIGER**	201,046,182,420.69	76,444,645,821.36	19.09	17.84
6	**PLATEAU**	202,953,913,327.09	63,434,257,337.84	19.27	14.80
	TOTAL	**1,053,032,968,387.27**	**428,555,008,391.36**	**100.00**	**100.00**

A critical look at the above table 3.7.4 revealed that, the States in the North Central Geo-Political Zone borrowed to the tune of ₦1,053,032,968,387.27 and the net revenue allocation within the period under review is ₦428,555,008,391.36,

Benue state Government has the highest debt in the zone to the tune of ₦214,062,430,625.76, representing 20.33% as at 31st December, 2023 and revenue of ₦86,267,390,889.85, representing 20.13% of the total revenue allocated to the States in the zone.

The second state in the North Central zone in term of indebtedness is Plateau with total debt figures of ₦202,953,913,327.09, representing 19.27% of the overall total debt of the zone and the revenue of ₦63,434,257,337.84, representing 14.80% of the total revenue of the zone within the period.
The least state in the zone is Nasarawa state with a total debt of ₦117,845,245,868.81, equivalent to 11.19% of the overall total debt of the states and fourth in term of the net revenue allocation in the zone to the tune of ₦69, 274,748,974.06, accounting for 16.16%.

Table 3.6.5 NORTH EAST GEO-POLITICAL ZONE

S/N	STATE	TOTAL DEBT (₦)	TOTAL REVENUE (₦)	% OF TOTAL DEBT	% OF TOTAL REVENUE
1	ADAMAWA	231,127,884,712.03	74,855,696,909.38	22.45	16.96
2	BAUCHI	329,660,503,111.01	73,045,336,616.70	32.02	16.55
3	BORNO	117,208,172,107.62	92,190,757,748.96	11.38	20.89
4	GOMBE	138,362,182,328.03	60,339,740,135.84	13.44	13.67
5	TARABA	102,411,887,006.13	70,324,618,265.90	9.95	15.93
6	YOBE	110,757,282,813.31	70,663,294,796.69	10.76	16.01
	TOTAL	**1,029,527,912,078.13**	**441,419,444,473.47**	**100.00**	**100.00**

Table 3.7.5 above revealed that, the States in the zone have a total debt ₦1, 029,527,912,078.13 with a net revenue allocation of ₦441, 419,444,473.47 as at 31st December, 2023. Bauchi State Government borrowed the highest to the tune of ₦329,660,503,111.01, representing 32.02% of the total debt of the zone and total net revenue of ₦73, 045,336,616.70, accounting for 16.55% of the total net revenue for the States in the zone.

Followed by Adamawa State Government with a total debt figure of ₦231,127,884,712.03, representing 22.45% of the overall total debt of the North-East zone with a total net revenue of ₦74,855,696,909.38 (16.96%) of the overall revenue allocation of the zone.
The least state in the zone in term of debt during the period under review is Taraba State with total debt figures of ₦102,411,887,006.13, representing 9.95% of the total debt of the zone and the revenue of ₦70,324,618,265.90 accounting for 15.93% of the overall total net revenue allocated to the zone within the period under review.

On the other, Borno State Government has the highest total net revenue allocation within the zone as at 31st December, 2024 to the tune of ₦92,190,757,748.96 (20.89%) followed by Adamawa State with 16.96% and least within the zone is Gombe with 13.57% of the total net revenue allocation to the States in the region.

Table 3.6.6 NORTH WEST GEO-POLITICAL ZONE

S/N	STATE	TOTAL DEBT (₦)	TOTAL REVENUE (₦)	% OF TOTAL DEBT	% OF TOTAL REVENE
1	JIGAWA	65,970,386,829.89	90,379,603,889.05	5.16	17.09
2	KADUNA	613,826,051,035.35	82,531,154,770.82	48.05	15.61
3	KANO	219,480,008,978.65	122,524,250,667.86	17.18	23.17
4	KATSINA	144,588,280,285.61	86,318,270,097.70	11.32	16.32
5	KEBBI	96,952,971,993.12	78,858,755,321.70	7.59	14.91
6	ZAMFARA	136,710,354,676.91	68,237,689,692.72	10.70	12.90
	TOTAL	**1,277,528,053,799.52**	**528,849,724,439.85**	**100.00**	**100.00**

Table 3.7.6 above indicated that, a total of ₦1,277,528,053,799.52 was borrowed by all the States in the North West Geo-Political Zone of the Country as at 31st December, 2024 and the total net revenue of ₦528,849,724,439.85 within same period.

Kaduna State Government have the highest amount of debt in the North-West zone to the tune of ₦613,826,051,035.35, representing 48.05% of the overall total debt in the zone, with a net revenue of ₦82,531,154,770.82, accounting for 15.61% of the total revenue allocated to the states in the zone.

The second highest State is Kano State with a total debt figure of ₦219,480,008,978.65, representing 17.18% of the total debt of the zone and the net revenue figure of ₦122,524,250,667.86, accounting for 23.17% of the total net revenue allocation to the States Governments in the zone.

The least State within the zone in terms of indebtedness is Jigawa State with a total debt figure of ₦65,970,386,829.89, representing 5.16% of the total debt of the zone and the net revenue of ₦90,379,603,889.05, accounting for 17.09% of the overall total net revenue allocated to the zone.

In terms of revenue allocation, Kano State Government received the highest net revenue allocation as at 31st December, 2023 to the tune of ₦122,524,250,667.86 representing 23.17% of the total net revenue allocation to the entire states in the zone. Followed by Jigawa State with net revenue of ₦90,379,603,889.05(17.09%) and the least state is Zamfara with ₦68,237,689,692.72, accounting for only 12.90% of the total net revenue allocation for the States within the zone for the period under review.

TABLE 3.6.7 ANALYSIS OF TOTAL INDEBTEDNESS AND TOTAL NET REVENUE ALLOCATION BY GEO-POLITICAL ZONES

S/N	ZONES	TOTAL DEBT (₦)	TOTAL REVENUE (₦)	% OF TOTAL DEBT	% OF TOTAL REVENUE
1	SOUTH EAST	1,032,669,755,317.17	384,899,736,579.15	10.56	10.31
2	SOUTH WEST	3,402,296,470,162.50	571,168,762,243.45	34.80	13.03
3	SOUTH SOUTH	1,982,585,400,159.63	1,379,543,651,736.21	20.28	31.48
4	NORTH CENTRAL	1,053,032,968,387.27	428,555,008,391.36	10.77	9.78
5	NORTH EAST	1,029,527,912,078.13	441,419,444,473.47	10.53	10.07
6	NORTH WEST	1,277,528,053,799.52	528,849,724,439.85	13.07	12.07
	TOTAL	**9,777,640,559,904.21**	**4,382,206,346,621.79**	**100.00**	**100.00**

The table 3.7.7 clearly reveals the level of indebtedness and total net revenue allocation across the six geo-political zones in the Country. According to the information from the table, shows that, South-West Geo-Political Zone has the highest debt figure of ₦3,402,296,470,162.50, accounting for 34.80% of the total debt figure of the zones.

The respective total net revenue figure of the same zone is ₦571,168,762,243.45, representing 13.03% of the total net revenue allocation for the six zones as at 31st December, 2023.

The second zone in terms of debt is South-South geo-political zone with a total figure of ₦1,982,585,400,159.63, representing 20.28% of the overall total debt of the State governments in the zones. The zones are the highest in term of the total net revenue allocation in the zones to the tune of ₦1,379,543,651,736.21, accounting for 31.48%.

The least zone is North East geo-political zone of the country with a total debt figure of ₦1,029,527,912,078.13, representing 10.53% of the total debt figures of the six zone in the Federation; and the total net revenue for the zone is ₦441,419,444,473.47, accounting for 10.07% of the total net revenue allocation for the six zones.

The least zone in term of total net revenue allocation as at 31st December, 2023 is South East zone with the revenue allocation to the tune of ₦384,899,736,579.15, (10.31%) of the total net revenue allocation for the six zones in the country.

However, the main reason for this analysis is to have an insight on the level of indebtedness and net revenue allocation for each geographical zone in the country, which will determine the extent of the exposure, economic growth and development of each zone.

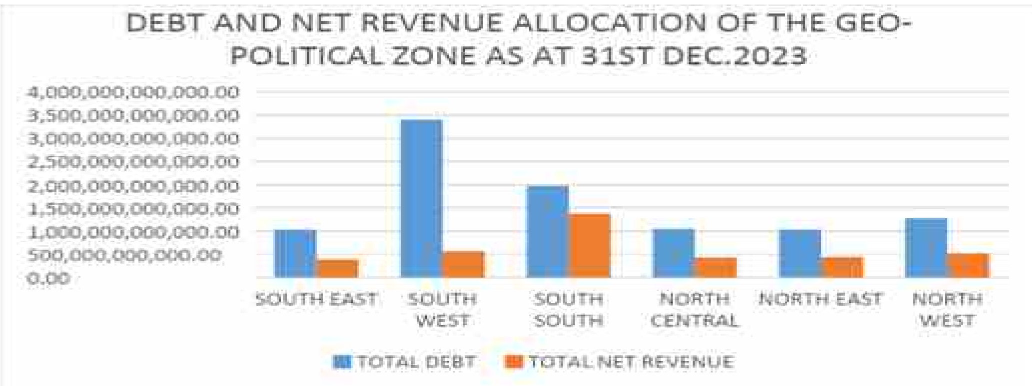


Fig. 3

Fig. 4

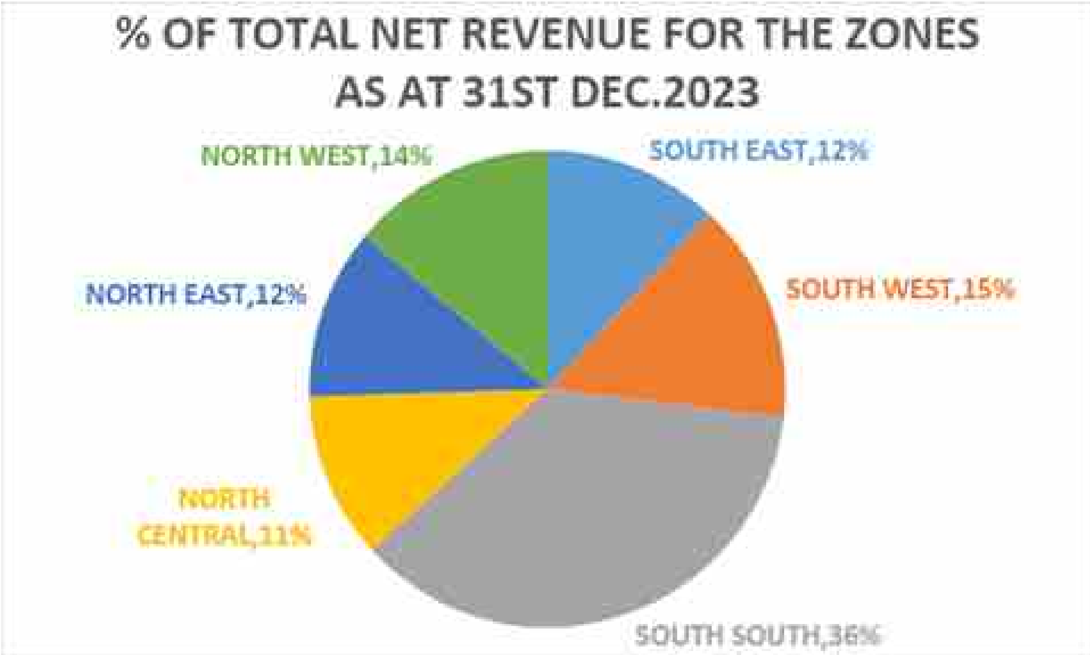


Fig. 5

3.8 CAPITAL MARKET BORROWING BY SUB-NATIONAL GOVERNMENTS AS AT 31st DECEMBER, 2023

Table 3.7.1 Capital Market Borrowing

S N	State/ Issued	Amount Issued (₦billion)	Date Issued	Principal outstanding	Coupon outstanding	Coupon Rate (%)	Purpose of Borrowing	Amortization period	Maturity Date
1	**Lagos State**	100 billion	1/29/2020	87,711,125,372.98	42,033,181,870.84	12.25%	Infrastructure	10 years	1/29/2030
2	**Lagos State**	137.328 billion	12/20/2021	137,328,000,000.00	87,620,919,616.43	13.00%	Infrastructure	10 years	12/20/2031
3	**Lagos State**	38.7 billion	8/11/2017	33,350,161,758.10	14,184,220,775.33	17.25%	Infrastructure	10 years	8/11/2027
4	**Lagos State**	5.336 billion	7/11/2017	4,567,394,189.43	1,772,872,318.51	15.85%	Infrastructure	10 years	7/11/2027
5	**Lagos State**	115 billion	5/12/2023	115,000,000,000.00	114,226,491,697.33	15%	Infrastructure	10 years	5/12/2033
6	**Lagos State**	19.815 billion	5/18/2023	19,815,000,000.00	13,200,616,711.48	14.67%	Infrastructure	7 years	5/18/2030
	Sub-Total	**416.179**		**397,771,681,320.51**	**273,038,302,989.92**				
7	**Bauchi State**	15 billion	12/9/2014	5,181,408,677.05	1,594,586,727.96	16.50%	Infrastructure	12 years	12/9/2026
8	**Plateau State**	28.2 billion	3/30/2015	5,658,792,042.13	1,017,945,145.72	17.50%	Infrastructure	10 years	3/30/2025
9	**Ondo State**	14.8 billion	1/17/2020	9,005,137,836.66	2,488,295,951.48	13%	Infrastructure	7 years	1/17/2027
10	**Kogi State**	3 billion	3/1/2015	956,551,139.86	167,030,803.56	17%	Infrastructure	10 years	3/31/2025
	Grand Total	**477.179**		**418,573,571,016.21**	**278,306,161,618.64**				

Source: SEC

3.8.1 Analysis of the Outstanding Bonds Issued by State Government as at 31st December, 2023. Table 3.8.1 indicates that, five (5) State Governments had outstanding bonds to the tune of ₦696.88 billion as at 1st December, 2023. Out of this, principal outstanding stood at ₦418.57 billion and the Coupon element stood at ₦278.31 billion respectively within the period under review.

Table 3.8.2 below further reveals that, Lagos State Government had the highest figure of ₦670.81 billion in Six (6) transactions representing 96.26% of the total outstanding bonds. Followed by Ondo State with a figure of ₦11.50 billion representing 0.97% and the least is Kogi State Government had outstanding figure of ₦1.13billion, equivalent to 0.16% of the total outstanding principal and the coupon as at 31st December, 2023.

