



2015 THIRD QUARTER

BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION

Federal Ministry of Budget and National Planning, Abuja

FOREWORD

I am delighted to present to you this Budget Implementation Report which is the third in the series for 2015. The Report provides comprehensive information on the allocation of public resources among competing socio-economic needs through the Federal Budget. The Quarterly Budget Implementation Report serves as a mechanism through which the Ministries, Departments and Agencies (MDAs) of Government can be held accountable for the revenue and expenditure which they administer, and also for the attainment of government's objectives.

The dissemination of this report is authorized by Section 30 and 50 of the *Fiscal Responsibility Act, 2007* which requires the Honourable Minister of Finance to submit to the Joint Finance Committee of the National Assembly and the Fiscal Responsibility Commission, quarterly budget implementation reports. These reports are also circulated to the wider public through electronic and print media. The 2015 1st and 2nd Quarters Budget Implementation Reports were duly published earlier in the year, and the 3rd Quarter Report continues this reporting tradition.

The 3rd Quarter Budget Implementation Report is the product of careful planning, monitoring, evaluation and analytical work conducted by the Budget Office of the Federation in collaboration with MDAs, Civil Society Organizations and the Media. I applaud the team for their hard work and also wish to recognize the active roles of the National Assembly's Joint Finance Committee and the Fiscal Responsibility Commission in encouraging best practices in public financial management through their collaborative efforts. I look forward to more of this cooperative work in future.

Lastly, I commend all readers of this Report to continue to display active interest in government's ability to live up to its promises. This will serve as the essential stimulus for the efficient and effective management of government finances.

Kemi Adeosun (Mrs)
Honourable Minister of Finance

PREFACE

In compliance with Section 30 of the *Fiscal Responsibility Act, 2007*, the Honourable Minister of Finance through the Budget Office of the Federation produces quarterly budget implementation reports. This reporting function, which is the third series for 2015 fiscal year satisfies this requirement and also offers a means of representing Government's commitment to the transparent and judicious management of public finances which are key focus of the ongoing public financial management reforms.

The 2015 Budget was prepared with a theme "Transition Budget & Hope". In a bid to actualize this goal, the Budget, among other concerns, focused more on achieving macroeconomic stability and investing in priority sectors. The Budget was also aligned with the Government's objectives of guarantying judicious management of scarce fiscal resources so as to lay the groundwork for speedy and sustainable growth as well as generate more jobs.

The implementation of the 2015 Budget in the third quarter of the year was challenging in several respects. Apart from the late passage of the budget by the National Assembly in the year and the collapse in the price and demand of oil in the international market, the government was faced with lower than projected incomes from both oil and non-oil revenues. These shortfalls in revenue were serious impediments to the full implementation of the budget in the quarter.

This Report is a product of the joint efforts of financial and statistical agencies of the Federal Government which provided the necessary macro-economic data, and the concerted efforts of various departments of the Budget Office of the Federation, particularly the Department of Budget Monitoring and Evaluation. I praise their efforts and wish them every success as they continue to perform this important function.

Mal. Tijjani Mohammed Abdullahi
Director General
Budget Office of the Federation

TABLE OF CONTENTS

FOREWORD.....	ii
PREFACE.....	iii
TABLE OF CONTENTS.....	iv
EXECUTIVE SUMMARY.....	v
1.0 INTRODUCTION.....	1
2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS.....	3
3.0 FINANCIAL ANALYSIS OF THE 2015 BUDGET IMPLEMENTATION.....	9
3.1 Key Assumptions and Projections.....	9
3.2 Analysis of Revenue Performance.....	11
3.3 FGN Budget Revenue.....	20
3.4 Excess Crude Account.....	23
3.5 Expenditure Developments.....	24
3.5.1 Non-Debt Recurrent Expenditure.....	25
3.5.2 Debt Service.....	26
3.5.3 Statutory Transfers.....	30
3.5.4 Capital Expenditure Performance.....	30
3.5.5 Performance of the Financing Items.....	31
4.0 CONCLUSION.....	33

EXECUTIVE SUMMARY

The 2015 Budget which had the theme “Transition Budget & Hope” was prepared in the midst of worries in the world oil market. As a result, adequate measures were devised to ensure prudent management of the economy. Great effort was not only placed on the expansion of the economy but also on the creation of a favourable atmosphere that will guarantee its financing sources, spending priorities and wealth distribution. Available data from the National Bureau of Statistics (NBS) showed that the domestic economy still remained strong despite the falling oil prices. When measured by the Real Gross Domestic Product (GDP), the economy grew by 2.84% (year-on-year) on aggregate basis in the third quarter of 2015. This growth was 0.49% higher than the figure recorded in the preceding quarter and 3.38% lower than the growth reported in the corresponding quarter of 2014.

Inflationary pressure remained modest across the three measures of inflation during the quarter under review. The year-on-year headline inflation rose from 9.2% in June and July 2015 to 9.3% and 9.4% in August and September 2015 respectively. The rise in headline inflation reflected marginal increases in both the core and food components of inflations. The movement of the year-on-year core and food inflation also followed the same trend. Core inflation rose from 8.4% in June 2015 to 8.8%, 9% and 8.9% in July, August and September 2015 respectively while food inflation rose from 10% in both June and July 2015 to 10.1% and 10.2% in August and September 2015 respectively. Figures from the CBN revealed a rise in Nigeria’s gross external reserve which stood at US\$29.88 billion as at the end of September 2015.

Data from the Office of the Accountant General of the Federation (OAGF) showed that a net sum of N1,313.36 billion was shared among the three tiers of government in the third quarter of 2015; implying a shortfall of N383.91 billion in the quarter. A total of N593.57 billion, excluding revenue from other funding sources was received to fund the Federal Budget in the third quarter of 2015 thereby presenting a shortfall of N269.52 billion

(or 31.23%). This revenue shortfall affected the implementation of the 2015 Budget in the quarter.

The data also indicated that as at 30th September, a total of N1,817.98 billion out of the N1,955.35 billion projected for recurrent (non-debt) was expended while N138.08 billion out of the N417.75 billion projected for capital budget implementation for the three quarter period of the year was released. In addition to the regular budget, a total of N21.03 billion (or 100%) of the amount appropriated for SURE-P in the 2015 budget was released as at 30th September, 2015 while N20.38 billion (or 96.91%) of the released amount was utilized for major capital and social programmes. This assisted in the area of infrastructural development.

1.0 INTRODUCTION

The 2015 Budget which was captioned “Transition Budget & Hope” was put together in the middle of apprehension in the global economy. This was due to the declining and unstable price of crude oil in the world market. In view of this, necessary measures were taken to guide the domestic economy to reach its optimum performance level. Policies were also introduced to broaden the diversification of the economy by transiting it not only in its development focus but also in its financing sources, spending priorities, as well as in wealth distribution. As such, the 2015 Budget concentrated on a number of issues that will guide the economy through a difficult year (2015) and move the country to its developmental potentials of becoming a non-oil economy as well as tackle income disparity in the society.

2. As it was in the previous budgets, 2015 – 2017 Medium Term Fiscal Framework formed the pillars of the 2015 Budget. The framework was prepared while taking cognizance of the happenings at the international and domestic markets which were major factors that determines the amount of revenues needed to fund the budget. At the international level, the interplay of industrial and economic behaviours controls the demand and supply of commodities like oil, the major revenue earner. While at the local front, factors such as the disruptions in oil production, planned sales volumes and security challenges affects the level of economic activities and subsequently, defines the ability of government agencies to generate the required revenues.

3. Like past budgets, special considerations were given in the 2015 Budget to the completion of critical and ongoing capital projects (infrastructure, education and healthcare) that will stimulate growth and development. The delivery of physical and food security were also given distinct attention. Policies were also put in place to encourage private sector activities in some key sectors of the economy, create jobs and attain sustainable and comprehensive growth.

4. The presentation of the proposal for the 2015 budget to the National Assembly was delayed due to the uncertainties in the price of oil at the international market. The 2015-2017 Medium-Term Expenditure Framework was prepared and transmitted to the National Assembly early in September 2014. But shortly after that, oil prices began to fall uncontrollably thereby threatening the proposed oil benchmark price for the budget. This development in the long run led to the postponement and further engagement as well as alterations in the oil benchmark price for the 2015 budget.