Table 3.7.2 Principal Coupons of States with the Highest and Lowest Outstanding Bonds

State	Principal outstanding	Coupon outstanding	Principal & Coupon	%
Lagos	397,771,681,320.51	273,038,302,989.92	670,809,984,310.43	96.26
Bauchi	5,181,408,677.05	1,594,586,727.96	6,775,995,405.01	0.97
Plateau	5,658,792,042.13	1,017,945,145.72	6,676,737,187.85	0.96
Ondo	9,005,137,836.66	2,488,295,951.48	11,493,433,788.14	1.65
Kogi	956,551,139.86	167,030,803.56	1,123,581,943.42	0.16
Total	**418,573,571,016.21**	**278,306,161,618.64**	**696,879,732,634.85**	**100.00**

Table 3.8.2

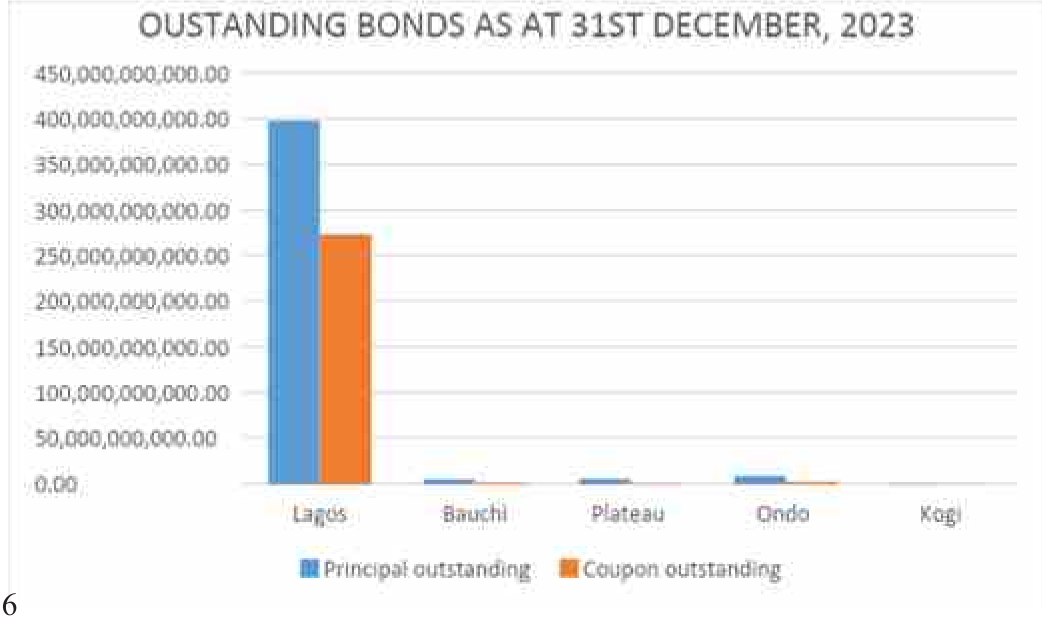


Fig. 6

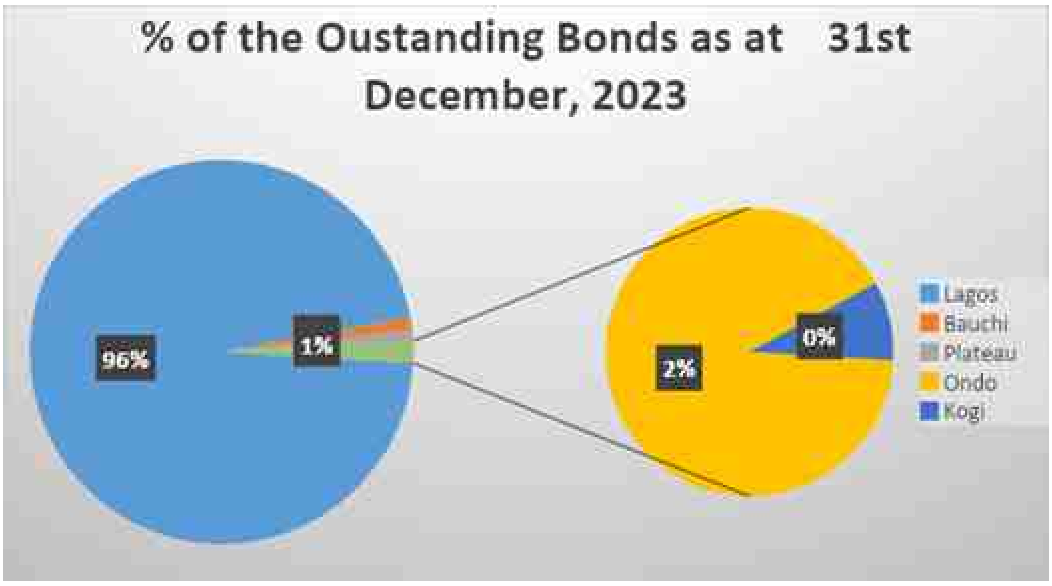


Fig. 7

3.9 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 full compliance with the provisions of the Fiscal Responsibility Act (FRA), 2007 for debt sustainability and value for money.
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 wanting to borrow must prepare a cost-benefit analysis, showing the economic and social benefits of the purpose to which, the intended borrowing is to be applied.
- All borrowings by the tiers of government must be authorized / approved by a proper legislative body. In the case of the Federal government, approval is done by the National Assembly and for the State, their 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.

The FRC Southwest team on Debt Verification with other Ekiti State Government officials during their visit to Ado Ekiti

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 2023 fiscal year are briefly summarized in table 3.9.1 below:

Table 3.8 Loan Verified for States in 2023

S/N	Geo-Political zone	State Selected	Year of Borrowing	Purpose of Borrowing	Amount Borrowed (₦)	Source of Borrowing
1	North Central	Plateau	2015	Capital Development	28,200,000,000	Capital Market
2	South-South	Delta	2021	Infrastructural Development	20,000,000,000	Zenith Bank
3	South – West	Ekiti	2021	Infrastructural Development	7,000,000,000	Access Bank
4	South – East	Abia	2015	Infrastructural Development	10,000,000,000	Zenith Bank
5	North – East	Yobe	2016	Infrastructural Development	10,000,000,000	Access Bank
6	North – East	Adamawa	2015	Infrastructural Development	10,000,000,000	Zenith Bank

3.9.2 Key Observations/Finding

- While most loan proceeds were used for the intended infrastructural and human capital projects, critical shortfalls were identified in adherence to the FRA, 2007.
- No State concluded cost-benefit analysis before acquiring loans, a requirement under Section 44(1) of FRA, 2007
- None of the States of the FRA, 2007 obtained the mandatory ''Proof of Compliance'' certificate from the Fiscal Responsibility Commission (FRC), Abuja before borrowing, breaching Section 45(1) of the FRA, 2007.
- Several States exhibited concerning practices, including shorter- than- allowed repayment periods, weak internal controls, and a non-compliant loan purpose.
- High-interest rate commercial bank loans raised concerns about long-term debt sustainability.

3.9.3 Recommendations

To address the identified non-compliance with the provisions of the FRA, 2007 and promote responsible borrowing practices, the following recommendations were made.

- Strengthen FRA, 2007 Compliance: Ensure all States obtain proof of compliance and conduct cost-benefit analyze as mandated by the FRA, 2007.
- Improve Project Management: Implement robust project management practices and enhance budgetary transparency and accountability
- Explore Alternatives: Consider alternative funding mechanisms like Public Private Partnerships (PPPs) for infrastructure development
- Capacity Building: Invest in staff training for effective loan project management
- Domesticate Fiscal Responsibility Law (FRL): States without the FRL should prioritize its adoption for responsible resource management.
- Public Disclosure of Borrowing Activities: State governments should publicly disclose information on borrowing activities, including loan purposes, funding sources and repayment plans. This transparency strengthens public oversight and promotes responsible borrowing practices.

3.10 SOME OF THE PROJECTS VERIFIED ACROSS THE STATES, 2023

Fig. 8 Old Airport Road Junction, Ray Field, Bukuru Road

Fig. 9 New High Court Complex, Jos, Plateau State

Fig. 10 Construction Of A New Central Secretariat Asaba.

Fig. 11 Rehabilitation Of Aba-owerri Road

Fig. 12 Completion Of The Ultra-modern Oja Oba Market, Ado Ekiti.

Fig. 13 GOPD Complex at General Hospital Potiskum, Yobe State

3.11 DONOR SUPPORT AND INTERNATIONAL COOPERATION

There is need to analyze and appraise the contributions of the International Donor Agencies/Development Partners to the Nigerian economy, as well as the Technical/Financial support of the Donor agencies or international community to the Fiscal responsibility Commission (FRC) in 2023.

To carry out this important aspect of the responsibility of the Commission in ensuring transparency and accountability in government finances, the Commission requested that the Honorable Minister of Budget and Economic Planning avail it the details of the various forms of intervention and assistance (Financial and Technical) given to Ministries, Departments and Agencies (MDAs) in Nigeria.

However, as at the time of compiling this report, the requested information has not been received from the Honorable Minister.

Further, in a bid to attract internal support (technical and financial), the Commission embarked on a follow-up of earlier contacts made with Development partners/supporting Organizations. It is necessary to note that in 2023, a staff of the Commission attended the following:

1. Nigeria's monetary and tax policy seminar ‘’ sponsored by the Ministry of Commerce in China which was organized by Central University of Finance and Economics, Beijing-China 7 – 21 November, 2023.
2. International Monetary Fund (IMF) AFRITAC West 2, Country Capacity Development Mission Support to FRC.

The major impact of participation in the above listed Seminar and training has widen the skills and enhancement of the quality of work of the Commission as well as the work performance of the Commission's Staff.

CHAPTER 4

BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

CHAPTER FOUR
BUDGETARY PLANNING OF CORPORATIONS AND OTHER RELATED AGENCIES

Part IV of the Fiscal Responsibility Act, 2007 outlines the budgetary planning requirements for Corporations and Related Agencies. This section, overseen by the Fiscal Responsibility Commission, mandates that all Government-Owned Enterprises (GOEs) listed in the Act's schedule submit their revenue and expenditure estimates to the Minister of Finance. Sections 21 through 24 of the FRA, 2009 provides a framework for managing the Operating Surpluses and Deficits of these Corporations. They also stipulate the procedures for scrutinizing the revenue and expenditure of GOEs and other government agencies to ensure transparency and accountability.

In discussing the budgetary planning of corporations and other related agencies, this chapter covers the following:

- **Schedule Corporations:** A list of Government-Owned Enterprises subject to the Act's provisions.
- **Remittances of Operating Surplus:** Surplus funds generated by Corporations in 2023, and the treatment thereof.
- **Revenue Hearings:** National Assembly reviews and approvals of the revenue details of corporations and related agencies.
- **Other Federal Government Agencies:** The inclusion of other government entities within the scope of the Act's budgetary planning requirements.

Schedule Corporations - Initial Composition and Subsequent Amendments

The Fiscal Responsibility Act initially included 31 corporations in its schedule. However, the Minister of Finance has periodically revised this list through Finance Circulars, with the last being FMFCME/OTHERS/IGR/CFR/21/2023, which expanded the number of Schedule Corporations to 68 - for purposes of implementing Sections 21-23 FRA, 2007.

Issues related to schedule corporations include:

Revenue and Expenditure Estimates

As per Section 21 of the FRA, Schedule Corporations are required to prepare and submit annual three-year estimates of revenue and expenditure. These estimates should encompass the entire operations of the agencies and serve as the foundation for their budgeting process. They should be derived from the agency's strategic or corporate plan.

Essential Components of the Estimates:

- Analysis and Evaluation: A review of the previous three financial years' performance.
- Underlying Assumptions: Projections based on anticipated conditions for the next three years.
- Medium-Term Policy Thrust: Alignment with the agency's strategic or corporate plan.
- Approved Budget: The agency's officially sanctioned budget.

Annual Budgets

Schedule Corporations must also submit approved Annual Budgets, which should be derived from the Medium-Term Expenditure Framework (MTEF). These budgets should be comprehensive, reflecting the agency's financial and accounting structure and adhering to the Chart of Accounts. A well-structured budget should include projected Operating Surplus to comply with the Fiscal Responsibility Act's requirements.

General Reserve Fund

Section 22(1) of the FRA, as amended by the Finance Act, 2020, mandates that each Corporation establish a General Reserve Fund. At the end of each financial year, corporations must allocate 20% of their Operating Surplus to this fund, provided their cost-to-revenue ratio does not exceed 50% or any other ratio approved by the Minister.

Operating Surplus

Section 22(2) of the FRA, 2007 states that the remaining balance of the Operating Surplus must be paid to the Consolidated Revenue Fund. The Finance Act, 2020, introduced additional guidelines for partially and self-funded agencies, requiring them to limit their annual budgetary expenditure from internally generated revenue and remit a portion of the surplus to the Sub-Recurrent Account. More specifically, Finance Circular FMFNBNP/OTHERS/IGR/CFR/12/2021, dated 20th December, 2021, states the following:

> *"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

Section 23 of the FRA, 2007 requires Schedule Corporations to prepare and publish Audited Financial Statements within 90 days of the year's end. The Commission monitors compliance with this provision, participates in inquiries related to revenue generation and remittances, and conducts reviews and visits of Schedule Corporations.

Remittance of Operating Surplus

The Commission actively monitors the remittance of Operating Surplus by Government-Owned Enterprises. To enhance compliance, the Commission has implemented the use of an Operating Surplus Calculating Template across all corporations. The direct deductions from Schedule Corporations' revenue through the Treasury Single Account, as provided for in the Finance Act 2020, have significantly improved remittances. This is facilitated by partnerships with the Office of the Accountant General of the Federation (OAGF) and the Finance Committees of the National Assembly. These have made great impact in ensuring that Agencies' liabilities are remitted promptly, as reported in the table below.

Table 4.1: Agencies' Remittances of Operating Surplus

No.	AGENCY	2022		2023		VARIANCE	
		₦	$	₦	$	₦	$
1	Abuja Security and Commodity Exchange Commission					-	-
2	Council for the Regulation of Freight Forwarding in Nigeria					-	-
3	Nigerian Upstream and Petroleum Regulatory Commission					-	-
4	Federal Housing Authority					-	-
5	Industrial Training Fund	1,476,686,200		19,683,648,428		(18,206,962,228)	-
6	Integrated Water Resources Development Agency	45,060,950		33,990,000		11,070,950	-
7	Joint Admission and Matriculation Board	4,156,476,514		4,000,001,000		156,475,514	-
8	National Examination Council	4,674,454,619				4,674,454,619	-
9	National Inland Waterway Authority					-	-

10	National Information Technology Development Agency	-		107,621,014		(107,621,014)	-
11	National Insurance Commission					-	-
12	Nigerian Content Development and Monitoring Board					-	-
13	Nigerian Agricultural Insurance Corporation					-	-
14	Nigerian Export Processing Zone Authority	917,646,474	249,094	1,980,974,605	1,239,091	(1,063,327,232)	(989,997)
15	Oil And Gas Free Zone Authority					-	-
16	Nigerian Midstream and Downstream Petroleum Regulatory Authority					-	-
17	Tertiary Education Trust Fund					-	-
18	Nigeria Deposit Insurance Corporation	50,000,000,000		55,000,000,000		(5,000,000,000)	-
19	Nigerian Social Institute Trust Fund					-	-
20	Corporate Affairs Commission					-	-
21	Nigerian Airspace Management Agency					-	-
22	Nigerian Shippers Council	1,260,860,946		2,037,608,566		(776,747,620)	-
23	Nigerian Maritime Administration & Safety Agency					-	-
24	Raw Material Research & Development Agency	70,116,976		24,590,208		45,526,768	-
25	Nigerian Civil Aviation Authority	2,714,970,745		4,446,456,567		(1,732,485,822)	-
26	National Sugar Development Council	1,344,054,714		2,984,722,001		(1,640,668,287)	-
27	Nigerian Postal Service					-	-
28	Nigerian Ports Authority					-	-
29	Federal Airport Authority of Nigeria					-	-
30	Securities And Exchange Commission	3,216,311,745		4,328,754,465		(1,112,441,720)	-
31	National Automotive Design & Development Council	2,144,540,136		225,561,658		1,918,978,478	-
32	Nigeria Communication Commission					-	-
33	National Agency for Food & Drugs Administration & Control					-	-
34	Nigerian Customs Service					-	-
35	Federal Inland Revenue Service					-	-
36	Central Bank of Nigeria	52,500,800,000		-		52,500,800,000	-
37	National Broadcasting Commission					-	-
38	Nigerian Electricity Regulatory Commission	4,035,094,844		5,542,055,745		(1,506,961,902)	-
39	Federal Mortgage Bank of Nigeria	-		5,168,212,592		(5,168,212,592)	-
40	Financial Reporting Council					-	-
41	Nigerian Bulk Electricity Trading Plc					-	-
42	Nigeria Health Insurance Scheme Authority					-	-
43	National Pensions Commission					-	-
44	Federal Road Safety Corps					-	-
45	Nigerian Immigration Service					-	-
46	National Business & Technical Examination Board					-	-
47	National Lottery Trust Fund					-	-
48	National Lottery Regulatory Commission					-	-
49	Nigerian Electricity Management Service Agency	1,489,692,844		2,241,927,877		(752,235,033)	-
50	Nigerian Railway Corporation	1,245,046,540		1,527,544,030		(282,497,491)	-
51	Standard Organization of Nigeria					-	-
52	Nigerian Export Promotion Council	135,984,704		137,144,384		(1,159,680)	-
53	Nigerian Television Authority	170,444,098		137,435,929		33,008,169	-
54	Nigerian Copyright Commission	9,556,981		5,543,065		4,013,916	-
55	National Space Research and Development Agency	670,000		12,566,985		(11,896,985)	-
56	National Office for Technology Acquisition and Promotion	358,390,290		317,742,692		40,647,598	-
57	Nigerian Meteorological Agency					-	-
58	Nigerian Investment Promotion Commission	956,169,744		1,034,346,847		(78,177,103)	-
59	Nigerian Nuclear Regulatory Authority	4,382,716				4,382,716	-
60	Nigerian Communication Satellite Limited					-	-
61	Nigerian Film and Video Censor Board	13,828,489				13,828,489	-
62	Nigerian Film Corporation	77,325,046		34,760,872		42,564,174	-
63	Federal Competitive and Consumer Protection Commission					-	-
64	Administrative Staff College of Nigeria					-	-
65	Lagos International Trade Fair Complex	370,043,320		309,210,722		60,832,598	-

REVENUE HEARINGS OF THE NATIONAL ASSEMBLY

The Finance Committees of both the Senate and House of Representatives commenced interactive sessions with Government-Owned Enterprises after the presentation of Medium- Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) by the President, to the House of Representatives of the National Assembly.

During the hearings, agencies were expected to furnish the Committees with the following information: Audited Financial Statements for year 2022; Income and expenditure Reports; Budget performance for year 2022 (Revenue); Budget Performance for year 2023 January to date of hearing (Revenue); Details of all sources of income including all revenue heads; Liabilities for services rendered to clients; Details of all contracts awarded and statutory deductions thereon (VAT, WHT, Stamp Duties, Electronic Money Transfer Levy EMTL); Any other relevant information.

Consequently, the following agencies were at the Commission for reconciliation: National Inland Waterways Authority; Nigeria Airspace Management Agency; Lagos International Trade Fair Complex Management Board; Nigeria Ports Authority; Nigeria Sugar Council; Nigeria Export Promotion Council; Nigeria Midstream and Downstream Regulatory Authority; Industrial Training Fund.

OTHER FEDERAL 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 a directive of the Senate Committee on Finance, the Commission sent out requests and reminders to Ministries, Departments and Agencies (MDAs) to submit their Audited Financial Statements for 2015-2022; and revenue returns on a quarterly basis in order to assess their compliance with the provisions of the Act.

A careful review of the documents submitted revealed that some MDAs had been defaulting in the remittance of their Internally Generated Revenues to the Consolidated Revenue Fund.

A total of ₦6,429,852,140.46 independent revenue was remitted to the treasury by 9 Ministries and Extra-Ministerial Departments only in 2023 as against ₦369,370,402.21 remitted by 7 MDAs in 2022. However, it has been an unsatisfactory response despite several requests and reminders for revenue submissions that was mailed out to the MDAs. There is urgent need by the MDAs to respond to the Commission's requests for revenue returns.

Table 4.2 below gives details of the MDAs' revenue returns received in 2023 on quarterly basis.

TABLE 4.2 REVENUE RETURNS SUBMITTED BY MD As FOR 2023

S/NO	MDA'S	REVENUE RETURNS FROM MDAs FOR 2023				
		FIRST QTR (₦)	SECOND QTR (₦)	THIRD QTR (₦)	FOURTH QTR (₦)	TOTAL (₦)
1	Federal Ministry of Education	6,141,150.00		58,575,811.25		64,716,961.25
2	Federal Ministry of Environment	6,315,000.00	13,660,000.00	94,158,375.00	98,280,525.00	212,413,900.00
3	Federal Ministry Of Works and Housing	307,887,978.71				307,887,978.71
4	Federal Ministry of Petroleum Resources	60,000.00	531,129			60,000.00
5	Federal Ministry of Mines And Steel Development	2,293,387,332.88	3,283,754,052.89			5,577,141,385.77
6	Federal Ministry Of Labour and Productivity	50,797,720.25	57,756,052.44		69,481,993.04	178,035,765.73
7	Off. of the Auditor-Gen. of the Federation	5,312,250.00	10,795,000.00	3,180,000.00	2,300,000.00	21,587,250.00
8	Office of the Secretary to federal Government	1,160,635.00	7,011,000.00	12,198,760.00	7,011,000.00	27,381,395.00
9	Federal Ministry Of Youth and Sports	20,908,004.00	19,719,500.00			40,627,504.00
	TOTAL	2,691,970,070.84	3,392,695,605.33	168,112,946.25	177,073,518.04	6,429,852,140.46

Letters were sent to other Federal Government Agencies to submit their Audited Financial Statements for 2015-2022. A total of 90 Agencies were contacted and 56 made their submissions. Table 4.3 below gives a summary of the internally generated revenue of 27 non-ministerial agencies extracted from the Audited Financial Statements for 2015-2022.

TABLE 4.3: SUMMARY REVENUE PERFORMANCE OF SOME AGENCIES FOR 2015-2022

No.	AGENCY	2022		2023		VARIANCE	
		₦	$	₦	$	₦	$
1	Abuja Security and Commodity Exchange Commission					-	-
2	Council for the Regulation of Freight Forwarding in Nigeria					-	-
3	Nigerian Upstream and Petroleum Regulatory Commission					-	-
4	Federal Housing Authority					-	-
5	Industrial Training Fund	1,476,686,200		19,684,648,428		(18,206,962,228)	-
6	Integrated Water Resources Development Agency	45,060,950		33,990,000		11,070,950	-
7	Joint Admission and Matriculation Board	3,156,376,513		3,000,001,000		156,375,513	-
8	National Examination Council	3,674,353,619				3,674,353,619	-
9	National Inland Waterway Authority					-	-
10	National Information Technology Development Agency	-		107,621,014		(107,621,014)	-
11	National Insurance Commission					-	-
12	Nigerian Content Development and Monitoring Board					-	-
13	Nigerian Agricultural Insurance Corporation					-	-
14	Nigerian Export Processing Zone Authority	917,646,374	249,094	1,980,973,605	1,249,091	(1,063,327,231)	(999,997)
15	Oil And Gas Free Zone Authority					-	-
16	Nigerian Midstream and Downstream Petroleum Regulatory Authority					-	-
17	Tertiary Education Trust Fund					-	-
18	Nigeria Deposit Insurance Corporation	50,000,000,000		55,000,000,000		(5,000,000,000)	-
19	Nigerian Social Institute Trust Fund					-	-
20	Corporate Affairs Commission					-	-
21	Nigerian Airspace Management Agency					-	-
22	Nigerian Shippers Council	1,260,860,936		2,037,608,566		(776,747,630)	-
23	Nigerian Maritime Administration & Safety Agency					-	-
24	Raw Material Research & Development Agency	70,116,976		24,590,208		45,526,768	-
25	Nigerian Civil Aviation Authority	2,713,970,735		4,446,456,567		(1,732,485,832)	-
26	National Sugar Development Council	1,344,054,714		2,983,722,001		(1,639,667,287)	-
27	Nigerian Postal Service					-	-
28	Nigerian Ports Authority					-	-
29	Federal Airport Authority of Nigeria					-	-
30	Securities And Exchange Commission	3,216,311,745		4,328,753,465		(1,112,441,720)	-
31	National Automotive Design & Development Council	2,144,540,136		225,561,658		1,918,978,478	-
32	Nigeria Communication Commission					-	-
33	National Agency for Food & Drugs Administration & Control					-	-
34	Nigerian Customs Service					-	-
35	Federal Inland Revenue Service					-	-
36	Central Bank of Nigeria	52,500,800,000		-		52,500,800,000	-
37	National Broadcasting Commission					-	-
38	Nigerian Electricity Regulatory Commission	4,035,093,843		5,542,055,745		(1,506,961,902)	-
39	Federal Mortgage Bank of Nigeria	-		5,168,212,592		(5,168,212,592)	-
40	Financial Reporting Council					-	-
41	Nigerian Bulk Electricity Trading Plc					-	-
42	Nigeria Health Insurance Scheme Authority					-	-
43	National Pensions Commission					-	-
44	Federal Road Safety Corps					-	-

44	Federal Road Safety Corps					-	-
45	Nigerian Immigration Service					-	-
46	National Business & Technical Examination Board					-	-
47	National Lottery Trust Fund					-	-
48	National Lottery Regulatory Commission					-	-
49	Nigerian Electricity Management Service Agency	1,489,692,844		2,241,927,877		(752,235,033)	-
50	Nigerian Railway Corporation	1,245,046,540		1,527,544,030		(282,497,491)	-
51	Standard Organization of Nigeria					-	-
52	Nigerian Export Promotion Council	145,984,704		147,143,444		(1,159,680)	-
53	Nigerian Television Authority	170,444,098		137,435,929		33,008,169	-
54	Nigerian Copyright Commission	9,556,981		5,543,065		4,013,916	-
55	National Space Research and Development Agency	670,000		12,566,985		(11,896,985)	-
56	National Office for Technology Acquisition and Promotion	458,390,290		417,742,692		40,647,598	-
57	Nigerian Meteorological Agency					-	-
58	Nigerian Investment Promotion Commission	966,169,744		1,044,346,847		(78,177,103)	-
59	Nigerian Nuclear Regulatory Authority	4,482,716				4,482,716	-
60	Nigerian Communication Satellite Limited					-	-
61	Nigerian Film and Video Censor Board	14,828,489				14,828,489	-
62	Nigerian Film Corporation	77,325,046		34,760,872		42,564,174	-
63	Federal Competitive and Consumer Protection Commission					-	-
64	Administrative Staff College of Nigeria					-	-
65	Lagos International Trade Fair Complex	470,044,420		409,210,722		60,833,698	-

Observations and Findings

1. Incomplete Remittances: Many fully funded agencies have not remitted the entirety of their Internally Generated Revenue (IGR) to the Consolidated Revenue Fund (CRF).
2. Potential Budget Independence: Some agencies could be fully or partially removed from the National Budget due to their ability to generate sufficient revenue through IGR.
3. Missing Treasury Receipts: There is a widespread failure by agencies to obtain Treasury Receipts as proof of remittance to the CRF.

Recommendations

1. **Circular Dissemination:** Agencies should obtain relevant finance circulars, particularly FMFBNP/OTHERS/IGR/CFR/12/21, which provides guidelines on revenue, expenditure, and IGR remittances to the CRF.
2. **E-Receipt Implementation:** The Office of the Accountant General of the Federation (OAGF) is advised to adopt an automatic e-receipt system for CRF payments.
3. **On-Site Verification:** The Commission recommends conducting site visits to Scheduled Corporations and other agencies to address outstanding issues identified during account reviews.

The Commission anticipates continued progress through these collaborative efforts and reconciliations.

CHAPTER 5

ENFORCING FISCAL RESPONSIBILITY

CHAPTER FIVE

ENFORCING FISCAL RESPONSIBILITY

5.1 ENGAGING WITH SCHEDULE CORPORATIONS/AGENCIES

In the course of the year, the Commission has continued to engage with the Chief Executive Officers/Accounting Officers and top-level management officials of Schedule Corporations, particularly those of the latest review comprising 68 Agencies listed in the Schedule to the Act by the Hon. Minister of Finance. The meetings have gone a long way in sensitizing the CEOs of the Agencies of their statutory obligations, particularly, compliance with the provisions of Part IV, especially Sections 21, 22 and 23 of the Fiscal Responsibility Act (FRA), 2007. The Commission has also maintained its strategic stakeholder engagement with Ministries, Departments and Agencies like the Ministry of Budget and National Planning, Ministry of Finance, the Accountant-General of the Federation, the Budget of the Federation, Debt Management Office, etc. with the view to cementing collaboration and enhancing compliance with the provisions of the FRA, 2007 not only by the Schedule Corporations now commonly refer as Government-Owned Enterprises (GOEs) but also by other MDAs of government. Expectedly, these efforts have greatly improved the remittance of operating surplus into the Consolidated Revenue Fund (CRF) as well as increased generation of independent revenue.

Section 22 of the FRA, 2007 (as amended by Section 62 of the Finance Act, 2020), the Revised Finance Circular of December 2023 and the reviewed Standard Template for the Calculation of Operating Surplus, issued by the commission, are the guiding frameworks for the remittance of Operating Surplus into the CRF. By the combined effects of these legislative frameworks, the cost to revenue ratio of each corporation shall not exceed 50% or such other ratio as the Minister, upon approval of the National Assembly, may approve for a particular corporation; furthermore, each corporation shall pay 80% of its Operating Surplus into the CRF on a quarterly basis.

Moreover, the Commission has continued its collaboration with relevant Committees of the National Assembly, particularly both chambers' Committees on Finance to deepen compliance with the provisions of the F.R.A,2007 by both the corporations listed in the Schedule to the Act (which have now been reviewed to 68 by the Hon. Minister for Finance and Coordinating Minister for the Economy) and other MDAs.

Furthermore, the Commission has equally embarked on a robust Revenue Monitoring Exercise which entails demanding and scrutinizing certain Books of Accounts from particular Agencies in order to ascertain their Revenue generating performances and where loopholes and gaps are identified, engaging with the same Agency on working out effective strategies for blocking revenue leakages and generally improving on the prevailing revenue generating situation.

However, bearing in mind that the provisions of the current FRA, 2007 are wholly bereft of suitable statutory sanctions for infractions of the Act, the Commission's enforcement mechanism has been largely tempered and continues to be persuasive in its approach, without prejudice to the right of citizens, citizen groups, CSOs, NGOs etc to continue to hold public officials accountable by leveraging on the very important provision of Section 51 of the FRA,2007 – which provides an indispensable tool for the enforcement and implementation of the provisions of the Act by any person through seeking appropriate prerogative orders from the Federal High Court without having to show any special or particular interest.

5.2 FISCAL RESPONSIBILITY & GOOD GOVERNANCE AT THE SUBNATIONAL LEVEL

It is worth reiterating that the Hallmarks of the F.R.A, 2007 which are equally beneficial for the sub-national Governments include: Public Participation and consultation in fiscal affairs especially in the preparation of the MTEF & the Annual Budget; Effective medium and long term fiscal and budgetary planning; Enhanced transparency and accountability; Prudence and value for money in terms of expenditure; Efficiency in the conduct of fiscal and financial affairs; A saving culture and control of debts & deficits for the benefit of future generations; Citizens involvement in the enforcement and implementation of effective Fiscal Responsibility Laws which provide for adequate punishment for violators.

5.3 In line with the provision of Section 54 of the FRA, 2007 which stipulates that the Federal government may 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, while interested States and Local Governments may seek financial assistance directly from the Federal Government, the Commission has nonetheless, continued to engage with requesting States to provide technical assistance as may be required to either formulate a suitable Fiscal Responsibility Legislation or amend/reform existing State F.R Laws.

It is appropriate to reaffirm that all aspects of FRA, 2007 apply in its entirety to the Federal Government and its agencies. However, it is instructive 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).

5.4 It is worth noting that certain sections of FRA, 2007 are intended to persuade States and Local Governments to adopt principles contained therein. The sections are reproduced hereunder:

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

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

Section 31: "In implementing their annual budget, States and Local 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".

5.5 In the year under review, the Commission did not quite receive much formal request for technical assistance from any State or Local Government except Benue State. The Chairman and Management of Benue State Fiscal Responsibility Commission came to the Commission on a 5-day visit/training and were extensively drilled on the principles and practical workings of fiscal responsibility framework and the benefits thereof. The Commission also facilitated study visits to sister anti-corruption agencies like the ICPC, EFCC as well as the Debt Management Office (DMO). The Commission also participated in building the capacity/training the management and staff of the Kwara State Fiscal Responsibility Commission at Ilorin which was facilitated by a Civil Society Organization, OrderPaper.ng. Through informal contacts and official interactions, the Commission has continued to promote and encourage a host of States and Local Governments in the Country to embrace and fully domesticate the regime of fiscal responsibility in order to expand and extend the frontiers of good governance, prudence, transparency and accountability.

The Commission has also advocated, 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. The Commission has continued to leverage on the opportunities provided by the several invitations it received to participate at various official fora as well as those organized by Civil Society Organizations during the year to highlight the indispensability of effective Fiscal Responsibility Legislations not only at the federal level but at the sub-national levels as well. However, the triple challenge of poorly trained and inadequate number of staff as well as inadequate facility and work tools have combined with the dire shortage of funding have continued to render most, if not all the sub-national Fiscal Responsibility Commission's virtually comatose and ineffective in most cases.

5.6 EFFORTS TOWARD THE AMENDMENT OF THE FRA, 2007.

The Commission has continued to sustain its campaign for the amendment of the FRA, 2007 with the view of strengthening the Act in order to enhance optimum compliance by all Government MDAs, amongst other benefits. The Act, which has been in operation for over one and half decade now, has been observed and found to contain certain loopholes and weaknesses which have hampered its effective operation and efficient achievement of its internment. It will also reposition and reconfigure the structure, functionality and effectiveness of the Commission and ultimately increase its capacity to generate independent revenue into the Consolidated Revenue Fund (CFR) of the Federal Government. As it stands, the amendment process at the National Assembly had passed the second reading and public hearing stage at the Senate since July 2021 and was awaiting the third reading and final passage at the Senate before the tenure of the 9th National Assembly expired. Hopefully, the 10th NASS will pay adequate attention to revisiting and completing the amendment process within its legislative lifespan.

5.7 INVESTIGATION OF INFRACTIONS TO THE FRA, 2007

The imperative of improving the manpower, capacity and work tools of the Commission's Investigation Unit cannot be over-stressed. Though the Commission has taken steps to reorganize and reinforce the Commission's investigation personnel and apparatus, within its limited resources, for greater efficiency, effectiveness and improved performance, however, there still exists a gap in the training of the Personnel of the Investigation Unit which can be closed/improved upon with the anticipated assistance of sister Agencies like the ICPC and the EFCC (pursuant to the Memoranda of Understanding with both Agencies) as well as with support from Development Partners.