5. This Report gives detailed information of 2015 third quarter budget implementation. The rest of the Report is arranged as follows: a brief analysis of the macroeconomic setting under which the budget was executed, followed by a careful scrutiny of government's revenue receipts and expenditure in the quarter. Finally, we present a brief conclusion to this Report. A chapter on the outcomes of the physical monitoring and evaluation of capital projects and programmes would be included in the final report for the quarter.

2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

Global Economy

There were discrepancies in the global economic setting, with a slow but stable growth in the United States and UK but a slowdown in emerging and developing economies. The primary agents of growth in the advanced economies included enhanced financial conditions and consumer sentiments, repressed commodity prices and inspiring labour market conditions. On the other side, the slowdown in the emerging and developing economies is mainly due to tight external financial conditions, mostly a direct outcome of reduced revenues from weak commodity prices, weak global demand and other geo-political factors. In the United Kingdom, the Bank of England also continued its asset acquisition program as the economy maintained a healthy growth path in the quarter, with uncertain rise in inflation. Mindful of the possible effect of a rate adjustment, particularly on the emerging markets and considering the sluggish recovery in the Euro Area and Japan as well as the need to secure recent growth and employment gains in the domestic economy, the US Federal Reserve retained its key interest rate, and deferred its monetary policy stabilization. The decision is likely to reinforce stability in global economy and moderate instability in the financial markets, while also consolidating recovery at home.

7. In the emerging markets and developing economies, prospects of low growth continued in the third quarter of 2015, with strong possibility of modest uptick in 2016. Productivity growth in China at 7% in the previous quarter of 2015, is anticipated to moderate further, due to dwindling output and exports, deteriorating assets value and excess capacity in the manufacturing sector. Global inflation is projected to remain constant as the recent temporary rebound in oil prices and stronger consumer attitudes have slightly raised consumer prices in the advanced economies. Consumer

price reactions were mixed in emerging and developing economies. Commodity importing economies have continued to profit from low global oil and other commodity prices, while others especially exporters of primary commodities, are struggling with increased pressure on their currencies and fiscal position; and in some cases, significant inflation pass-through to domestic prices.

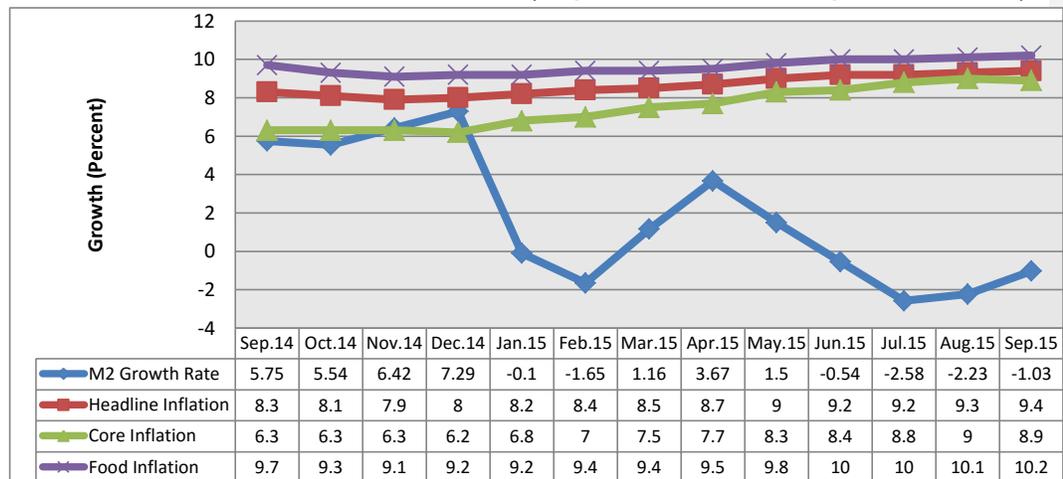
Domestic Economy

8. Available data from the National Bureau of Statistics (NBS) revealed that the nation's Gross Domestic Product (GDP) grew by 2.84% (year-in-year) in real terms in the third quarter of 2015. This growth was 0.49% higher than the figure recorded in the preceding quarter and 3.38% lower than the growth reported in the corresponding quarter of 2014. During the quarter, the oil sector grew by 1.06% (year-in-year). This growth was 4.65% higher than the figure recorded in the corresponding quarter of 2014 and also above the output of second quarter of 2015 which declined by 6.79%. The non-oil sector grew by 3.05% in real terms in the third quarter of 2015. This was 4.45% lower than the corresponding quarter of 2014 and marginally lower than the figure of second quarter of 2015. Growth in the non-oil sector was largely driven by the activities of crop production, financial services, telecommunications, and trade amongst others. In real terms, the non-oil sector contributed 89.73% to the nation's GDP, marginally higher than the 89.55% recorded in the third quarter of 2014 but lower than the 90.2% reported in the second quarter of 2015.

9. Inflationary pressure remained modest across the three measures of inflation during the quarter under review. The year-on-year headline inflation edged upward from 9.2% in June and July 2015 to 9.3% and 9.4% in August and September 2015 respectively. The increase in headline inflation reflected marginal increases in both the core and food components of inflations. The movement of the year-on-year core and food inflations also followed the same trend. Core inflation rose from 8.4% in June 2015 to 8.8%, 9% and 8.9% in July, August and September 2015 respectively while food inflation rose from 10% in both June and July 2015 to 10.1% and 10.2% in August and September 2015 respectively. There is moderation of month-on-month inflation across all the measures. However, the uptick in

inflation in the period under review was mainly traceable to higher energy prices, delayed harvests and from imports.

Chart1: Inflation and M2 Growth Rate (September 2014 – September 2015)

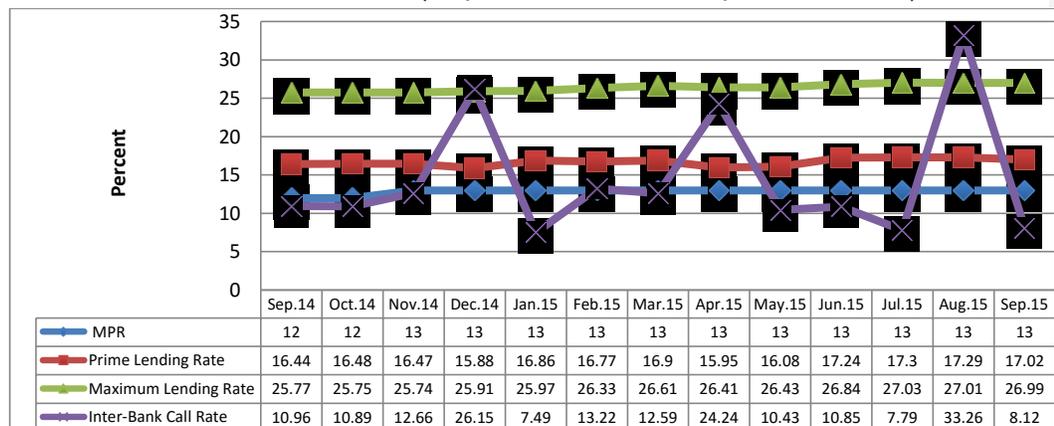


Source: Central Bank of Nigeria & National Bureau of Statistics, 2015

10. Data from the Central Bank of Nigeria (CBN) shows that broad money supply (M2) fell by N93.43billion (or 0.5%) in September 2015 below the level in June 2015, that is, from N18,811.43 billion in June 2015 to N18,718.0 billion in September 2015. Similarly, Credit to the private sector declined by N165.14 billion (or 0.87%) from N18,897.31 billion in June 2015 to N18,732.17 billion in September 2015. On the other hand, credit to government sector increased by N275.16 billion (or 10.95%) within the same period, from N2,512.46 billion in June 2015 to N2,787.62 billion in September 2015. The net aggregate domestic credit followed the same trend and also increased by N110.02 billion (or 0.51%) from N21,409.77 billion in June 2015 to N21,519.79 billion in September 2015. The average prime lending rate rose from 17.24% in June 2015 to 17.3% and 17.29% in July and August 2015 respectively before falling to 17.02% in September 2015. The average maximum lending rate also increased from 26.84% in June 2015 to 27.03%, 27.01% and 26.99% in July, August and September 2015 respectively.