5.8 In 2023, the Commission's Investigative work was mainly focused on providing technical support/vital information on the status of remittances by Schedule Corporations to the Investigative Hearings conducted by the Finance Committees of both Chambers of the National Assembly which, amongst others, probed the non-remittance of Operating Surpluses and Internally Generated Revenue by a host of corporations and MDAs. The process led to the recovery of several billions of naira hitherto unremitted revenue and Operating Surpluses into the CRF of the Federal Government. The Commission also strengthened its collaboration with the Office of the Accountant-General of the Federation and other stakeholders in jointly determining the outstanding amounts due from Schedule Corporations after ascertaining and deducting any previous interim payments made by them in line with the Template for calculating Operating Surplus produced by the Commission. In this connection, the Commission is determined to leverage on Section 62 of the Finance Act, 2020 (which amended Sec. 22 of the F.R.A, 2007) and the Finance Circular of December, 2023 in ensuring the timely remittance of all outstanding amounts in accordance with the provision of the Law.

CHAPTER 6

TRANSPARENCY AND ACCOUNTABILITY

CHAPTER SIX

TRANSPARENCY AND ACCOUNTABILITY

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

These Sections provide that the:

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

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

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

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

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

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

6.2 Titled 'Budget of Fiscal Consolidation and Transition' the 2023 Budget was designed to further deliver on the reflationary policies of the 2021 and 2022 Budgets. The 2023-2025 Medium Term Expenditure Framework (MTEF and Fiscal Strategy Paper (FSP) provided the economic framework for the Budget; and was guided by the strategic objectives of the National Development Plan (NDP) 2021-2025.

Government maintained its commitment to the budget cycle being from January to December. The original 2023 Appropriation Bill was submitted to the National Assembly in October 2022 where changes were made to it as per an increase in revenue targets and planned expenditure. The final Budget of N21.83 trillion was signed into Law on 3rd January 2023 by President Muhammadu Buhari.

With the coming in of a new Government in May 29, 2023, President Bola Ahmed Tinubu signed the ₦2.17 trillion Supplementary 2023 Budget on 8th November 2023 after it was passed by the National Assembly on 6th November 2023.

Furthermore, on the request of Mr. President, the National Assembly in December 2023 extended the implementation period of the capital component of the Budget from 31st December 2023 to 31st March 2024.

The Minister of Finance and Coordinating Minister of the Economy, Mr. Wale Edun on 11th December 2023 declared that the 2023 Supplementary Budget will run concurrently with the intended 2024 Budget.

6.3 A close study of the available Budget documents for Year 2023, revealed the following:

- The timelines for the publication of the Budget Implementation Reports were not adhered to as only Half-Year information is available.
- The budget was prepared using the Zero- Based Budgeting (ZBB) approach and in line with government's priorities.
- Quite a number of on-going projects in the 2022 Budget were rolled over to the 2023 Budget meaning two Budgets were rolling consecutively.
- There was significant variance from MTEF projections and budget assumptions from both oil and non-oil revenues and expenditures.
- Crude oil and gas sales under-performed as at half year. However, oil taxes and non-oil taxes slightly improved.
- Gross non-oil sales increased in the first half of the year with an increase of 6.67% i.e., from the estimate of ₦3,835.92 billion to ₦4,091.61 billion as actual.
- Projected expenditure for the half year was ₦10,437.66 but the actual out turn was ₦7,608.32 with a ₦2,829.34 billion decrease.
- The Budget has a fiscal deficit of ₦10.78 trillion which the Federal Government hopes to finance through Privatization Proceeds, Multi-Lateral/Bi-Lateral Project-Tied Loans, Foreign Borrowing and Domestic Borrowing.
- The mid-year deficit of ₦3,488.47 billion (at 60.14% of the 2023 deficit) was financed through domestic borrowing which amounted to ₦2, 530.00 billion.
- The Budget was not accompanied by the relevant documents in line with Section 19 FRA, 2007.
- The performance of Chief Executive Officers could not be measured as there was no budget execution report on them.

The publication of FGN Financial Statements is in arrears. The 2020 Consolidated General Purpose Financial Statements is the last published by the Office of the Accountant General of the Federation. Likewise, the last Audit Report by the Office of the Auditor-General for the Federation was on the FGN Consolidated Financial Statements 2020.

It must be noted that in the year under review, the country and the world in general, witnessed slow global growth and uncertainty due to the lingering effects of the COVID-19 pandemic, high crude oil prices, high inflation and the Russian-Ukraine war.

Generally, on-going efforts were made by the Federal Government towards strengthening accountability and transparency in public finance management and building upon reforms.

6.4. As a member of the Inter-Agency Task Team (IATT) on anti-corruption reforms in Nigeria, the Commission participated in the 5th African Union Anti-Corruption Day. The Day is celebrated annually on July 11 since 2003 when the African Union adopted the African Union Convention Preventing and Combating Corruption (AUPCC). The 2023 edition had the theme **'African Union Convention on Preventing and Combating Corruption (AUPCC), 20 Years After: Achievements and Prospects'**. The National Discourse focused on how far the Continent and Nigeria in particular, had gone in combating corruption twenty years from signing the Convention.

The annual World International Anti-Corruption Day held on the 9th of December 2023 and was commemorated by IATT members. The theme was **‘UNCAC AT 20: Uniting the World against Corruption’.**

The second phase of the National Anti-Corruption Strategy (NACS) 2022-2026 was approved by the Federal Executive Council. The concept of the National Anti-Corruption Strategy (NACS) is to provide a coordinated National Policy that will guide all sectors and stakeholders on transparency and accountability in governance and service delivery.

6.5. To support transparency and accountability in-house, the Commission has an Anti-Corruption and Transparency Unit (ACTU) since 2019. The Unit is overseen by the Independent Corrupt Practices and Other Related Crimes Commission (ICPC). The Commission is evaluated by the ICPC Ethics and Integrity Compliance Score Card (a monitoring and evaluation tool) for compliance based on three key performance indicators of Management Culture and Structure; Financial Management Systems and Administrative Systems.

CHAPTER 7

COMMUNICATION, RESEARCH AND DISSEMINATION OF STANDARDS

CHAPTER SEVEN

COMMUNICATION, RESEARCH AND DISSEMINATION OF STANDARDS

STRATEGIC COMMUNICATION

7.1 Introduction:

The Directorate of Strategic Communications is responsible for the dissemination of information and public enlightenment campaigns; the Directorate also manages and portrays the good image and reputation of the Commission. This is done using different channels and strategies but with the available resources.

The Directorate launched several notable projects and campaigns during the 2023 fiscal year with the aim of increasing openness in government activities, encouraging fiscal discipline, and raising public awareness on the mandate and responsibilities of the Fiscal Responsibility Commission (FRC).

Some of the notable projects launched during the 2023 fiscal year are:

- Targeted communication efforts to enhance awareness of fiscal responsibility principles and the FRC's role in fostering transparency and accountability in governance.
- Organized public fora, workshops, and seminars to engage stakeholders for exchange of ideas and information on issues fiscal policies and reforms.
- Media engagement and outreach to improved media relations with journalists, editors, and media outlets to boost coverage and more visibility on the activities of FRC.
- Regular press briefings, interviews, and media appearances to keep the public up-to-date on the Commission's mandate and activities.
- The use of social media platforms and digital channels to reach a larger audience and spread critical messages about fiscal responsibility.
- Publications of high-quality researches and studies on good governance, public finance management and accountability.
- Collaboration with subject matter experts and stakeholders to create educational and thought-provoking content for distribution.
- Promotion of fiscal transparency and accountability among government agencies, private sector entities, civil society organizations, and the public.
- Collaborative initiatives with international organizations, donor agencies, and development partners to advocate for best practices in fiscal governance and management.
- Participated in national and regional conferences, workshops, and events to advocate for policy reforms and legislative measures to strengthen fiscal responsibility

MAJOR EVENTS IN 2023

Some major events carried out during the 2023 fiscal year.

Workers Day Celebration

Members of the two unions in the Commission participated in the May Day Celebration

A group photograph of some members of AUPCTRE and Association of Senior Staff during the 2023 Workers' Day celebration at Eagle Square, Abuja

ii). Platinum Award of Excellence

In recognition of the noble and painstaking effort by the Commission led by the Executive Chairman, Sir (Barr.) Victor Muruako, Prestigious Platinum Award of Excellence was presented to the Executive Chairman by the International Society of Project Management and Development UK. The event which took place in Abuja was widely reported in many media outlets and the Commission's social media pages. This was an image booster for the Commission beyond Nigeria.

The Executive Chairman of the Commission, Sir (Barr.) Victor Muruako (middle) receiving the Prestigious Platinum Award of Excellence from the Society of International Project Management and Development United Kingdom.

iii). Executive Chairman during the Inauguration of the President
One of the major events that shaped the 2023 fiscal year was the election and the inauguration of the new president of the Federal Republic of Nigeria, His Excellency, Bola Ahmed Tinubu

The Executive Chairman of FRC, Barr. Victor Muruako (right) in a group photograph with other dignitaries during the inauguration of President Bola Ahmed Tinubu GCFR

The aftermath of the inauguration ceremony included differing opinions about the removal of petroleum subsidy announced by the President during his inauguration speech. To address the issue as a Commission, a Press Conference was organized with the conferment of the Fellow, Michael Imodu National Labour Institute for Labour Studies (MINILS) to the Executive Chairman where he spoke in support of the President's initiative to discontinue the subsidy's regime due to irregularities and corruption.

He saw Mr. President's action as a bold step taken to restore the economy of Nigeria blaming the past Government for failing to address the issue of removal of the fuel subsidy before now. According to him, if fuel subsidy had been removed by the previous Governments, Nigerians would have been benefiting from the gains by now. This was widely covered and disseminated across the nation through the major media channels and social media.

The Executive Chairman of the Commission, Bar. Victor Muruako (third right), and some of the FRC Staff with the Consultant for the Workshop on the Fundamentals Principles on Procurement, Nasarawa State

iv) Incorporating Fiscal Responsibility in Nigeria Universities Curriculums
Due to the effort of the Commission to ensure prudent management of the economy in Nigeria, the National University Commission (NUC) has made a move to incorporate the Fiscal Responsibility Act, 2007 in the curriculum of Nigerian Universities. This was made public to create enlightenment on why the move should be supported by all the stakeholders in order to ensure prudent management of the nation's resources and promote greater accountability in the financial transactions of the government. It was also a recognition of many years of efforts and tenacity by the management and staff of the Commission led by the Executive Chairman, Barr. Victor Muruako

A Group Photograph of the Commission Staff and some Delegates from the Code of Conduct Bureau during a Workshop on Strict Compliance with Assets Declaration and Code of Conduct for Public Officers held in the Commission Office, Abuja

v) Knowledge Shaing
The report on the professional development activities organized for the Commission's management and staff was shared to the public. This weekly knowledge-sharing session takes place every Thursday, providing a platform for discussion, peer review, and exchange on important economic topics concerning both the Nigerian economy and global perspectives.

The Head of Strategic Communication, Mr. Bede Anyanwu NIPR delivering a lecture during one of the knowledge-sharing sessions in the Commission.

We ensured that the report on the capacity-building programs organized for the Commission's staff was publicized as part of our efforts to inform the public about the Commission's activities. These programs were held to enhance the skills and capabilities of our staff, enabling them to effectively fulfill the Commission's responsibilities.

vi) Stakeholders Meeting in Lagos

The campaign for the full implementation of the Fiscal Responsibility Act 2007 was taken to a higher level when the stakeholder's engagement at the Access Bank Headquarters, Lagos. The event was to sensitize the bank on their roles in the implementation of section 45 of the FRA 2007. The broadcast of this event has helped in educating the general public once again on the importance of ensuring the provisions of the Act are properly implemented as it will help build a better nation of accountability and transparency in the government's financial dealings.

The Executive Chairman of the Commission, Bar. Victor Muruako addressing the Press during the Stakeholders' dialogue held at the Access Bank Headquarters in Lagos.

vii) Afritec West 2 One-day Visit to the Commission

In view of the consistent efforts of the Fiscal Responsibility Commission to ensure transparency, accountability and prudent in management of the nation's resources, this act attracted recognition from different groups both local and international such as International Monitory Funds (IMF). The IMF has been partnering with the FRC in providing capacity building for the staff of the Commission

The Executive Chairman of the Commission, Bar. Victor Muruako (R) and the IMF Director of African Regional Technical Assistance Center for West Africa 2 (AFRITEC West 2) Eva Jenkner paid a one-day working visit to the Commission.

RESEARCH AND DISSEMINATION OF STANDARDS

INTRODUCTION

One of the core mandates of the Commission is fiscal and financial studies of budgets and financial reports. Fiscal issues arise in every nation and the study and analysis of these issues pave way for possible solutions towards achieving a vibrant economy.

As provided in the Fiscal Responsibility Act (FRA), 2007, Section 1(c) the Commission is to ‘’ Undertake fiscal and financial studies, analysis and diagnosis and disseminate the result to the general public’’.

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

Furthermore, the Commission analyzed States’ Internally Generated Revenue and FAAC allocation given to the States by the Federal government as they are both important indices of recurrent revenue and macroeconomics needed in Fiscal and Monetary policies and in making viable decisions toward a stable economy.

The Commission has been collecting and collating data on the Revenue and Expenditure of States. The Internally Generated Revenue and the FAAC Allocation from 2016 to 2021for the thirty-six (36) States of the federation was used in this analysis.

The analysis undertaken is the trend of the Internally Generated Revenue and the FAAC allocation of the thirty-six (36) States of the federation, the States’ dependency ratio on FAAC Allocation and their fiscal performance ranking from the perspective of geo-political zones.

S/N	STATE	2016 (₦ Billion)	2017 (₦ Billion)	2018 (₦ Billion)	2019 (₦ Billion)	2020 (₦ Billion)	2021 (₦ Billion)
1	OYO	18.88	22.45	24.64	26.75	38.04	52.16
2	OSUN	8.88	11.73	10.38	17.92	19.67	21.86
3	LAGOS	302.42	333.97	382.18	398.73	418.99	546.35
4	ONDO	8.68	10.93	24.79	30.14	24.85	37.37
5	OGUN	72.98	74.84	88.55	70.92	50.17	78.17
6	EKITI	2.99	4.97	6.47	8.55	8.72	17.57
7	BAYELSA	7.91	12.52	13.64	16.34	12.18	18.59
8	RIVERS	85.29	89.48	112.78	140.40	117.17	141.4
9	DELTA	44.06	51.89	58.44	64.68	59.73	80.5
10	AKWA-IBOM	23.27	75.96	24.21	32.29	30.7	31.4
11	CROSS RIVER	14.78	18.10	17.55	22.60	16.18	22.91
12	EDO	23.04	25.34	28.43	29.48	27.18	38.67
13	ABIA	12.69	14.92	14.83	14.77	14.38	16.88
14	ANAMBRA	15.24	17.37	19.31	26.37	28.01	25.45
15	EBONYI	2.34	5.10	6.14	7.46	13.59	26.00
16	IMO	5.87	6.85	14.88	16.1	17.08	20.48
17	ENUGU	14.24	22.04	22.15	31.07	23.65	26.72
18	SOKOTO	4.55	9.02	18.76	19.01	11.8	23.76
19	KADUNA	23.02	26.53	29.45	44.96	50.77	52.41
20	KEBBI	3.13	4.39	4.88	7.37	13.78	9.86
21	KANO	30.96	42.42	44.11	40.59	31.82	40.66
22	KASTINA	5.55	6.03	6.96	8.50	11.4	24.22

23	**ZAMFARA**	4.78	6.02	8.21	15.42	18.5	12.96
24	**JIGAWA**	3.54	6.65	9.25	12.93	8.67	42.01
25	**BORNO**	2.68	4.98	6.52	8.18	11.58	24.72
26	**GOMBE**	2.94	5.27	7.34	6.80	8.54	10.56
27	**YOBE**	3.24	3.60	4.38	8.44	7.78	8.46
28	**TARABA**	5.90	5.76	5.79	6.53	8.11	9.77
29	**ADAMAWA**	5.79	6.20	6.20	9.70	8.33	13.01
30	**BAUCHI**	8.68	4.37	9.69	11.70	12.5	17.9
31	**NASARAWA**	3.40	6.17	7.57	10.86	12.48	20.7
32	**KWARA**	17.25	19.64	23.05	30.65	19.6	26.67
33	**KOGI**	9.57	11.24	11.33	16.39	17.36	16.8
34	**PLATEAU**	9.19	10.79	12.73	16.48	19.12	21.43
35	**BENUE**	9.56	12.40	11.22	17.85	10.46	12.6
36	**NIGER**	5.88	6.52	10.43	12.77	10.52	15.84
	TOTAL:	**823.17**	**996.46**	**1107.24**	**1259.7**	**1213.41**	**1606.82**

SOURCE: National Bureau of Statistics/BudgIT

The table above shows the Internally Generated Revenue for the States from 2016 to 2021 increased exponentially, it was ₦823.17bn in 2016 and by 2021 it rose to ₦1,606.82bn; the growth is based on year-on-year was 33.66%.

The revenue generated from for the thirty-six (36) States of the federation within the period of study significantly improved as observed from table 7.1. Lagos and Rivers State had the highest IGR of ₦302.42bn and ₦85.29bn in 2016 while Ebonyi State and Borno State had the lowest IGR of ₦2.34bn and ₦2.68bn in 2016 respectively.

In 2021, Lagos State and Rivers State still maintained the highest IGR of ₦546.35bn and ₦141.4bn respectively while Yobe State and Taraba State had the lowest IGR of ₦8.46bn and ₦9.77bn respectively.

From the geo-political zone perspective, the South-West States had the highest IGR from 2016 to 2021 with Lagos State ranking first from the list with IGR of ₦302.42bn in 2016 and ₦546.35bn in 2021.

The North-East had the lowest IGR for the years under review among the geo-political zones with IGR of ₦29.23bn in 2016 and ₦84.42bn in 2021; Borno State generated N2.68bn in 2016 and Taraba State generated ₦9.77bn which was the lowest in 2021 among the states in the zone.

7.2 THE TREND ANALYSIS OF THE INTERNALLY GENERATED REVENUE OF THE 36 STATES ACCORDING TO THE GEO-POLITICAL ZONES

The charts below show the trend of States' Internally Generated Revenue from 2016 to 2021 from the geo-political zone perspective.

Table 7.1.2 SOUTH-WEST ZONE

S/N	STATE	2016 (₦ Billion)	2017 (₦ Billion)	2018 (₦ Billion)	2019 (₦ Billion)	2020 (₦ Billion)	2021 (₦ Billion)
1	**OYO**	18.88	22.45	24.64	26.75	38.04	52.16
2	**OSUN**	8.88	11.73	10.38	17.92	19.67	21.86
3	**LAGOS**	**302.42**	**333.97**	**382.18**	**398.73**	**418.99**	**546.35**
4	**ONDO**	8.68	10.93	24.79	30.14	24.85	37.37
5	**OGUN**	72.98	74.84	88.55	70.92	50.17	78.17
6	**EKITI**	2.99	4.97	6.47	8.55	8.72	**17.57**
TOTAL		**414.83**	**458.89**	**537.01**	**553.01**	**560.44**	**753.48**

SOURCE: National Bureau of Statistics/BudgIT

From table 7.1.2 above, Lagos State had the highest IGR from 2016 to 2021 (marked in green) while Ekiti State had the lowest IGR recorded for the period under review.

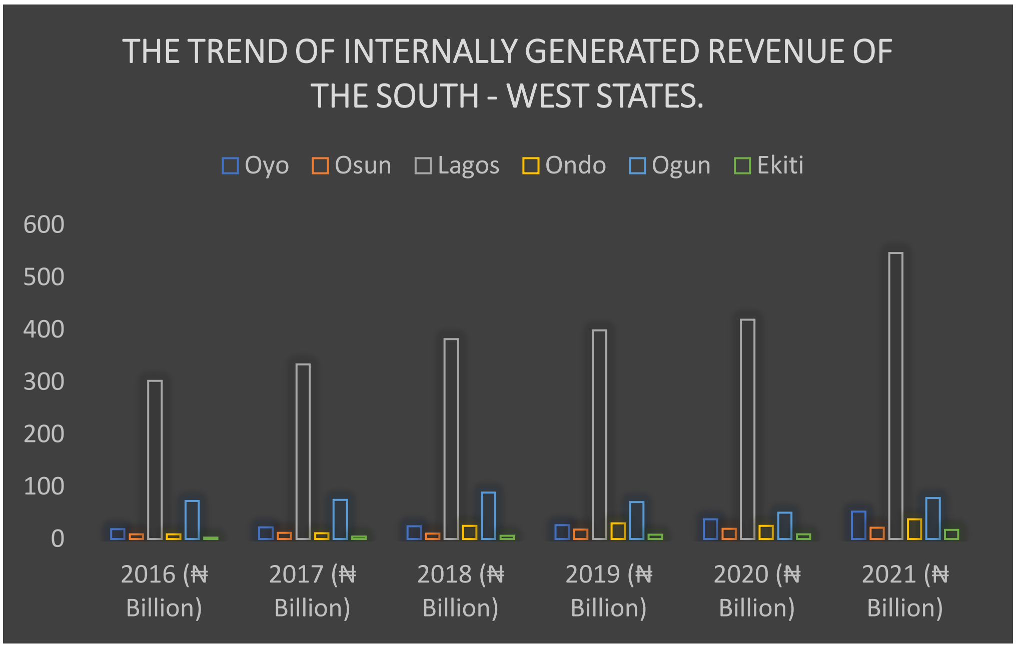


Fig. 1: TREND OF IGR OF THE SOUTH-WEST STATES

Table 7.1.3 SOUTH-SOUTH ZONE

S/N	STATE	2016 (₦ Billion)	2017 (₦ Billion)	2018 (₦ Billion)	2019 (₦ Billion)	2020 (₦ Billion)	2021 (₦ Billion)
7	**Bayelsa**	7.91	12.52	13.64	16.34	12.18	18.59
8	**Rivers**	**85.29**	**89.48**	**112.78**	**140.40**	**117.17**	**141.4**
9	**Delta**	44.06	51.89	58.44	64.68	59.73	80.5
10	**Akwa-Ibom**	23.27	75.96	24.21	32.29	30.7	31.4
11	**Cross River**	14.78	18.10	17.55	22.60	16.18	22.91
12	**Edo**	23.04	25.34	28.43	29.48	27.18	38.67
	TOTAL	**198.35**	**273.29**	**255.05**	**305.79**	**263.14**	**333.47**

SOURCE: National Bureau of Statistics/BudgIT

From table7.1.3 above, Rivers State had the highest IGR from 2016 to 2021 (marked in green) while Bayelsa State had the lowest IGR recorded for the period under review (marked in red).

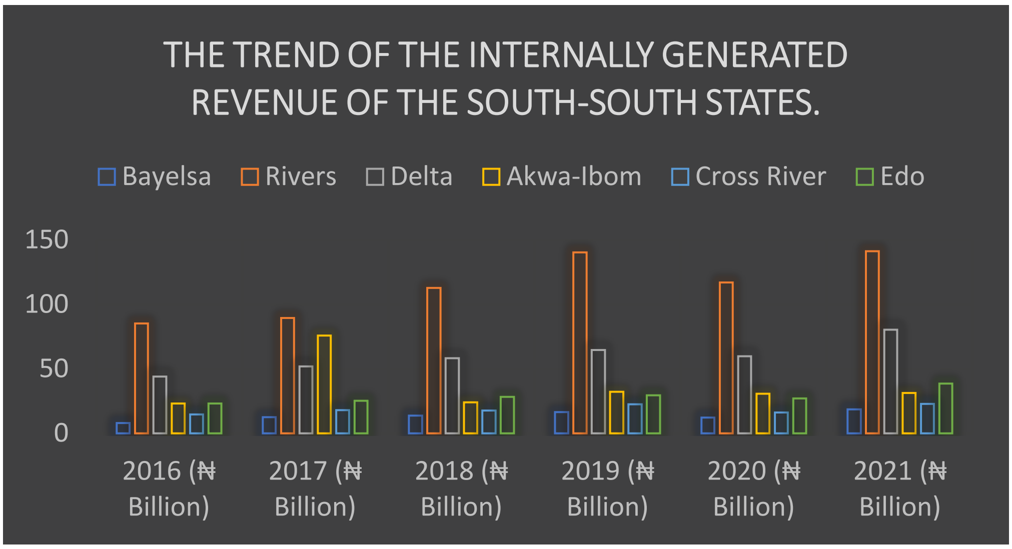


Fig. 2: TREND OF IGR OF SOUTH-SOUTH STATES

Table 7.1.4 SOUTH-EAST ZONE

S/N	STATE	2016 (₦ Billion)	2017 (₦ Billion)	2018 (₦ Billion)	2019 (₦ Billion)	2020 (₦ Billion)	2021 (₦ Billion)
13	Abia	12.69	14.92	14.83	14.77	14.38	16.88
14	Anambra	**15.24**	17.37	19.31	26.37	**28.01**	25.45
15	Ebonyi	**2.34**	**5.10**	**6.14**	**7.46**	**13.59**	26.00
16	Imo	5.87	6.85	14.88	16.1	17.08	**20.48**
17	Enugu	14.24	**22.04**	**22.15**	**31.07**	23.65	**26.72**
	TOTAL	50.38	66.28	77.31	95.77	96.71	115.53

SOURCE: National Bureau of Statistics/BudgIT

Table 7.1.4 above clearly shows that, Anambra State had the highest IGR in 2016, Enugu State had the highest IGR in 2017,2018, 2019 and 2021; (marked in green) while Ebonyi State had the lowest IGR recorded in 2016, 2017,2018,2019 and 2020; Imo State had the lowest IGR amongst the South-East States in 2021(marked in red).

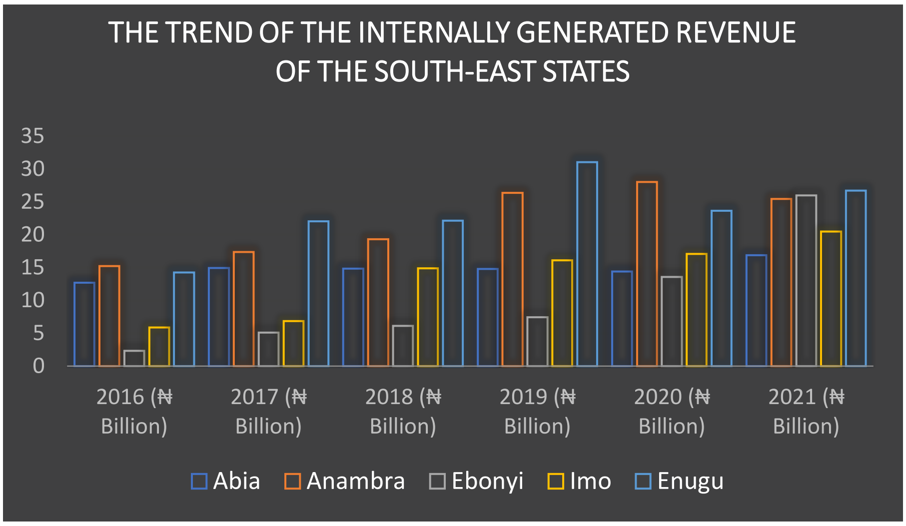


Fig. 3 TREND OF THE IGR OF SOUTH-EAST STATES

Table 7.1.5 NORTH-WEST ZONE

S/N	STATE	2016 (₦ Billion)	2017 (₦ Billion)	2018 (₦ Billion)	2019 (₦ Billion)	2020 (₦ Billion)	2021 (₦ Billion)
18	Sokoto	4.55	9.02	18.76	19.01	11.8	23.76
19	Kaduna	23.02	26.53	29.45	44.96	**50.77**	52.41
20	Kebbi	**3.13**	**4.39**	**4.88**	**7.37**	13.78	**9.86**
21	Kano	**30.96**	**42.42**	**44.11**	**40.59**	31.82	40.66
22	Kastina	5.55	6.03	6.96	8.50	11.4	24.22
23	Zamfara	4.78	6.02	8.21	15.42	18.5	12.96
24	Jigawa	3.54	6.65	9.25	12.93	**8.67**	**42.01**
	TOTAL	75.53	101.06	121.62	148.78	146.74	205.88

Table 7.1.5 above, indicates that Kano State had the highest IGR in 2016,2017, 2018,2019; Kaduna State and Jigawa State had the highest IGR in 2020 and 2021 respectively (marked in green) while Kebbi State had the lowest IGR recorded in 2016, 2017,2018 ,2019 and 2021; Jigawa State had the lowest IGR in 2020 (marked in red).

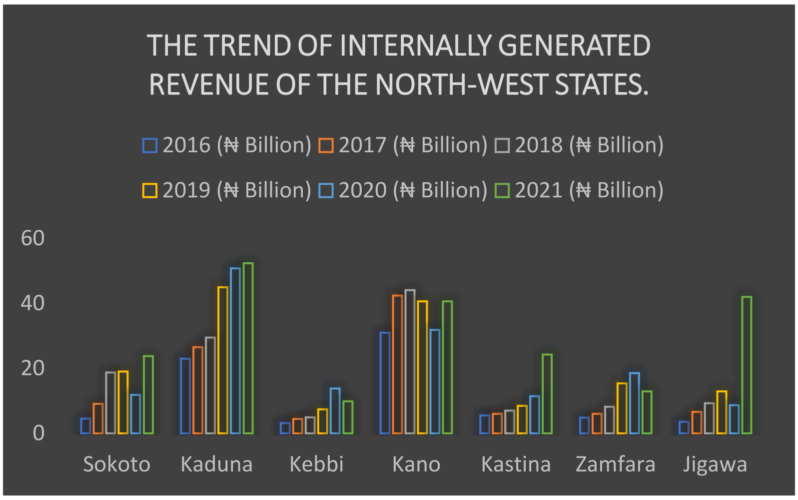


Fig. 4: TREND OF THE IGR OF SOUTH-EAST STATES

Table 7.1.6 NORTH-EAST ZONE

	STATE	2016 (₦ Billion)	2017 (₦ Billion)	2018 (₦ Billion)	2019 (₦ Billion)	2020 (₦ Billion)	2021 (₦ Billion)
25	Borno	**2.68**	4.98	6.52	8.18	11.58	**24.72**
26	Gombe	2.94	5.27	7.34	6.80	8.54	10.56
27	Yobe	3.24	**3.60**	**4.38**	8.44	**7.78**	**8.46**
28	Taraba	5.90	5.76	5.79	**6.53**	8.11	9.77
29	Adamawa	5.79	**6.20**	6.20	9.70	8.33	13.01
30	Bauchi	8.68	4.37	**9.69**	**11.70**	**12.5**	17.9
	TOTAL	**29.23**	**30.18**	**39.92**	**51.35**	**56.84**	**84.42**

From the table7.1.6 above, Bauchi State had the highest IGR during 2016, 2018, 2019 and 2020 fiscal year. In 2017 and 2021 fiscal year Adamawa and Borno State had the highest IGR respectively; (marked in green) while Borno State had the lowest IGR recorded in 2016, Yobe State recorded the lowest in 2017, 2018, 2020 and 2021 fiscal year; Taraba State had the lowest IGR amongst the North - East States in 2019(marked in red).

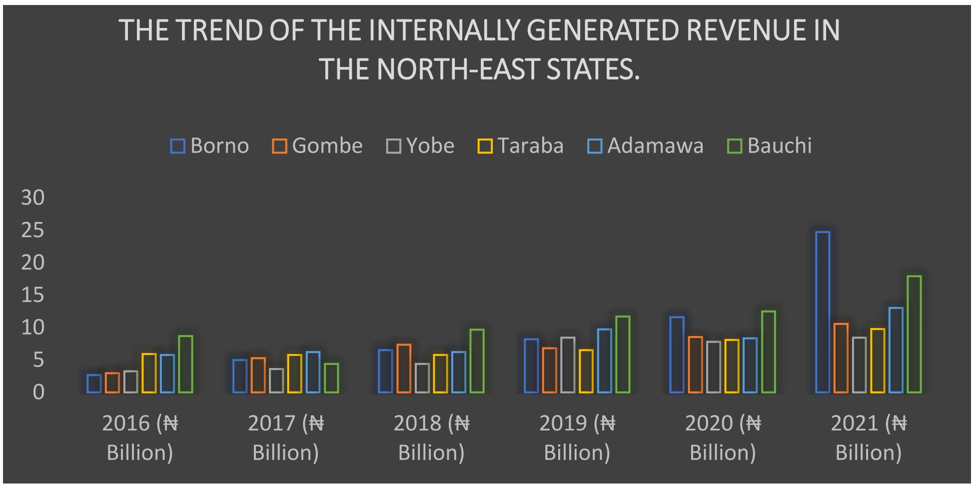


Fig.5: TREND OF IGR FOR THE NORTH-EAST STATES

Table 7.1.7 NORTH CENTRAL STATES

S/N	STATE	2016 (₦ Billion)	2017 (₦ Billion)	2018 (₦ Billion)	2019 (₦ Billion)	2020 (₦ Billion)	2021 (₦ Billion)
31	Nasarawa	3.40	6.17	7.57	10.86	12.48	20.7
32	Kwara	17.25	19.64	23.05	30.65	19.6	26.67
33	Kogi	9.57	11.24	11.33	16.39	17.36	16.8
34	Plateau	9.19	10.79	12.73	16.48	19.12	21.43
35	Benue	9.56	12.40	11.22	17.85	10.46	12.6
36	Niger	5.88	6.52	10.43	12.77	10.52	15.84
	TOTAL	54.85	66.76	76.33	105	89.54	114.04

From the table above, Kwara State had the highest IGR in 2016 to 2021 (marked in green) while Nasarawa State had the lowest IGR in 2016, 2017, 2018, 2019 and Benue State had the lowest IGR in 2020 and 2021; (marked in red).