11. Like the previous quarter, the Central Bank of Nigeria (CBN) in its quest for price stability retained a fixed Monetary Policy Rate (MPR) of 13% in the third quarter of 2015. The interest rates in the interbank money market also measured up with the level of liquidity conditions in the banking system. Thus the average interbank call rate fell from 10.85% in June 2015 to 7.79% in July 2015 before rising to 33.26% in August 2015 and falling again to 8.12% in September 2015. The trends in interest rates in the third quarter of 2015 are presented in *Chart 2* below.

Chart 2: Interest Rates Trend (September 2014 – September 2015)

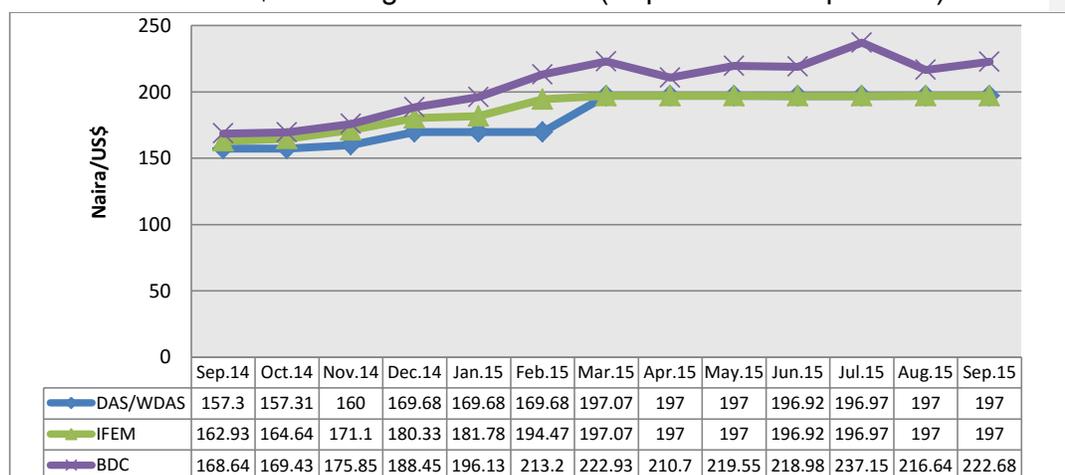


Source: Central Bank of Nigeria, 2015

12. The average Naira exchange rate remained relatively stable at both the official Wholesale Dutch Auction System (WDAS) and the Inter-Bank segment of the foreign exchange market during the period under review. The end-period official Wholesale Dutch Auction System (WDAS) and the Inter-Bank Naira/Dollar exchange rate depreciated slightly from N196.92/\$ in June 2015 to N196.97/\$ in July and N197.00/\$ in both August and September 2015. On the other hand, the average Naira exchange rate was volatile in the Bureau-de-Change (BDC) segment. The BDC exchange rates depreciated from N218.98/\$ in June 2015 to N237.15/\$ in July before rising to N216.64/\$ in August and falling again to N222.68/\$ in September 2015. The relative stability in the WDAS and Inter-Bank market and improvement in the BDC segment were attributed to the effects of various administrative and policy measures adopted by the Central Bank of Nigeria. The wide

discrepancy between the Official Wholesale Dutch Auction System, Inter-Bank and the Bureau-de-Change exchange rates offers an avenue for discriminate and prying activities in the market. Thereby, signifying the need to continue and further complement existing measures aimed at discouraging speculative activities in the foreign exchange market.

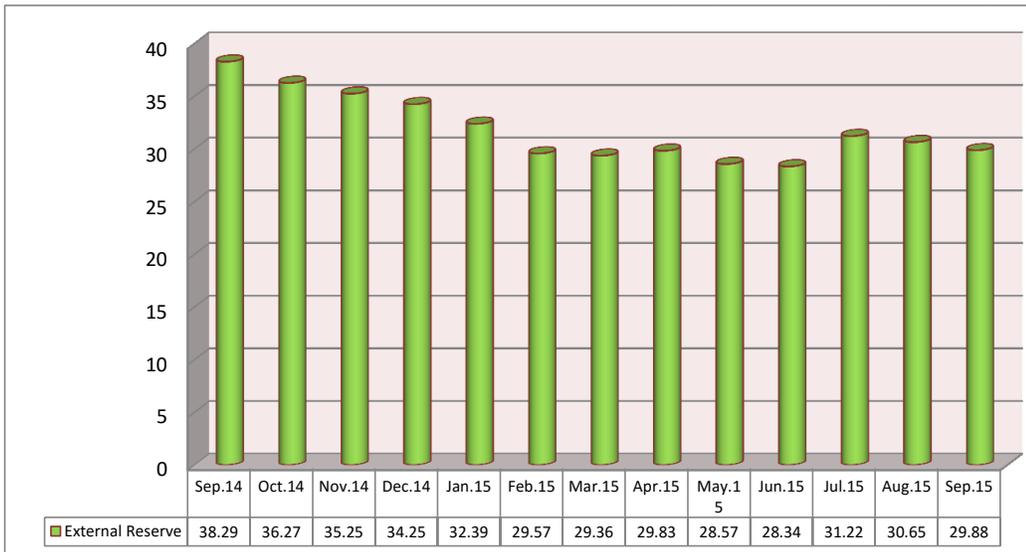
Chart 3: Naira/US\$ Exchange Rates Trend (Sept. 2014 – Sept. 2015)



Source: Central Bank of Nigeria, 2015

13. Figures from the CBN showed that Nigeria’s gross official (external) reserve increased modestly at the end of the third quarter of 2015. It rose from US\$28.34 billion in June 2015 to US\$29.88 billion as at the end of September 2015. Representing an increase of US\$1.54 billion (or 5.43%) above the figure recorded at the end of June 2015. Relative to the end of third quarter of 2014 level of US\$38.28 billion, the external reserves at the end of third quarter of 2015 fell by US\$8.4 billion (or 21.94%). The decreasing level of external reserves can be ascribed to the forces of demand and supply. On the supply side, the falling oil price had significantly reduced the growth to external reserves. On the demand side, the pressures in the foreign exchange market which were supported mostly by the excess liquidity conditions in the banking system and speculative activities. These factors resulted to an increased funding of the foreign exchange market by the CBN to stabilize the Naira. Based on the CBN report, the foreign reserves level as at the end of September 2015 could finance over six (6) months of imports which is well above the internationally recommended minimum threshold of 3-months import cover.

Chart 4: Level of External Reserves in Billion Dollars (Sept. 2014 – Sept. 2015)



Source: Central Bank of Nigeria, 2015

3.0 FINANCIAL ANALYSIS OF THE 2015 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections:

The 2015 Budget is an outcome of 2015-2017 Medium Term Fiscal Framework (MTFF) which was prepared after series of consultations with relevant stakeholders. The activities in the world market were also taken into consideration before arriving at some of the key assumptions in the framework.

Table 1: Key Assumptions and Targets for the 2015 Budget

KEY ASSUMPTION & TARGETS	2015
Projected Production (in mbpd)	2.28
Budget Benchmark Price (per barrel in US)	53
Technical Cost of JVC Pbl to Oil Companies	
Operating Expenses (T1) in US \$	10.19
Capital Expenses (T2) in US \$	11.57
Technical Cost of PSC Pbl to Oil Companies	
Operating Expenses (T1) in US \$	9.2
Capital Expenses (T2) in US \$	18.46
Investment Tax Credit	5.8
Technical Costs of SC pbl to Oil Company	
Operating Expenses (T1) in US \$	22.09
Capital Expenses (T2) in US \$	3.04
Investment Allowances	1.18
Weighted Average Contribution Rates	
Weighted Average Rate of PPT - JV Oil	85%
Weighted Average Rate of PPT - PSC Oil	50.2%
Weighted Average Rate of PPT - SC Oil	85%
Weighted Average Rate of PPT - Independent (Indigenous)	85%
Weighted Average Rate of PPT - Marginal	51.64%
Royalty Rates	
Weighted Average Rate of Royalties - JV Oil	18.67%
Weighted Average Rate of Royalties - PSC	2.62%
Weighted Average Rate of Royalties - SC Oil	18.5%
Weighted Average Rate of Royalties -Independent	18.5%
Weighted Average Rate of Royalties - Marginal	2.5%
Average Exchange Rate (NGN/US\$)	190
VAT Rate	5%
CIT Rate	30%