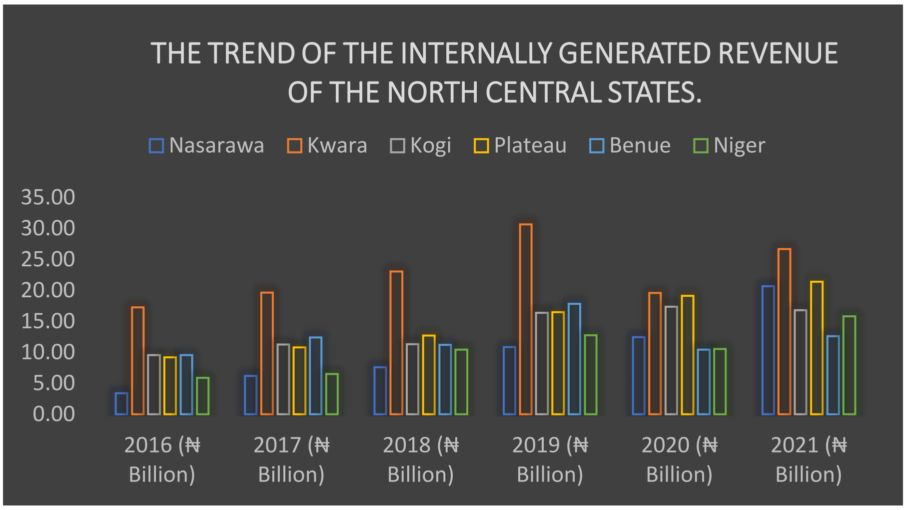


Fig. 6: TRENDS OF IGR OF THE NORTH CENTRAL STATES

TABLE 7.2: FAAC ALLOCATIONS TO THE STATES FROM 2016 TO 2021.

	STATES	2016 (₦Billion)	2017 (₦Billion)	2018 (₦Billion)	2019 (₦Billion)	2020 (₦Billion)	2021 (₦Billion)
1	RIVERS	104.93	138.15	172.87	169.13	149.75	170.7
2	DELTA	100.15	139.48	220.68	234.65	200.96	246.24
3	EDO	37.43	48.71	70.89	72.44	65.16	98.03
4	BAYELSA	88.73	124.16	159.21	157.58	134.53	196.53
5	CROSS RIVER	33.4	41.96	52.16	54.86	52.22	73.07
6	AKWA IBOM	115.38	156.69	199.89	185.85	159.72	159.43
7	ENUGU	34.01	42.72	52.98	55.96	53.4	60.32
8	ANAMBRA	34.22	43.09	53.51	56.27	54.16	62.33
9	IMO	38	48.58	60.55	67.88	65.3	72.11
10	ABIA	34.26	44.33	57.13	59.15	55.39	61.65
11	EBONYI	29.97	37.77	47.04	49.49	47.84	53.48
12	LAGOS	108.62	123.42	154.33	165.33	182.88	193.83
13	EKITI	30.04	37.75	47.02	49.49	47.31	53.72
14	ONDO	47.59	58.58	67.6	67.12	62.75	68.33
15	OSUN	31.37	39.43	48.87	51.41	49.39	54.1

16	OGUN	32.56	40.71	51.02	53.87	51.44	60.36
17	OYO	40.79	52.18	63.44	67.19	65.89	79.4
18	SOKOTO	36.36	45.69	56.92	59.91	57.15	64.8
19	JIGAWA	37.39	47.18	58.89	61.84	58.88	67.24
20	ZAMFARA	33.29	41.75	51.99	54.67	52.31	55.32
21	KEBBI	34.79	43.81	54.71	57.41	54.65	58
22	KANO	55.12	71.57	85	89.58	86.54	107.97
23	KATSINA	41.44	52.03	64.76	67.99	65.2	74.69
24	KADUNA	43.99	55.73	69.28	72.79	69.97	79.43
25	BORNO	40.23	50.64	63.21	66.49	63.22	74.24
26	GOMBE	31.31	39.3	48.92	57.46	49.18	54.74
27	TARABA	31.69	40.04	49.73	52.24	49.81	**57.44**
28	ADAMAWA	33.32	41.93	52.18	54.79	52.48	52.66
29	BAUCHI	39.52	49.75	61.99	65.18	62.19	71.12
30	YOBE	32.48	40.97	51.06	53.77	51.12	57.94
31	NASARAWA	30.25	38.23	47.56	50.03	47.59	52.66
32	BENUE	37.41	46.86	58.31	61.37	58.6	61.99
33	PLATEAU	34.68	43.56	54.21	56.96	53.36	42.4
34	KOGI	36.4	45.48	56.76	59.8	56.8	62.37
35	NIGER	39.07	48.73	60.79	63.99	60.9	73.8
36	KWARA	**29.96**	**37.66**	**46.89**	**49.2**	**47.17**	**48.28**
	TOTAL	**1640.2**	**2098.6**	**2672.4**	**2773.1**	**2595.2**	**2980.7**

SOURCE: National Bureau of Statistics/BudgIT

Table 7.8 above shows that FAAC Allocation to the thirty-six (36) States from 2016 to 2021 increased steadily in the years under review (2016-2021). In 2016, Rivers State, Delta State and Akwa ibom State had the highest FAAC allocations from 2016 to 2021. The States listed below recorded the lowest allocations from 2016 to 2021, Ebonyi State and Kwara State in 2016 and 2019, Ekiti State and Kwara State in 2017 and 2018 and Ekiti State, Taraba State and Kwara State in 2020 and 2021.

The total of the FAAC allocation was ₦1,640bn in 2016 and ₦2,980bn in 2021; Rivers, Delta, Bayelsa and Lagos States had the highest allocations recorded as ₦170.7bn, ₦256.24bn, ₦196.53bn and ₦193.82bn in 2021 respectively while Ebonyi State, Ekiti State, Kwara States had the lowest allocations in the years under review.

7.3 THE TREND ANALYSIS OF THE FAAC ALLOCATION OF THE 36 STATES (BY GEO POLITICAL ZONES)

	STATES	2016 (₦Billion)	2017 (₦Billion)	2018 (₦Billion)	2019 (₦Billion)	2020 (₦Billion)	2021 (₦Billion)
1	**RIVERS**	104.93	138.15	172.87	169.13	149.75	170.7
2	**DELTA**	100.15	139.48	220.68	234.65	200.96	246.24
3	**EDO**	37.43	48.71	70.89	72.44	65.16	98.03
4	**BAYELSA**	88.73	124.16	159.21	157.58	134.53	196.53
5	**CROSS RIVER**	33.4	41.96	52.16	54.86	52.22	73.07
6	**AKWA IBOM**	115.38	156.69	199.89	185.85	159.72	159.43
	TOTAL	**480.02**	**649.15**	**875.7**	**874.51**	**762.34**	**944**
7	**ENUGU**	34.01	42.72	52.98	55.96	53.4	60.32
8	**ANAMBRA**	34.22	43.09	53.51	56.27	54.16	62.33

9	IMO	38	48.58	60.55	67.88	65.3	72.11
10	ABIA	34.26	44.33	57.13	59.15	55.39	61.65
11	EBONYI	29.97	37.77	47.04	49.49	47.84	53.48
	TOTAL	**170.46**	**216.49**	**271.21**	**288.75**	**276.09**	**309.89**
12	LAGOS	108.62	123.42	154.33	165.33	182.88	193.83
13	EKITI	30.04	37.75	47.02	49.49	47.31	53.72
14	ONDO	47.59	58.58	67.6	67.12	62.75	68.33
15	OSUN	31.37	39.43	48.87	51.41	49.39	54.1
16	OGUN	32.56	40.71	51.02	53.87	51.44	60.36
17	OYO	40.79	52.18	63.44	67.19	65.89	79.4
	TOTAL	**290.97**	**352.07**	**432.28**	**454.41**	**459.66**	**509.74**
18	SOKOTO	36.36	45.69	56.92	59.91	57.15	64.8
19	JIGAWA	37.39	47.18	58.89	61.84	58.88	67.24
20	ZAMFARA	33.29	41.75	51.99	54.67	52.31	55.32
21	KEBBI	34.79	43.81	54.71	57.41	54.65	58
22	KANO	55.12	71.57	85	89.58	86.54	107.97
23	KATSINA	41.44	52.03	64.76	67.99	65.2	74.69
24	KADUNA	43.99	55.73	69.28	72.79	69.97	79.43
	TOTAL	**282.38**	**357.76**	**441.55**	**464.19**	**444.7**	**507.45**
25	BORNO	40.23	50.64	63.21	66.49	63.22	74.24
26	GOMBE	31.31	39.3	48.92	57.46	49.18	54.74
27	TARABA	31.69	40.04	49.73	52.24	49.81	57.44
28	ADAMAWA	33.32	41.93	52.18	54.79	52.48	52.66
29	BAUCHI	39.52	49.75	61.99	65.18	62.19	71.12
30	YOBE	32.48	40.97	51.06	53.77	51.12	57.94
	TOTAL	**208.55**	**262.63**	**327.09**	**349.93**	**328**	**310.2**
31	NASARAWA	30.25	38.23	47.56	50.03	47.59	52.66
32	BENUE	37.41	46.86	58.31	61.37	58.6	61.99
33	PLATEAU	34.68	43.56	54.21	56.96	53.36	42.4
34	KOGI	36.4	45.48	56.76	59.8	56.8	62.37
35	NIGER	39.07	48.73	60.79	63.99	60.9	73.8
36	KWARA	29.96	37.66	46.89	49.2	47.17	48.28
	TOTAL	**207.77**	**260.52**	**324.52**	**341.35**	**324.42**	**341.5**

SOURCE: National Bureau of Statistics/BudgIT

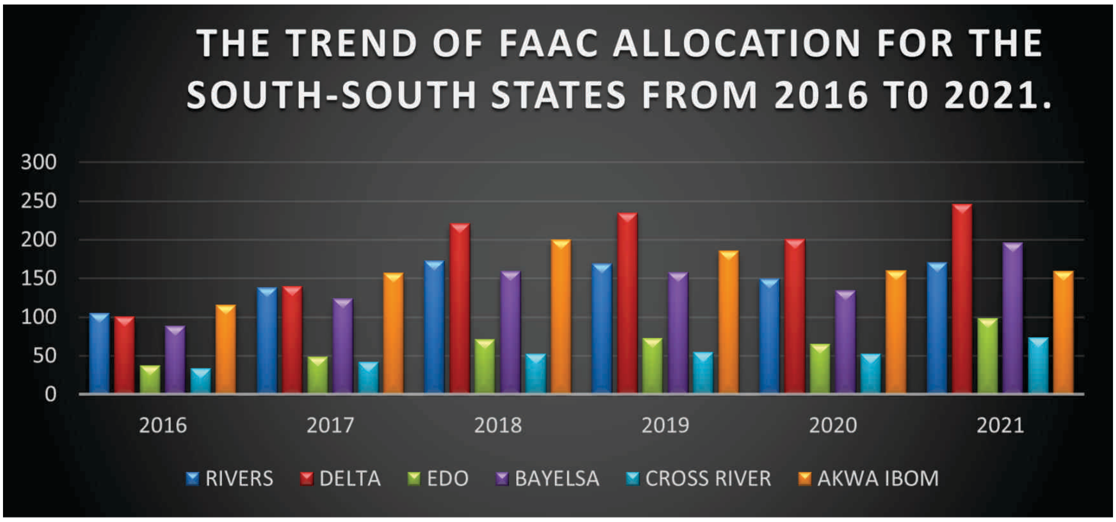


Fig. 7: TREND OF FAAC ALLOCATION FOR THE SOUTH-SOUTH STATES FROM 2016-2021

Fig. 7 above shows that, Delta State had the highest allocation, followed by Akwa Ibom State, while the states with the lowest allocation within the period under review was Cross River State followed by Edo state.

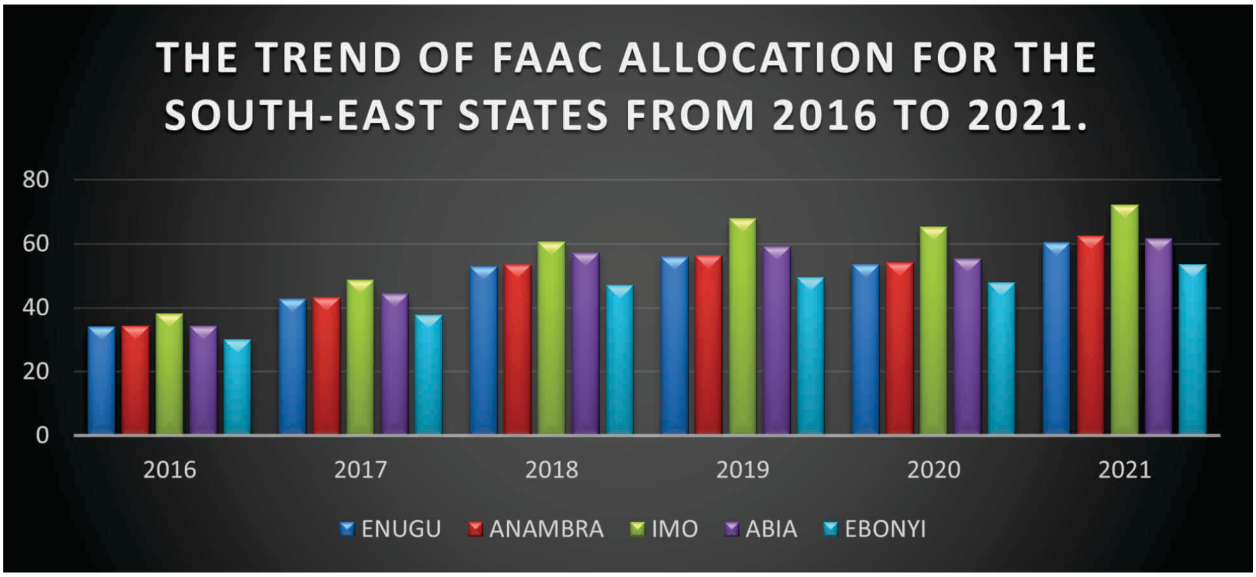


Fig. 8: TREND OF FAAC ALLOCATION FOR THE SOUTH-EAST STATES FROM 2016-2021

Fig. 8 above clearly shows that, Imo State topped the group followed by Abia State in allocation while Enugu State had the lowest allocation from 2016 to 2021.

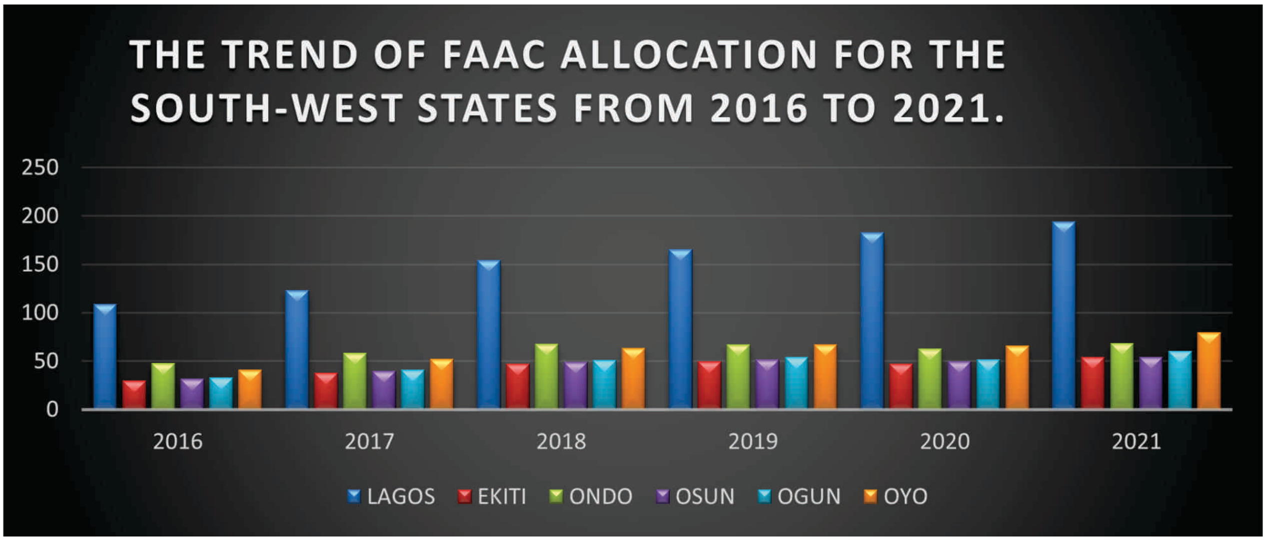


Fig. 9: TREND OF FAAC ALLOCATION FOR THE SOUTH-WEST STATES FROM 2016-2021

Fig. 9 above shows that, Lagos State had the highest allocation in the zone while the least State in the zone was Ekiti within the period of study, 2016 to 2021.