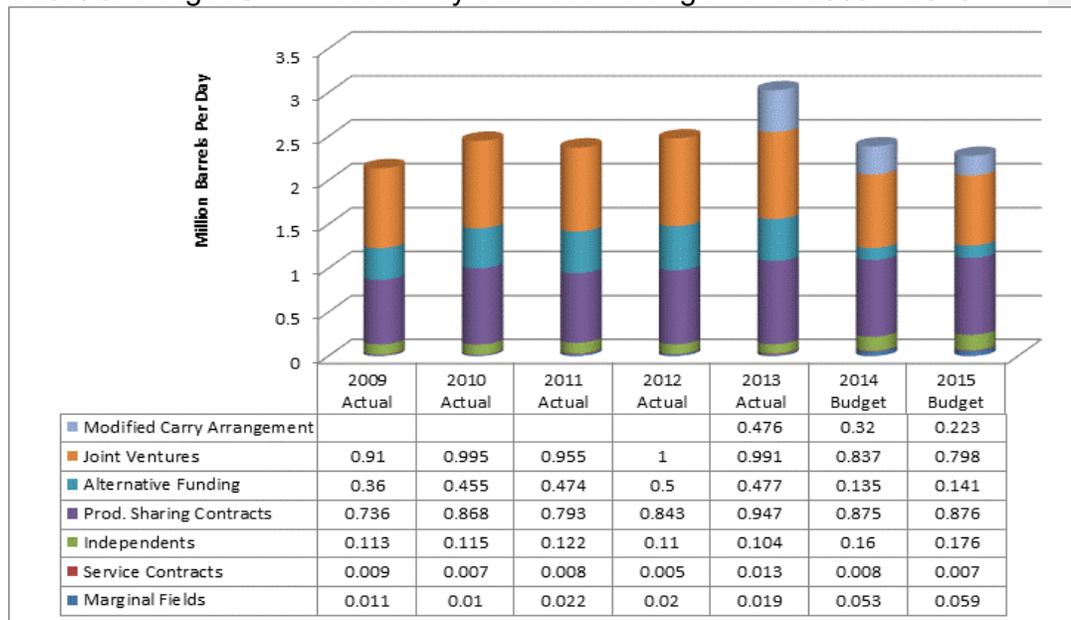
Source: BOF, NNPC, FIRS and NCS, 2015

Budget Benchmark Oil Price and Production

15. Due to the volatile nature of oil prices in the international market, Government in the past few years had formulated a rational method of fashioning out the benchmark price of oil for its annual budgets. In this regard, budget expenditures were detached from the uncertainties in the prices of oil in the world market. With this in mind, the budget benchmark price of oil for the 2015 Budget was fixed at US\$53.00/barrel while oil production was pegged at 2.28 million barrels per day (mbpd). The expected oil production for 2015 budget implies a decrease of 0.11mbpd (or 4.6%) below the 2.39mbpd projected for the 2014 Budget.

16. Details of estimated contributions of oil production by business arrangements are presented in *Chart 5* below while the breakdown of contributions and duties for key oil taxes that are expected to accrue to the Federal Government are also represented in *Table 2* below.

Chart 5: Budget Oil Production by Business Arrangements 2009 – 2015



Source: NAPIMS/NNPC, 2015

Table 2: Detailed Assumptions for Oil Production and Taxes (2015)

<i>Share of Oil Production</i>	<i>Percentage</i>
Joint Ventures	35%
Alternative Funding	6.18%
Modified Carry Arrangement	9.8%
Production Sharing Contracts	38.43%
Independents	7.72%
Service Contracts	0.29%
Marginal	2.57%
Total Production	100%
<i>PPT Rates</i>	
Weighted Average -JV/AF/Independent/Marginal	85%
Weighted Average -PSC	50.2%
Weighted Average -SC	85%
<i>Royalties Rates</i>	
Weighted Average-JV/AF/Independent/Marginal	18.7%
Weighted Average-PSC	2.6%
Weighted Average-SC Oil	18.5%

Source: NNPC and BOF, 2015

3.2 Analysis of Revenue Performance:

Overview of Oil Revenue Parameters:

17. The price of crude oil in the world market averaged US\$50.26 per barrel in the third quarter of 2015, indicating a decrease of 18.83% and 50.67% below the US\$61.92 and US\$101.88 recorded in the second quarter of 2015 and third quarter of 2014 respectively. The fall in crude oil prices during the period could be ascribed to the fall in the demand for oil in the international market and the discovery of oil and other substitutes to oil by more countries of the world.

18. Provisional data from the Nigerian National Petroleum Corporation (NNPC) shows that the average oil lifting (including Condensates) in the third quarter of 2015 was 2.13mbpd depicting a shortfall of 0.15mbpd (or 6.58%) below the 2.28mbpd estimated for the 2015 Budget. The volume of oil lifted in the period was also 0.09mbpd above the 2.04mbpd and 0.04mbpd below the 2.17mbpd reported in the second quarter of 2015 and third quarter of 2014 respectively. The fall in the quantity of oil lifted during the quarter as against the corresponding period of 2014 could be attributed to the uncertainties in the demand and supply of oil in the world market and as well as other factors like crude oil theft, illegal bunkering and pipeline vandalism that happened during the period.

19. The 2015 Fiscal Framework presents a gross Federally collectible revenue estimate of N9,778.38 billion, comprising of N5,431.20 billion (or 55.54%) oil revenue and N4,347.18 billion (or 44.46%) non-oil revenue. Below is an analysis of the real performance of the oil and non-oil revenue earnings in the third quarter of 2015.

Oil Revenue Performance

20. An examination of the oil revenue performance in the third quarter of 2015 indicates that, with the exception of Other Oil and Gas Revenue of N4.23 billion which exceeded its quarterly projected estimate of N0.91 billion by N3.31 billion (or 363.29%). All other oil revenue items fell short of their respective quarterly projections. Crude Oil Sales of N426.15 billion, Gas Sales of N4.31 billion, Royalties (Oil & Gas) of N155.61 billion, Rent of N0.03 billion, Gas Flared Penalty of N0.35 billion and Petroleum Profit & Gas Taxes of N339.78 billion fell below their quarterly projections of N645.79 billion, N153.03 billion, N161.86 billion, N0.26 billion, N0.74 billion and N395.21 billion by N219.64 billion (or 34.01%), N148.71 billion (or 97.18%), N6.26 billion (or 3.86%), N0.23 billion (or 87.97%), N0.38 billion (or 52.19%) and N55.43 billion (or 14.03%) respectively. Please see *Table 3.1*.

Net Oil Revenue:

21. In the third quarter of 2015, the actual Net Oil Revenue that accrued into the Federation Account was N603.53 billion, signifying a decrease of N240.74 billion (or 28.51%) below the projected quarterly estimate of N844.26 billion. On the other hand, the net oil revenue in the third quarter of 2015 was higher than the N545.81 billion net oil revenue recorded in the second quarter of 2015 by N57.71 billion (or 10.57%). The poor oil revenue performance in the third quarter of 2015 as against the quarterly projection can be ascribed to the fall in oil prices in the international market as well as other supply and demand challenges like crude oil theft, illegal bunkering and pipeline vandalism that occurred during the period. These data are presented in *Table 3.1*.

Year-to-Date:

22. As at end of September 2015, only Other Oil and Gas Revenue of N18.90 billion exceeded its three quarter of the year projection of N2.74 billion by N16.16 billion (or 590.65%). All other oil revenue items fell below their respective three quarter of the year projections. Crude Oil Sales of N1,443.54 billion, Gas Sales of N83.62 billion, Royalties (Oil & Gas) of N424.27 billion, Rent of N0.15 billion, Gas Flared Penalty of N1.81 billion and Petroleum Profit & Gas Taxes of N969.45 billion fell below their three quarter of the year projections of N1,937.37 billion, N459.08 billion, N485.59 billion, N0.78 billion, N2.21 billion and N1,185.63 billion by N493.84 billion (or 25.49%), N375.46 billion (or 81.79%), N61.32 billion (or 12.63%), N0.63 billion (or 80.67%), N0.40 billion (or 18.17%) and N216.19 billion (or 18.23%) respectively. These poor performances were as a result of a fall in prices and demand for Nigerian oil at the international market in the three quarters of the year.

Non-Oil Revenue Performance:

23. In the past few years, the Government, through the Budget Office of the Federation and the Federal Ministry of Finance had formulated a number of

policies meant to boost the non-oil revenue collections and payments to the treasury. The effects of these policies as well as the Budget Office's regular consultations with the Agencies had given rise to the continued increases in targets and actual revenues collected from the non-oil sector. This trend, as presented in *Table 3.2* and *Table 3.3*, is likely to continue over the 2013 - 2016 period.

24. In the third quarter of 2015, the actual gross non-oil revenue of N756.37 billion was received. This implies a shortfall of N137.15 billion (or 15.35%) below the quarterly estimate of N893.53 billion. A scrutiny of the non-oil revenue items revealed that apart from Company Income Tax of N415.67 billion which surpassed its quarterly estimate of N355.90 billion by N59.77 billion (or 16.79%) all the other non-oil revenue items fell below their quarterly expected estimates. Value Added Tax of N202.11 billion, Customs & Excise Duties of N126.60 billion and Special Levies of N11.99 billion were below their quarterly estimates of N320.93 billion, N179.57 billion and N37.14 billion by N118.81 billion (or 37.02%), N52.96 billion (or 29.50%) and N25.15 billion (or 67.71%) respectively. On the other hand, Solid Minerals Revenue which had a quarterly projected estimate of N3.92 billion yielded nothing in the quarter. When compared to their corresponding second quarter performances, Company Income Tax, Customs & Excise Duties and Special Levies grew by N256.31 billion (or 160.84%), N2.72 billion (or 2.2%) and N8.28 billion (or 222.75%) respectively while Value Added Tax fell by N1.07 billion (or 0.52%). The low performances of the non-oil revenue items in the third quarter of 2015 can be ascribed to the slow pace of economic activities during the period due to the transition to a new government, the fall in the value of the Naira as against other foreign currencies and the failure of both the revenue generating and collecting agencies to collect and remit the revenues on time. Nevertheless, it is expected that this trend will improve in the last quarter of the year.

Year-to-Date:

25. The gross non-oil revenues for the three quarters of the year amounted to N1,755.17billion representing a shortfall of N925.41 billion (or 34.52%) below the three quarter year projected estimate of N2,680.58 billion. The outcome also shows that proceeds from all the non-oil revenue items were below their corresponding estimates. Value Added Tax of N600.95 billion, Company Income Tax of N749.97 billion, Customs & Excise Duties of N383.66 billion and Special Levies of N20.60 billion respectively fell short by N361.83 billion (or 37.58%), N317.74 billion (or 29.76%), N155.04 billion (or 28.78%) and N90.81 billion (or 81.51%) when compared with their projections for the three quarter year of 2015. On the other hand, Solid Mineral Revenue yielded nothing in the three quarter of the year period.

Table 3.1: Net Distributable Revenue as at September, 2015 (Oil Revenue at Benchmark Assumptions)

S/NC	DESCRIPTION	BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3RD Quarter Actual Vs Quarterly Budget	3RD Quarter Vs 2ND Quarter (Actual)	Actual Vs Budget (3QRTS)			
A	OIL REVENUE	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
1	Crude Oil Sales Export	2,583.16	645.79	1,937.37	557.50	459.89	426.15	1,443.54	(219.64)	(34.01)	(33.74)	(7.34)	(493.84)	(25.49)
2	Crude Oil Sales Domestic													
3	Gas Sales (NLNG Feedstock Sales & Upstream Liquid Gas)	612.11	153.03	459.08	55.63	23.68	4.31	83.62	(148.71)	(97.18)	(19.36)	(81.78)	(375.46)	(81.79)
4	Oil Royalties & Gas Royalties	647.45	161.86	485.59	158.13	110.53	155.61	424.27	(6.26)	(3.86)	45.07	40.78	(61.32)	(12.63)
5	Rent	1.05	0.26	0.78	0.10	0.02	0.03	0.15	(0.23)	(87.97)	0.01	81.34	(0.63)	(80.67)
6	Gas Flared Penalty	2.95	0.74	2.21	0.67	0.79	0.35	1.81	(0.38)	(52.19)	(0.44)	(55.43)	(0.40)	(18.17)
7	PPT & Gas Income @ 30% CITA	1,580.85	395.21	1,185.63	415.17	214.49	339.78	969.45	(55.43)	(14.03)	125.29	58.41	(216.19)	(18.23)
8	Other Oil and Gas Revenue	3.65	0.91	2.74	4.57	10.10	4.23	18.90	3.31	363.29	(5.88)	(58.18)	16.16	590.65
9	Sub-Total	5,431.20	1,357.80	4,073.40	1,191.77	819.50	930.46	2,941.73	(427.34)	(31.47)	110.96	13.54	(1,131.67)	(27.78)
10	DPR Cost of Collection		-	-	7.20	6.32	6.51	20.03	6.51		0.19	3.05	20.03	
11	Joint Venture Cash Calls	1,404.02	351.00	1,053.01	197.85	185.81	196.29	579.94	(154.72)	(44.08)	10.48	5.64	(473.07)	(44.93)
12	Domestic Fuel Subsidy (NNPC) and Marketers (PMS)	100.00	25.00	75.00	-	-	-	-	(25.00)	(100.00)	-	-	(75.00)	(100.00)
13	Subsidy Payment (Kerosine)	45.52	11.38	34.14	-	-	-	-	(11.38)	(100.00)	-	-	(34.14)	(100.00)
14	Under Remittance of Funds by NNPC		-	-	-	-	-	-	-	-	-	-	-	-
15	Oil Excess Revenue		-	-	-	-	-	-	-	-	-	-	-	-
16	Sub-Total	3,881.67	970.42	2,911.25	986.72	627.37	727.66	2,341.76	(242.75)	(25.02)	100.29	15.99	(569.49)	(19.56)
17	Transfer to Excess Crude Account		-	-	14.98	-	33.96	48.93	33.96		33.96		48.93	
18	Balance of Oil Revenue	3,881.67	970.42	2,911.25	971.75	627.37	693.71	2,292.83	(276.71)	(28.51)	66.34	10.57	(618.42)	(21.24)
19	13% Derivation of Net Oil Revenue	504.62	126.15	378.46	126.33	81.56	90.18	298.07	(35.97)	(28.51)	8.62	10.57	(80.40)	(21.24)
20	TO FEDERATION ACCOUNT (OIL)	3,377.05	844.26	2,532.79	845.42	545.81	603.53	1,994.76	(240.74)	(28.51)	57.71	10.57	(538.03)	(21.24)
B	Solid Mineral Revenue	15.68	3.92	11.76	-	-	-	-	(3.92)	(100.00)	-	-	(11.76)	(100.00)
21	13% Derivation of Solid Minerals Revenue	2.04	0.51	1.53	-	-	-	-	(0.51)	(100.00)	-	-	(1.53)	(100.00)
22	TO FEDERATION ACCOUNT (SOLID MINERALS)	13.64	3.41	10.23	-	-	-	-	(3.41)	(100.00)	-	-	(10.23)	(100.00)
C	NON-OIL REVENUE		-	-	-	-	-	-	-	-	-	-	-	-
23	Value Added Tax (VAT)	1,283.70	320.93	962.78	195.66	203.18	202.11	600.95	(118.81)	(37.02)	(1.07)	(0.52)	(361.83)	(37.58)
24	Corporate Tax (CIT, Stamp Duties & CGT)	1,423.60	355.90	1,067.70	174.94	159.36	415.67	749.97	59.77	16.79	256.31	160.84	(317.74)	(29.76)
25	Customs: Import, Excise & Fees	718.26	179.57	538.70	133.18	123.88	126.60	383.66	(52.96)	(29.50)	2.72	2.20	(155.04)	(28.78)
26	Special Levies (Federation Account)	148.54	37.14	111.41	4.89	3.72	11.99	20.60	(25.15)	(67.71)	8.28	222.75	(90.81)	(81.51)
27	Sub-Total	3,574.11	893.53	2,680.58	508.67	490.13	756.37	1,755.17	(137.15)	(15.35)	266.25	54.32	(925.41)	(34.52)
28	Cost of Collection and Other Deductions	192.97	48.24	144.73	24.49	23.43	46.41	94.33	(1.83)	(3.79)	22.98	98.07	(50.39)	(34.82)
29	Cost of Collection (VAT)	51.35	12.84	38.51	7.83	8.13	8.09	24.04	(4.75)	(37.02)	(0.04)	(0.52)	(14.47)	(37.58)
30	4% Cost of Collection (CIT)	55.94	13.99	41.96	7.00	6.37	16.13	29.50	2.14	15.31	9.75	153.01	(12.46)	(29.70)
31	7% Cost of Collection (Customs and Special Levies)	60.68	15.17	45.51	9.67	8.93	9.70	28.30	(5.47)	(36.05)	0.77	8.61	(17.21)	(37.82)
32	FIRS Tax Refunds	25.00	6.25	18.75	-	-	12.50	12.50	6.25	100.00	12.50		(6.25)	(33.33)
33	TO FEDERATION ACCOUNT (NON-OIL)	2,148.79	537.20	1,611.59	296.35	271.64	515.93	1,083.93	(21.26)	(3.96)	244.29	89.93	(527.66)	(32.74)
34	Total VAT Pool	1,232.35	308.09	924.26	187.83	195.05	194.03	576.91	(114.06)	(37.02)	(1.02)	(0.52)	(347.35)	(37.58)
35	Net Non-Oil Revenue	3,381.14	845.28	2,535.85	484.18	466.69	709.96	1,660.84	(135.32)	(16.01)	243.27	52.13	(875.02)	(34.51)
36	Sub-Total: FEDERATION ACCOUNT	5,539.48	1,384.87	4,154.61	1,141.59	817.03	1,119.33	3,077.95	(265.54)	(19.17)	302.30	37.00	(1,076.66)	(25.91)
37	Actual Balances in Special Accounts End of Previous Year 2014	17.24	4.31	12.93	-	-	-	-	(4.31)	(100.00)	-	-	(12.93)	(100.00)
38	TOTAL FEDERATION ACCOUNT	5,556.72	1,389.18	4,167.54	1,141.59	817.03	1,119.33	3,077.95	(269.85)	(19.43)	302.30	37.00	(1,089.59)	(26.14)
D	TOTAL DISTRIBUTION		-	-	-	-	-	-	-	-	-	-	-	-
1	Federation Account	5,556.72	1,389.18	4,167.54	1,141.59	817.03	1,119.33	3,077.95	(269.85)	(19.43)	302.30	37.00	(1,089.59)	(26.14)
2	VAT Pool Account	1,232.35	308.09	924.26	187.83	195.05	194.03	576.91	(114.06)	(37.02)	(1.02)	(0.52)	(347.35)	(37.58)
3	GRAND TOTAL	6,789.07	1,697.27	5,091.81	1,329.42	1,012.08	1,313.36	3,654.86	(383.91)	(22.62)	301.28	29.77	(1,436.95)	(28.22)