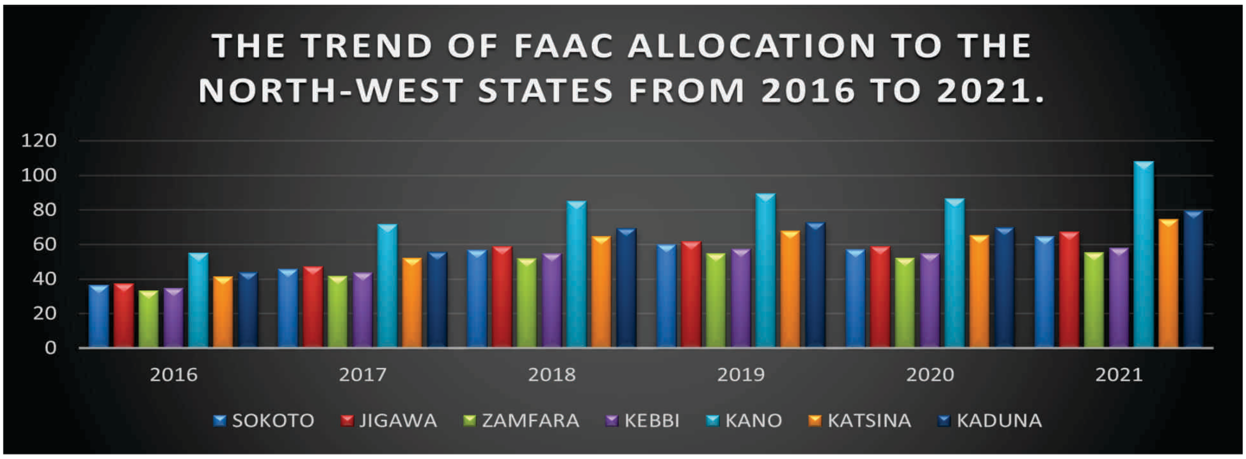


Fig. 10: TREND OF FAAC ALLOCATION FOR THE NORTH-WEST STATES FROM 2016-2021

From fig. 10 above, Kano State had the highest allocation in the zone, followed by Kaduna State and the least in allocation during the period under study was Zamfara State.

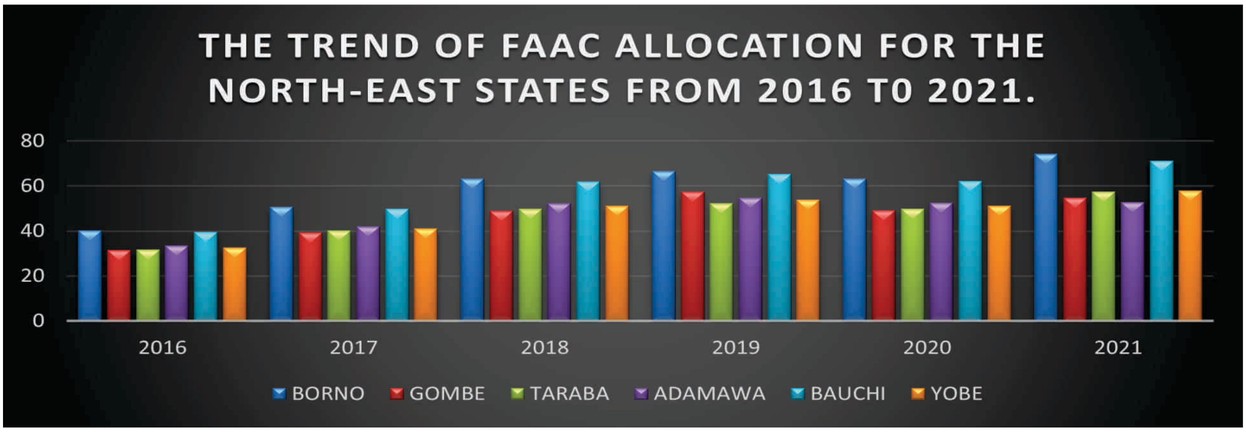


Fig. 11: TREND OF FAAC ALLOCATION FOR THE NORTH-EAST STATES FROM 2016-2021

Fig. 11 above, reveals that Borno State came first in the zone, followed by Bauchi State while Gombe State and Adamawa State had the lowest from 2016 to 2021.

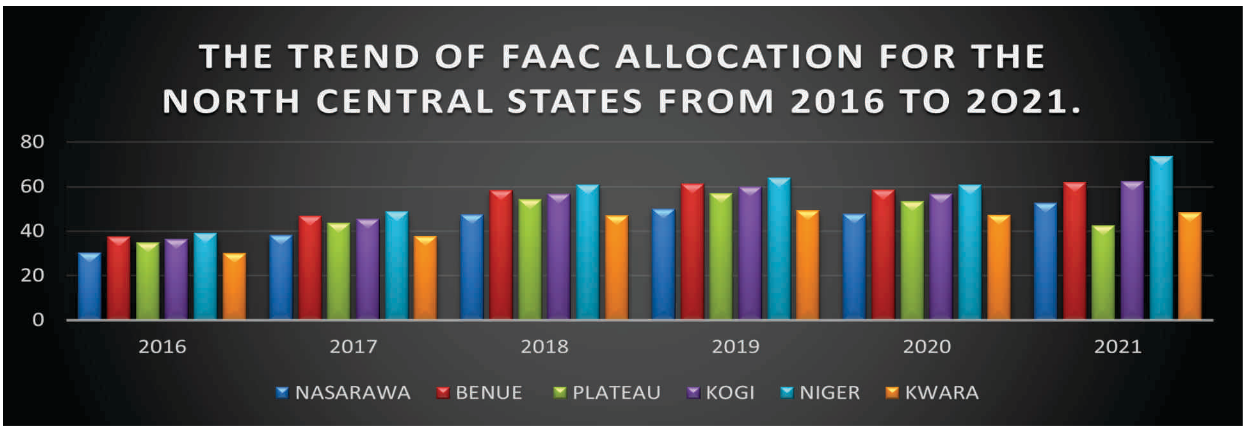


Fig. 12: TREND OF FAAC ALLOCATION FOR THE NORTH-CENTRAL STATES FROM 2016-

Fig. 12 above shows that, Niger State came first; followed by Benue State while Nasarawa State and Kwara State had the lowest from 2016 to 2021.The South- East Zone had the lowest allocation within the period under review (2016-2021)

7.4 TREND ANALYSIS OF THE STATES' REVENUE PERFORMANCE FOR THE YEAR 2021 (IGR AND FAAC)

	FAAC DEPENDENCY RATIO 2021 (%)	
STATES	INTERNALLYGENERATED REVENUE(₦BN)	FAAC ALLOCATION(₦BN)
RIVERS	43.9	56.01
DELTA	22.91	77.09
EDO	29.44	70.56
BAYELSA	8.3	91.7
CROSS RIVER	23.66	76.34
AKWA IBOM	16.12	83.88
TOTAL	**144.33**	**455.58**
ENUGU	30.7	69.3
ANAMBRA	23.66	76.34
IMO	20.76	79.24
ABIA	20.61	79.39
EBONYI	22.12	77.88
TOTAL	**117.85**	**382.15**
LAGOS	69.61	30.39
EKITI	15.56	84.44
ONDO	28.37	71.63
OSUN	28.48	71.52
OGUN	49.66	50.33
OYO	36.6	63.4
TOTAL	**228.28**	**371.71**
SOKOTO	17.11	82.89
JIGAWA	12.83	87.17
ZAMFARA	26.13	73.87
KEBBI	20.14	79.86
KANO	26.88	72.12
KATSINA	14.88	85.12
KADUNA	42.05	57.95
TOTAL	**160.02**	**538.98**
BORNO	15.48	84.52
GOMBE	14.79	85.21
TARABA	13.99	86.01
ADAMAWA	13.7	86.3
BAUCHI	16.74	83.26
YOBE	13.21	86.79
TOTAL	**87.91**	**512.09**
NASARAWA	20.77	79.23
BENUE	15.15	84.85
PLATEAU	26.02	73.98
KOGI	23.41	76.59
NIGER	14.74	85.26
KWARA	29.36	70.64
TOTAL	**129.45**	**470.55**
GRAND TOTAL	**867.84**	**2,731.06**

SOURCE: National Bureau of Statistics/BudgIT

From the table 7.10 above, the FAAC dependency ratio of the Internally Generated Revenue to the FAAC allocation shows the percentage of dependency ratio of the States on Federal allocation more than their IGR.

The tables and the figures below show the States with the lowest and highest dependency level on FAAC Allocation from a geo-political Zones perspective.

The total of the Internally Generated Revenue and FAAC Allocation recorded for 2021 was of ₦867.84 billion and ₦2,731.06billion respectively, this shows that FAAC Allocation has significantly increased more than the Internally Generated Revenue.

The Internally Generated Revenue was high in the South-South and South-West geo-political zones recording ₦144.33bn and ₦228.28 respectively, while the FAAC Allocation to North-West and North- East were the highest recorded as ₦538.98bn and ₦382.15bn.

The zones with the lowest IGR were South-East and North-East, while the zones with the lowest FAAC Allocation were South-East and South-West recorded as ₦382.15bn and ₦371.71bn respectively.

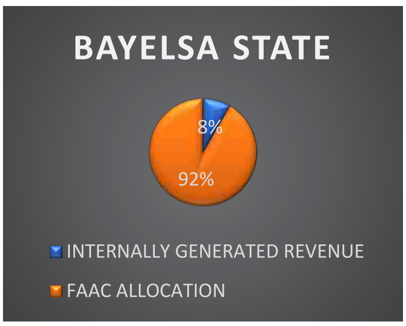
The percentage of dependence on FAAC Allocation was high in Bayelsa, Abia, Ekiti, Jigawa, Yobe and Niger States with Bayelsa State having the highest with 91.7% while the IGR was 8.3%.
The States with low dependency ratio on FAAC were Rivers, Enugu, Lagos, Kaduna, Bauchi and Kwara States as shown in the tables and figures below.

Rivers State was close to the 50% for both IGR and FAAC but Ogun State had 50% each for IGR and FAAC Allocation, while Lagos State generated internal revenue of 69.61% and received FAAC Allocation of 30.39%.

Table 7.4.1 STATE WITH THE HIGHEST AND LOWEST DEPENDENCY SOUTH-SOUTH GEO-POLITICAL ZONE RATIO IN THE SIX GEO-POLITICAL ZONES

STATES (SOUTH-SOUTH)	INTERNALLY GENERATED REVENUE	FAAC ALLOCATION	LEVEL OF DEPENDENCE
RIVERS	43.9	56.01	LOWEST
BAYELSA	8.3	91.7	HIGHEST

(1)



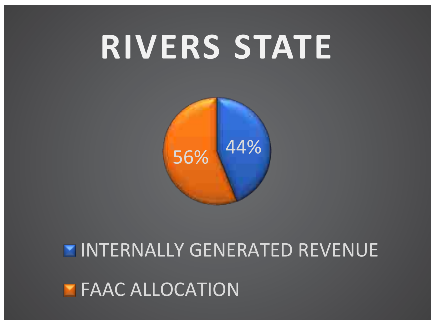
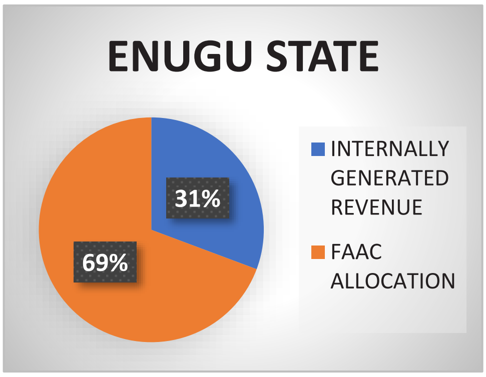


Table 7.4 .2 SOUTH EAST GEO-POLITICAL ZONE

STATES (SOUTH-EAST)	INTERNALLY GENERATED REVENUE	FAAC ALLOCATION	LEVEL OF DEPENDENCE
ENUGU	30.7	69.3	LOWEST
ABIA	20.61	79.39	HIGHEST



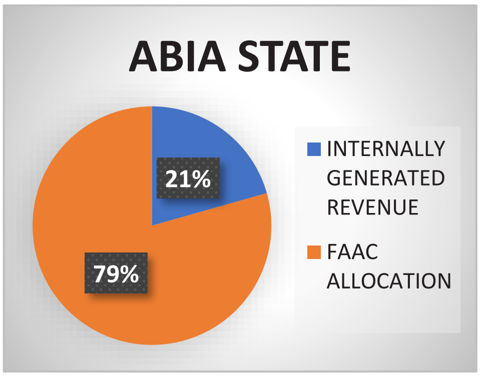
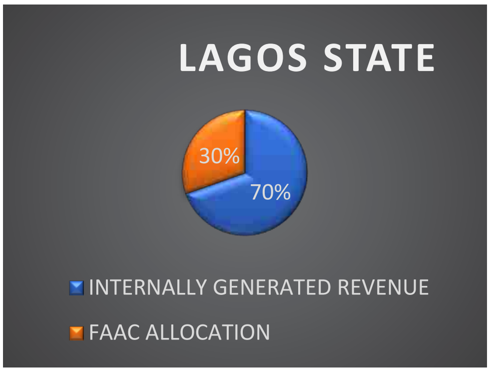


Table 7.4 .3 SOUTH WEST GEO-POLITICAL ZONE

STATES	INTERNALLY GENERATED REVENUE	FAAC ALLOCATION	LEVEL OF DEPENDENCE
LAGOS	69.61	30.39	LOWEST
EKITI	15.56	84.44	HIGHEST



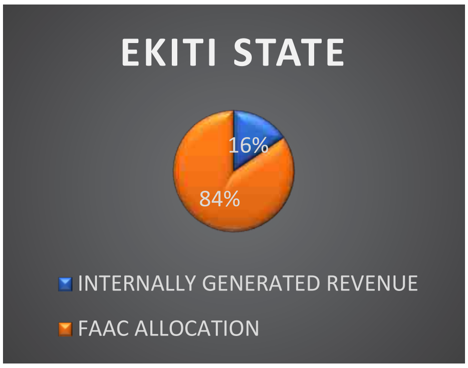
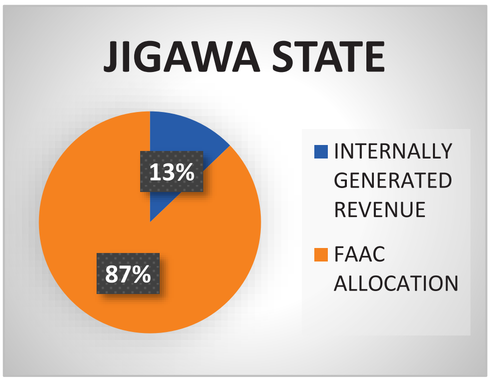


Table 7.4 .4 NORTH WEST GEO-POLITICAL ZONE

STATES	INTERNALLY GENERATED REVENUE	FAAC ALLOCATION	
KADUNA	42.05	57.95	LOWEST
JIGAWA	12.83	87.17	HIGHEST



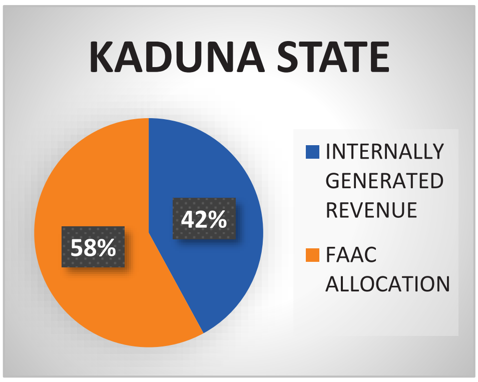
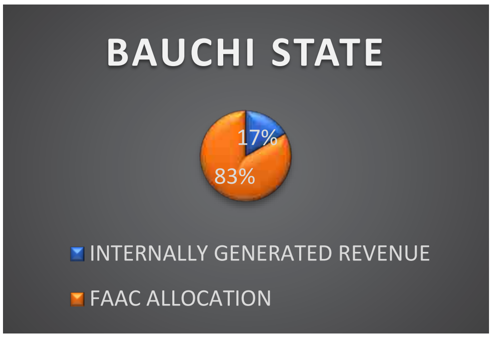