Source: OAGF and Budget Office of the Federation, 2015

Table 3.2: Actual Performance of Non-Oil Revenue Category (2006-2014)

Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	9 - Year Average
	N'm	N'm								
Customs Duties & Excise	176,297.90	248,941.30	274,407.60	278,940.00	309,193.00	422,090.00	474,917.60	432,368.00	566,241.00	353,710.71
Company Income Tax	244,807.80	327,040.20	416,825.50	564,950.00	657,278.00	716,920.00	848,566.00	985,520.00	1,207,283.00	663,243.39
Value Added Tax	230,370.30	301,709.60	404,527.80	468,388.90	562,857.00	649,500.00	710,146.00	795,598.00	794,220.00	546,368.62
Education Tax	23,950.00	50,650.00	59,387.00	61,058.20	21,671.69
FGN Independent Revenue	106,600.00	152,290.00	198,234.20	64,114.70	153,551.90	182,490.00	206,766.00	274,368.00	295,326.00	181,526.76

Source: OAGF and BOF, 2015

Table 3.3: Percentage Growth in Non-Oil Revenues (2007-2014)

Description	2007	2008	2009	2010	2011	2012	2013	2014	8-Year Average
Customs Duties & Excise	41.20%	10.23%	1.65%	10.85%	36.51%	12.52%	-8.96%	30.96%	16.87%
Company Income Tax	33.59%	27.45%	35.54%	16.34%	9.07%	18.36%	16.14%	22.50%	22.37%
Value Added Tax	30.97%	34.08%	15.79%	20.17%	15.39%	9.34%	12.03%	-0.17%	17.20%
FGN Independent Revenue	42.86%	30.17%	-67.66%	139.50%	18.85%	13.30%	32.69%	7.64%	22.17%

Source: OAGF and BOF, 2015

Comparative Revenue Performance Analysis:

26. A comparative breakdown of the data further indicates that the aggregate gross oil revenue earnings in the third quarter of 2015 were not only lower than their respective estimates for the period, but were also short of the corresponding levels in the same period of 2014. The low performance can be attributed to the fall in the price of oil in the world market and the drop in oil lifting figures due to decrease in demand, incessant crude oil theft and pipeline

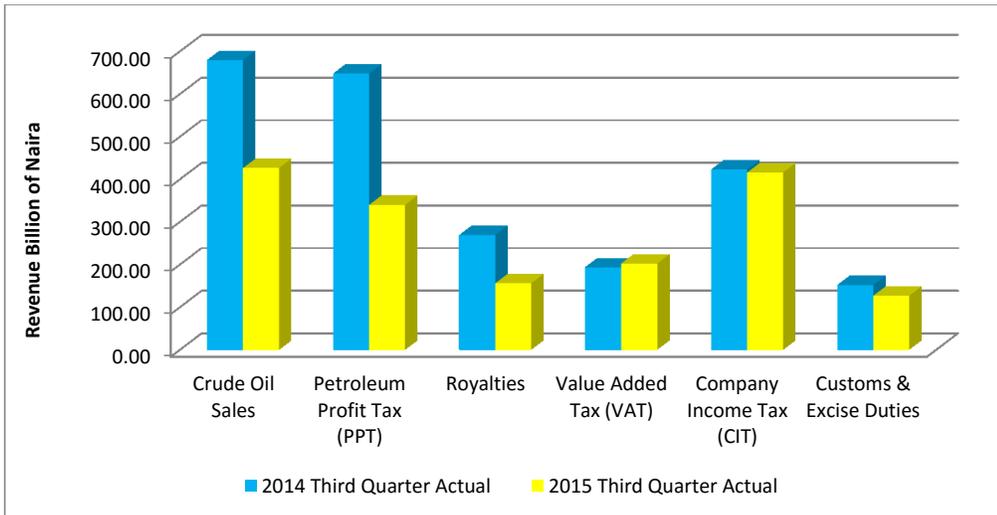
vandalism in the Niger Delta region during the period. Similarly, the aggregate gross non-oil revenues for the same period revealed a shortfall of N11.15 billion (or 1.45%) below the corresponding figures reported in 2014. Please see data below in *Table 3.4*.

Table 3.4: Performance of Revenue in the Third Quarter of 2015Vs 2014

Revenue Items	2014	2015	Variance	
	3rd Quarter Actual	3rd Quarter Actual	3rd Quarter 2015 Vs 3rd Quarter 2014	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	679.42	426.15	-253.27	-37.28
Petroleum Profit Tax (PPT)	647.60	339.78	-307.82	-47.53
Royalties	268.72	155.61	-113.11	-42.09
Gross Oil Revenue	1,713.11	930.46	-782.65	-45.69
Net Oil Receipts	1,041.48	603.53	-437.95	-42.05
Non-Oil Revenue	-	-		
Value Added Tax (VAT)	193.39	202.11	8.72	4.51
Company Income Tax (CIT)	422.60	415.67	-6.93	-1.64
Customs & Excise Duties	151.53	126.60	-24.93	-16.45
Gross Non-Oil Revenue	767.52	756.37	-11.15	-1.45
Net Non-Oil Receipts	597.39	709.96	112.57	18.84

Source: OAGF and Budget Office of the Federation, 2015

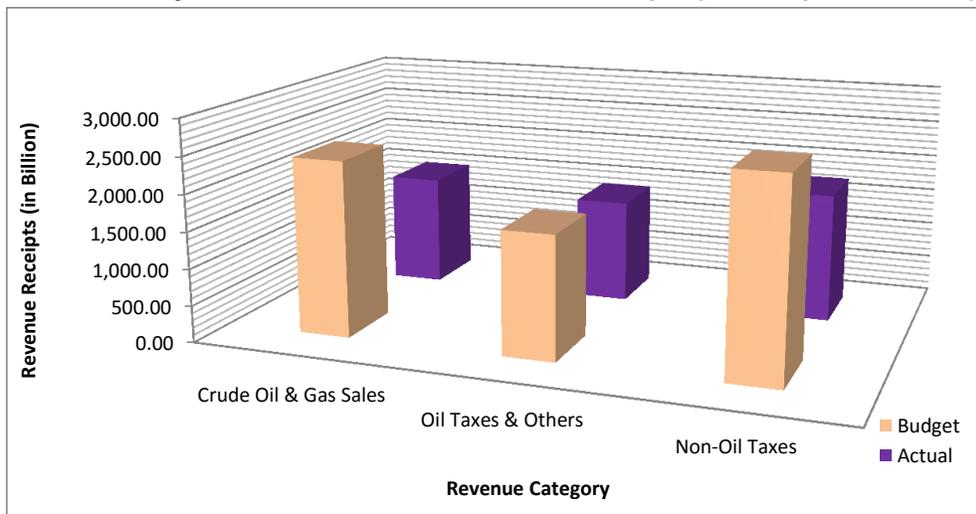
Chart 3.1: 2014 Vs 2015 Revenue Performance (Third Quarter)



Source: OAGF and Budget Office of the Federation, 2015

27. *Chart 3.2* below is a graphical illustration of the actual performance of revenue categories compared to their budgeted estimates as at September 2015.

Chart 3.2: Projected Vs Actual FAAC Revenue Receipts (as at September 2015)



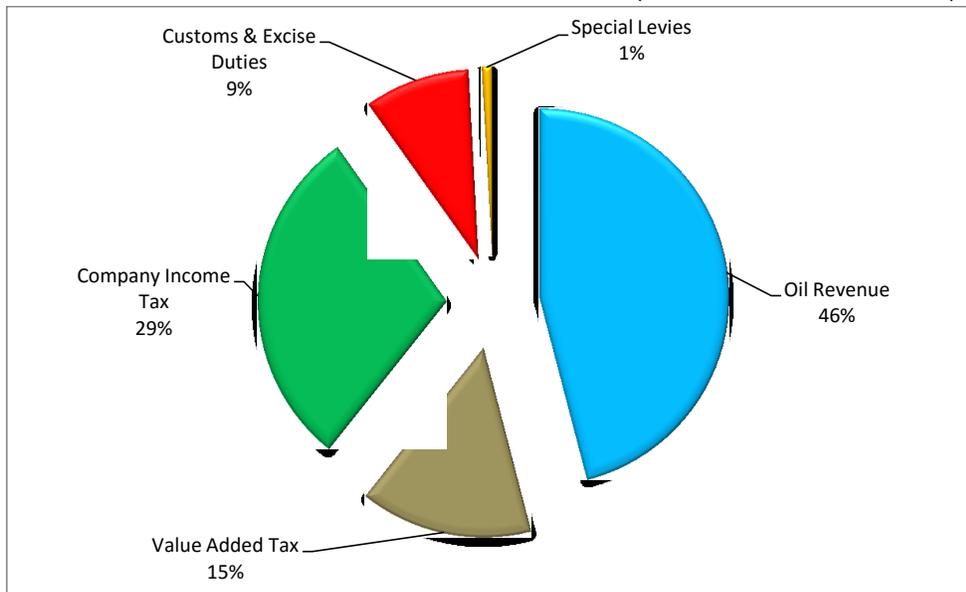
Source: Budget Office of the Federation, 2015

Distributable Revenue:

28. The net distributable revenue is the balance of funds in the Federation Account available for sharing among the three tiers of government after the deduction of all costs. A net sum of N1,313.36 billion was available for distribution in the third quarter of 2015. This represents a shortfall of N383.91 billion (or 22.62%).

29. *Chart 3.3* below gives the percentage contribution of the various revenue categories to distributable revenue in the third quarter of 2015.

Chart 3.3: Contributions to Distributable Revenue (in the 3rd Quarter of 2015)



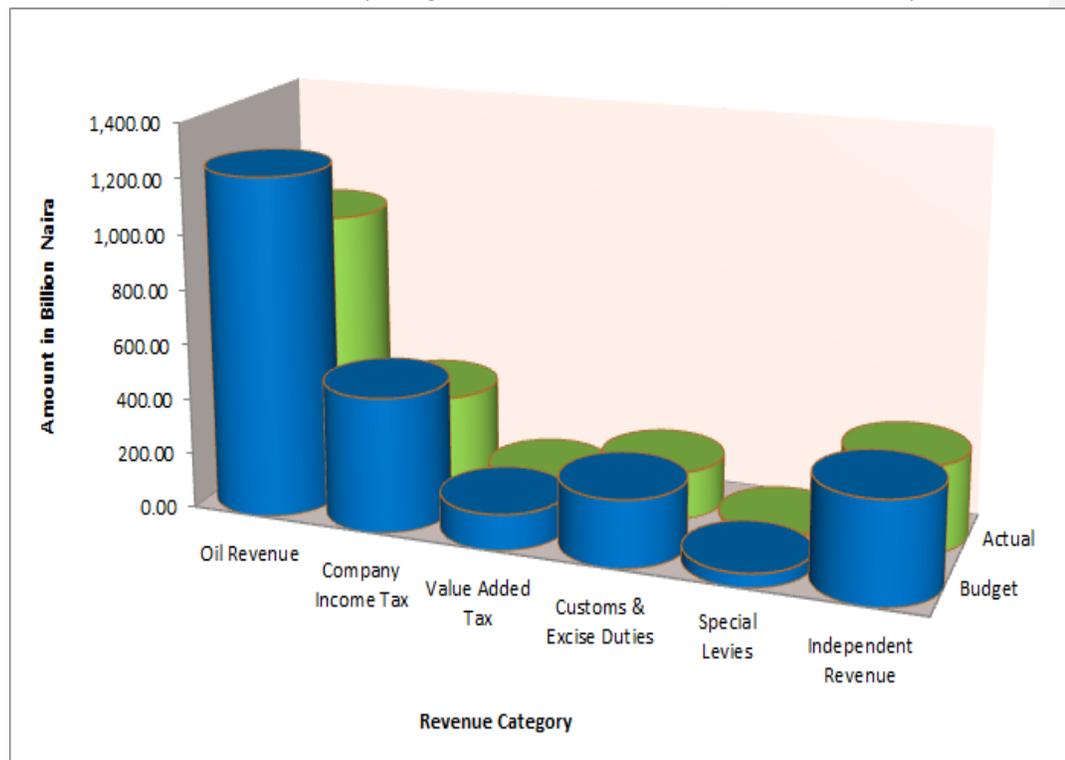
Source: Budget Office of the Federation, 2015

3.3 FGN Budget Revenue

30. In line with the approved 2015 Budget framework, the sum of N3,452.36 billion was projected to fund the Federal Budget, signifying a quarterly share of N863.09 billion. In the third quarter of 2015, the sum of N292.71 billion

received from oil sources was lower than the quarterly estimate of N409.47 billion by N116.76 billion (or 28.51%). With the exception of FGN Share of Company Income Tax of N187.72 billion that exceeded its quarterly estimate of N162.80 billion by N24.92 billion (or 15.31%), all the other non-oil revenue items fell below their quarterly budget projections. FGN Share of VAT of N27.16 billion, Customs & Excise Duties of N57.10 billion and Special Levies of N5.41 billion were below their corresponding quarterly budget projections of N43.13 billion, N80.99 billion and N16.75 billion by N15.97 billion (or 37.02%), N23.89 billion (or 29.5%) and N11.34 billion (or 67.71%). The above mentioned followed the similar pattern of their respective performances at the Federation Account level. The data are presented below in *Table 3.5*.