Table 7.4 .5 NORTH-EAST GEO-POLITICAL ZONE

STATES	INTERNALLY GENERATED REVENUE	FAAC ALLOCATION	
BAUCHI	16.74	83.26	LOWEST
YOBE	13.21	86.79	HIGHEST



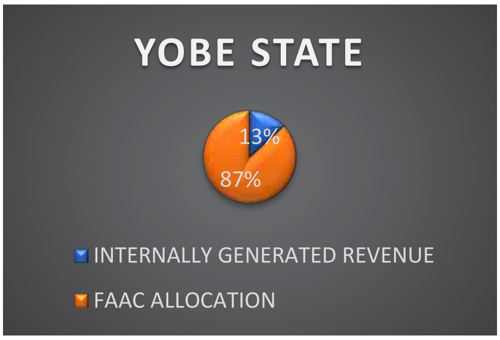
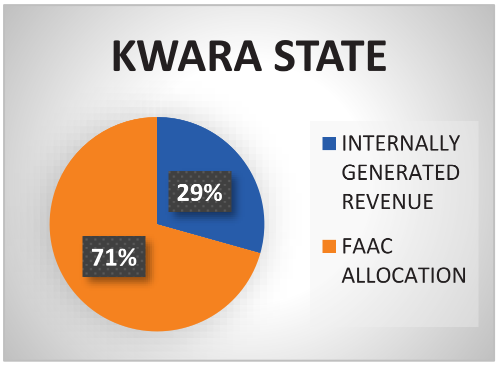


Table 7.4 .6 NORTH-CENTRAL GEO-POLITICAL ZONE

STATES	INTERNALLY GENERATED REVENUE	FAAC ALLOCATION	
KWARA	29.36	70.64	LOWEST
NIGER	14.74	85.26	HIGHEST



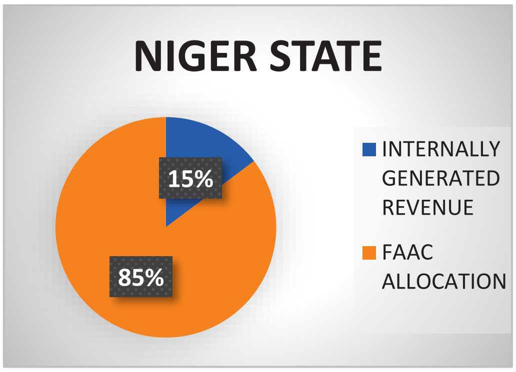
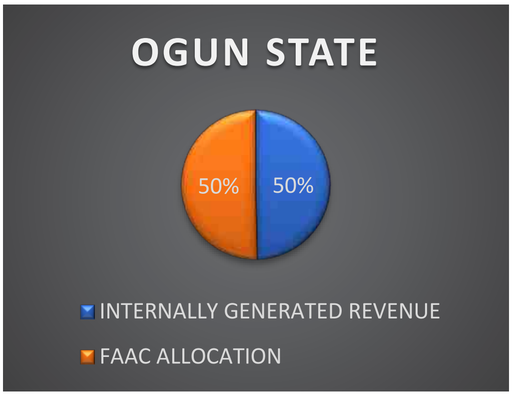


Table 7.4 .7 STATE CLOSE TO 50:50 DEPENDENCY RATION AND FAAC ALLOCATION.

STATES	INTERNALLY GENERATED REVENUE (%)	FAAC ALLOCATION (%)
OGUN	49.66	50.33



The pie charts above, shows in percentage (%) the States with the highest and lowest ratio of internally Generated Revenue and FAAC Allocation for the 2021 fiscal year in the six (6) Geo-Political Zones.

OBSERVATION

1. The FAAC Allocation received by all the thirty-six (36) States of the federation significantly increased over the period under review (2016- 2021)
2. The FAAC Allocation is the major source of recurrent revenue for most of the States.
3. Lagos State has the most buoyant internally generated revenue amongst the thirty-six (36) States while Ogun State had 50% ratio of internally generated revenue to FAAC Allocation.
4. Bayelsa State had the highest dependency ratio of 91.7% on FAAC Allocation to 8.3% internally generated revenue.
5. Most States had low internally generated revenue.

RECOMMENDATIONS

1. The States should support both small and local businesses/productions through the Ministry of Trade and Investment by giving soft loans and incentives that further guarantees the successes of businesses such as shoe making, handcrafts, fashion design etc.

2. The States should block revenue leakages such as misappropriation of funds, fraud, tax envision by building applications and systems through the Ministry of Science and Technology e.g. automation of payment processes.

3. The Federal Government should put in place rewards and issue certificates of performance for States that consistently improve their Internally generated revenue either quarterly or annually.

4. The States should increase the number of taxpayers through easy and efficient processes by using existing database and improve taxpayer compliance policies in the internal revenue offices.

5. The States should invest in intergovernmental infrastructures to enhance revenues by construction of roads that connect to other States to facilitate trading, provide health facilities on highways for easy response and treatment for emergencies and accident victims.

6. The States should explore more sources of income such as property taxes, bonds etc.

CHAPTER 8

INSTITUTIONAL STRENGTHENING AND CAPACITY BUILDING

CHAPTER EIGHT

INSTITUTIONAL STRENGTHENING AND CAPACITY BUILDING

8.1 HUMAN CAPITAL DEVELOPMENT

This is a key tool for the organization in achieving its corporate mission, vision, and set goals aimed at improving Staff productivity.

The Commission engaged the services of Messrs Labaman Consult Ltd. to train the Staff on the theme **Developmental Strategy for Quality Service Delivery**. The training was held at the North Gate Hotel in Nasarawa State on 2nd to 7th October, 2023. Quality service delivery is essential for the socio-economic development of any nation. In Nigeria, the challenge of providing efficient and effective public services has been a persistent issue. The training outlined a developmental strategy aimed at enhancing the quality-of-service delivery focusing on key reforms which included among many others; strengthening governance, policy and institutional reforms, professional development, community engagement and capacity development and training.

The objective of the training was to analyze the efficiency and transparency of government services and recommend with institutional reforms that can improve service delivery. The training methodology was through presentations and participatory contribution by the participants.

A Group Photograph of FRC Staff during 2023 Capacity Building Session Organized by the Commission held in Nasarawa State

The training reinforced the Staff knowledge on issues and techniques on how to improve the quality-of-service delivery in Nigeria which requires a comprehensive and multi-faceted approach, that includes; implementing policy reforms, investing in infrastructure, building capacity, leveraging technology, and establishing effective monitoring systems. This in turn, will contribute to the overall socio-economic development of the nation.

8.2 SERVICOM OPERATIONS IN FRC

Although the SERVICOM Unit got approval from the Chairman in February 2018 to resume operations, full operations did not commence till June 1, 2018. This was to allow the management provide required items for commencement of full operations.
The whole essence was to prepare the workforce of the Commission to show commitment to its mandate and deliver service as was fully required by the relevant laws, rules and regulations of the Commission.

INNOVATIONS

In order to achieve the aim of the Unit, the following innovations were introduced.

a. **Reception Areas**
This was considered pivotal in-service delivery. It means that any person that comes for any service will have to come into the reception for directions.

b. **Use of ID Cards**
The Unit enforced the use of ID Cards by Staff to distinguish Staff of the Commission from visitors. It was also necessary to create that corporate consciousness that depicts the class of the Commission as a corporate entity.

c. **Use of T-shirt on Thursdays**
To further address the consciousness of all Staff to the commitment of the Commission to deliver Service to Nigerian people, the SERVICOM Unit has continued to ensure that staff wear SERVICOM/Commission T-shirts every Thursday, which was designated SERVICOM Day. This practice is still on till date.

It distinguishes the Staff from other workers and the Executive Chairman is the highest supporter of the initiative to the extent that he wears the T-shirt on Thursdays irrespective of any corporate event he may have in his schedule.

d. **Checking Private Visit During Work hours**
The Unit also introduced checking private visitors during work hours. It became established that for any private visitor there must be prior information. The visit must be scheduled or there must be a notice to that effect. This was a way of checking distractions during work hours.
Therefore, visiting days were pegged for Tuesdays and Thursdays between the hours of 12noon to 3pm.

e. **Monthly Health Walk**
The Unit also proposed and got approval for a monthly health walk for all Staff and Members of Management. This particular proposal made through the Director of Administration received instant approval by Management and has been enforce till date. To continue the promotion of healthy work ethics, the Commission organized monthly health walk for the Management and Staff of the Commission. This monthly exercise was initiated by the Executive Chairman, Barr. Victor Muruako and it was given wider publicity both internally and externally. The Executive Chairman of the Commission participated in the event which was given adequate publicity.

Apart from being a way of exercise by members of Staff, It also enhances inter personal relationship among Staff, and time together outside the hustle and bustle of work hours from Monday to Friday.

FRC Staff led by the Executive Chairman, Bar. Victor Muruako(M) during the monthly Health Walk in Abuja Metropolis

f. Feedback Form

The SERVICOM Unit also introduced the feedback form. This is to allow customers or visitors, who come to the Commission for business to express their experiences while in the Commission. The response is analyzed for quality assurance.

8.22: Participation in the Activities of the Ministerial SERVICOM Committee

The SERVICOM Unit of the Commission is under the Ministerial SERVICOM Committee of the Office of the Secretary to Government of the Federation.

The Unit has been regular at the monthly meetings of the MSC, where experiences of activities of the SERVICOM Unit under the Office of the Secretary to the Government of the Federation are shared for quality improvement and peer review.

Members of the Unit also have also participated in several courses organised by both the MSC and the Office of the national Coordinator of SERVICOM. Monthly meetings of the Ministerial SERVICOM Committee is held once every month at the Conference Room of the SGF.

8.2.3: CHALLENGES

a. Budgetary Process

The SERVICOM Unit has not been fully budgeted for due to regular changes in the National budgetary process. This has made it difficult for the Unit to accomplish some salient functions. However, the Executive Chairman has always responded to the needs of the Unit as much as available resources have allowed.

b. Dedicated Office Space

Due to the problem of lack of adequate Office accommodation, the Unit does not have a dedicated office as required by the rules of engagement, but has performed effectively through the office of the head of Protocol.

6. Conclusion

The SERVICOM Unit of the Fiscal Responsibility Commission has done well so far. With the continuous support of the Executive Chairman and members of Management, the Unit will continue to play its role in the implementation of SERVICOM principles in FRC.

The Executive Chairman of FRC, Barr. Victor Muruako (L) in a handshake with the SGF, Sen. George Akume during the meeting of the Federal Government CEOs and Heads of Parastatals

A report on training workshop on the fundamental principles on procurement for some of the staff of the Commission was captured and publicized on the Commission's social media handle. This event was held in Nasarawa State.

CHAPTER 9

CHALLENGES AND PROSPECTS

CHAPTER NINE
CHALLENGES AND PROSPECTS

Fiscal discipline requires that the three tiers of government maintain fiscal positions that are consistent with macroeconomic stability and sustained economic growth. To this end, it warrants avoiding excessive borrowing and debt accumulation. At the same time, policy needs to be judicious in pursuing resource allocation and distributional objectives, and in smoothing output fluctuations. Moreover, it is prudent to create budgetary cushions to allow for the possibility of a response to both adverse shocks and to deal with predictable fiscal pressures.

Maintaining fiscal discipline is essential to maintaining macroeconomic stability, reducing vulnerabilities, and improving aggregate economic performance. The lack of fiscal discipline generally stems from the injudicious use of discretion in formulating and implementing budgetary policies. The benefits of such discretion are well known in helping policymakers respond to unexpected shocks to reduce disruptive consequences

Despite its noble objectives, the FRC has faced several challenges in carrying out its mandate. One major challenge is the lack of adequate funding, which has hindered its ability to effectively carry out its functions. Another challenge is the non-compliance of some government agencies with the fiscal responsibility principles as well as exercising fiscal discipline as enshrined in the law. This has made it difficult for the FRC to effectively monitor and enforce compliance.

Furthermore, political interference and lack of political will to implement the provisions of the Fiscal Responsibility Act, especially the debt ceiling have also been cited as major challenges facing the FRC. Some critics have also argued that the FRC lacks the necessary legal teeth to effectively hold government agencies and parastatals accountable for their financial management practices.
Despite these challenges, the FRC remains committed to promoting fiscal responsibility and transparency in the management of public finances in Nigeria. The agency has taken steps to collaborate with other government institutions and stakeholders to address some of these challenges and enhance its effectiveness.

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. Inability of the Federal Government to Implement Recommendations from FRC:

2. Inadequate funding: The FRC has been facing funding challenges, which has affected its 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.

3. Non-compliance of government agencies: Some government agencies and parastatals have not been complying with the fiscal responsibility principles enshrined in the Fiscal Responsibility Act. This has made it difficult for the FRC to effectively monitor and enforce compliance, thus limiting its impact.

4. Political interference: The FRC has faced political interference, which has affected its independence and ability to carry out its functions effectively.
5. Lack of legal teeth: Some critics have argued that the FRC lacks the necessary legal teeth to

effectively hold government agencies and parastatals accountable for their financial management practices. They argue that the Commission's powers are limited, and that it needs more legal tools to enforce compliance and sanction defaulters.

6. 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.

7. Technical capacity: The FRC has also been facing the challenge of inadequate technical capacity. The Commission requires skilled personnel with expertise in accounting, economics, and public finance to effectively carry out its functions. However, it has been facing challenges in recruiting and retaining such personnel due to funding constraints and competition from other institutions.

PROSPECTS OF FRC

Fiscal Responsibility Commission asserts authority over policy, provides independent analysis and assessment of fiscal developments. They can also issue normative judgments on the appropriateness of the government's policies, possibly involving formal procedures enshrined in the FRA, 2007.

While the FRC does not directly influence the budgeting system, it plays a significant role in ensuring fiscal discipline and accountability in budget implementation. Here are a few prospects of FRC especially in the budgeting system OF Nigeria:

- **Monitoring and Evaluation:** The FRC monitors and evaluates the implementation of the annual budget to ensure compliance with fiscal responsibility principles. It reviews budgetary allocations, revenue projections, and expenditure patterns, identifying areas of inefficiency, waste, or mismanagement. By providing regular reports and recommendations to relevant authorities, the FRC influences decision-making and promotes a more transparent and efficient budgeting process.

- **Expenditure Control:** The FRC has the authority to examine government expenditures and make recommendations to reduce wasteful spending. It assesses the fiscal implications of proposed policies and projects, ensuring they align with fiscal responsibility guidelines. By scrutinizing budgetary allocations and advocating for efficient resource utilization, the FRC influences budgeting decisions and promotes responsible expenditure practices.

- **Revenue Mobilization:** The FRC promotes revenue mobilization efforts by assessing revenue projections and recommending measures to enhance revenue generation. By monitoring the government's revenue collection and providing guidance on tax administration, the FRC influences the availability of funds for budgetary allocations. This helps ensure that the budgeting system is supported by realistic revenue forecasts and sustainable funding sources.

- **Public Awareness and Education:** The FRC plays a vital role in educating the public about fiscal responsibility and the budgeting process. By raising awareness of fiscal issues, promoting transparency, and engaging stakeholders, the FRC fosters public participation and scrutiny in the budgeting system. This can lead to greater accountability and responsiveness in budget decisions.

- **Policy Advocacy:** The FRC can advocate for policy reforms to improve the budgeting system in Nigeria. Based on its findings and evaluations, the commission can recommend changes to budgetary processes, institutional frameworks, or legislation to enhance fiscal responsibility. By engaging with policymakers, the FRC can influence the adoption of measures that promote a more efficient and effective budgeting system.

- Collaboration with other institutions: The FRC can collaborate with other government institutions, civil society organizations, and the private sector to enhance its effectiveness and impact. Such collaborations can help to leverage resources, share knowledge and expertise, and promote best practices in fiscal management.

- Strengthening legal framework: The FRC can advocate for the strengthening of the legal framework that governs its operations. This can include the amendment of existing laws to give the Commission more legal teeth to enforce compliance and sanction defaulters. In as much as some aspects of the FRA, 2007 has been amended in the 2020/2021 finance, Act, the Commission is optimistic on a holistic amendment of the FRA, 2007 by the 10th National Assembly.

- Improved Technical capacity: The FRC had faced the challenge of inadequate technical capacity, but in recent years' i.e., between 2022 and 2023 the Commission has received technical assistance from IMF AFRITAC WEST-2 professionals/experts on public finance management (PFM) to effectively carry out its functions. Therefore, this has helped the Commission's staff to develop capacity in major areas of Public Financial Management that can enable the Commission to constantly advise the Federal Government on Fiscal Policy issues.

Some key highlights of the training was on how to analyze the FGN's Medium Term Expenditure Frameworks (MTEF) and Fiscal Strategy Paper (FSP) as part of the major functions of the Commission in determining the sustainability of government fiscal policies as provided in sections 11 to 17 of the FRA, 2007.

As a fall out from the above, the Commission will soon begin to develop an Annual Calendar of its activities/reports taking into consideration important events in the fiscal policy ecosystem. This will be as a result of data-based analysis of fiscal policies and how it affects and impacts the life of Nigerians.

It's important to note that the FRC's influence is largely advisory and persuasive, as the ultimate decision-making authority in budgeting lies with the executive and legislative branches of the government. However, through its monitoring, evaluation, control, and advocacy functions, the FRC can significantly contribute to improving the budgeting system in Nigeria and fostering fiscal responsibility.

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