Chart 3.4: FGN Revenue (Budget Vs Actual as at September 2015)



Source: The OAGF and Budget Office of the Federation, 2015

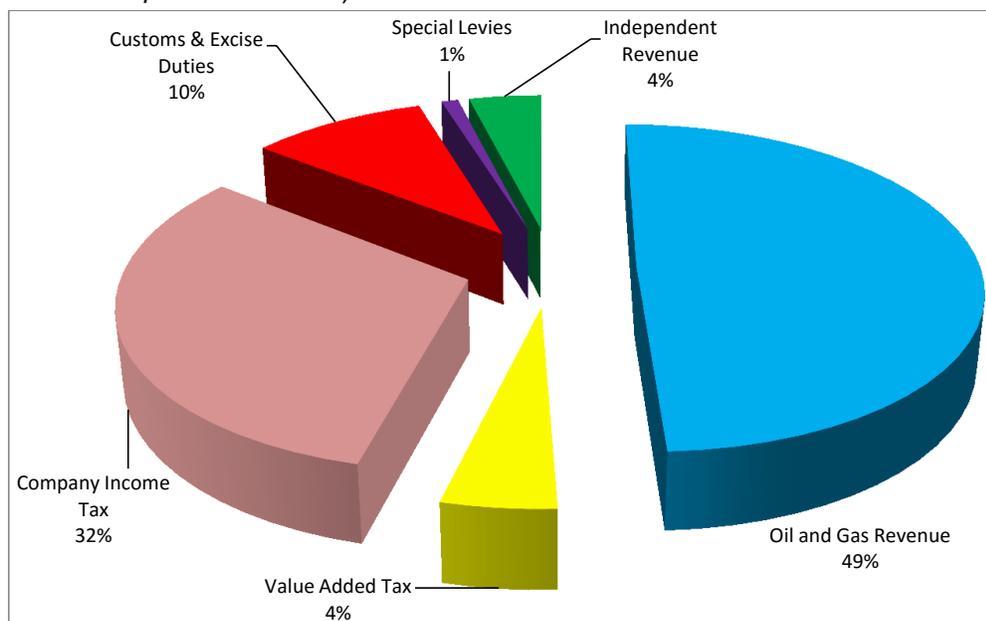
Table 3.5: Inflows to the 2015 Federal Budget as at September 2015

S/NC	DESCRIPTION	BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3RD Quarter Actual Vs Quarterly Budget	3RD Quarter Vs 2ND Quarter (Actual)	Actual Vs Budget (3QRTS)			
		N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
1	Inflow for the Federal Budget (CRF)													
2	FGN Share of Oil Revenue	1,637.87	409.47	1,228.40	417.60	266.33	292.71	976.64	(116.76)	(28.51)	26.38	9.91	(251.77)	(20.50)
3	FGN Share of Solid Minerals Revenue	6.61	1.65	4.96	-	-	-	-	(1.65)	(100.00)	-		(4.96)	(100.00)
4	FGN Share of Non-Oil Revenue	1,223.05	305.76	917.29	170.03	159.05	277.39	606.47	(28.37)	(9.28)	118.34	74.40	(310.82)	(33.88)
5	FGN Share of Value Added Tax (VAT)	172.53	43.13	129.40	26.30	27.31	27.16	80.77	(15.97)	(37.02)	(0.14)	(0.52)	(48.63)	(37.58)
6	FGN Share of Customs: Import, Excise & Fees	323.97	80.99	242.98	60.07	55.87	57.10	173.05	(23.89)	(29.50)	1.23	2.20	(69.93)	(28.78)
7	FGN Share of Special Levies (Federation Account)	67.00	16.75	50.25	2.21	1.68	5.41	9.29	(11.34)	(67.71)	3.73	222.75	(40.96)	(81.51)
8	FGN Share of Corporate Tax (CIT, Stamp Duties & CGT)	651.19	162.80	488.39	81.45	74.20	187.72	343.36	24.92	15.31	113.52	153.00	(145.03)	(29.69)
9	FGN Share of Actual Balances in Special Accounts End of Previous Year 2014	8.36	2.09	6.27	-	-	-	-	(2.09)	(100.00)	-		(6.27)	(100.00)
10	FGN Independent Revenue	489.29	122.32	366.97	280.63	10.31	23.47	314.40	(98.86)	(80.81)	13.16	127.71	(52.57)	(14.33)
11	FGN Balances of Special Accounts as at end of Previous Year	8.20	2.05	6.15	21.68	-	-	21.68	(2.05)	(100.00)	-		15.53	252.43
12	Unspent Balance from Previous Fiscal Year	50.00	12.50	37.50	-	-	-	-	(12.50)	(100.00)	-		(37.50)	(100.00)
13	FGN's Share of Kerosine Subsidy Remittance by NNPC	37.32	9.33	27.99	-	-	-	-	(9.33)	(100.00)	-		(27.99)	(100.00)
14	Sub-Total	3,452.36	863.09	2,589.27	889.93	435.69	593.57	1,919.19	(269.52)	(31.23)	157.88	36.24	(670.08)	(25.88)
15	Other Financing Sources	-	-	-	80.09	62.85	209.95	352.89	209.95		147.10	234.04	352.89	
16	Refund by NNPC	-	-	-	17.48	17.48	17.48	52.45	17.48		-	-	52.45	
17	Transfers to CRF	-	-	-	11.23	4.24	-	15.48	-		(4.24)	(100.00)	15.48	
18	Payment to FGN & Other Statutory Benefits	-	-	-	19.68	17.48	17.48	54.64	17.48		-	-	54.64	
19	Exchange Difference	-	-	-	31.70	23.64	7.66	62.99	7.66		(15.98)	(67.61)	62.99	
20	Receipts from LNG	-	-	-	-	-	167.32	167.32	167.32		167.32		167.32	
21	Total Revenue Available for Implementation	3,452.36	863.09	2,589.27	970.02	498.54	803.52	2,272.08	(59.57)	(6.90)	304.98	61.17	(317.19)	(12.25)

Source: Budget Office of the Federation and the OAGF, 2015

31. A total of N593.57 billion, excluding other funding sources, was received in the third quarter of 2015. This amount was N269.52 billion (or 31.23%) lower than the quarterly projection of N863.09 billion and N157.88 billion (or 36.24%) higher than the actual receipt recorded in the second quarter of 2015. The aggregate revenue in the third quarter of 2015 was also N238.12 billion (or 28.63%) below the N831.69 billion recorded in the third quarter of 2014.

Chart 3.5: Contributions to the FGN Budget Revenue in the Third Quarter of 2015 (Excluding FGN's Unspent Balances and FGN's Balances in Special Accounts)



Source: The OAGF and Budget Office of the Federation, 2015

3.4 Excess Crude Account

32. The Excess Crude Account (ECA) was set up to serve as a stabilization and savings account. Inflows into the ECA in the third quarter of 2015 amounted to N33.96 billion. The inflow in the third quarter of 2015 was quite

Comment [MSOffice1]: At the end of December 2010, the inflow to the ECA showed a huge difference when compared with what happened in 2009. In this 2010 Full year report, the ECA is more comprehensive compared to the 2009 Full year report. Though the auditing that is FRC recommended is not mentioned on this report

different from the preceding quarter where nothing was transferred to the ECA as result of the shortfall in oil revenue. The N33.96 billion inflow in the third quarter of 2015 was also N211.67 billion (or 86.17%) lower than N245.63 billion recorded in the third quarter of 2014. A total of N82.56 billion was withdrawn from the account in the third quarter of 2015. These data are presented in Table 3.6.

Table 3.6: Net Excess Crude Account

Description	2014 Actual (N'bn)				2015 Actual (N'bn)			
	First Quarter	Second Quarter	Third Quarter	Jan - Sept	First Quarter	Second Quarter	Third Quarter	Jan - Sept
Inflows								
Transfer to Excess Crude Oil Account	158.45	231.27	245.63	635.35	14.98	0.00	33.96	48.94
Outflows								
Payment for Petroleum Product Subsidy	48.23	44.97	123.00	216.20	197.05	162.34	0.00	359.39
Augmentation: Distribution among tiers of Govt.	106.65	106.65	36.39	249.69	15.63	0.00	82.56	98.19
Transfer for Special Intervention Fund	0.00	3.55	106.65	110.20	0.56	0.00	0.00	0.56
Transfers Int. trf - SWF								
Total Outflow	154.88	155.17	266.04	576.09	213.25	162.34	82.56	458.15
Net Excess Crude Account	3.57	76.10	-20.41	59.26	-198.27	-162.34	-48.60	-409.21

Source: Office of the Accountant General of the Federation, 2015

3.5 Expenditure Developments

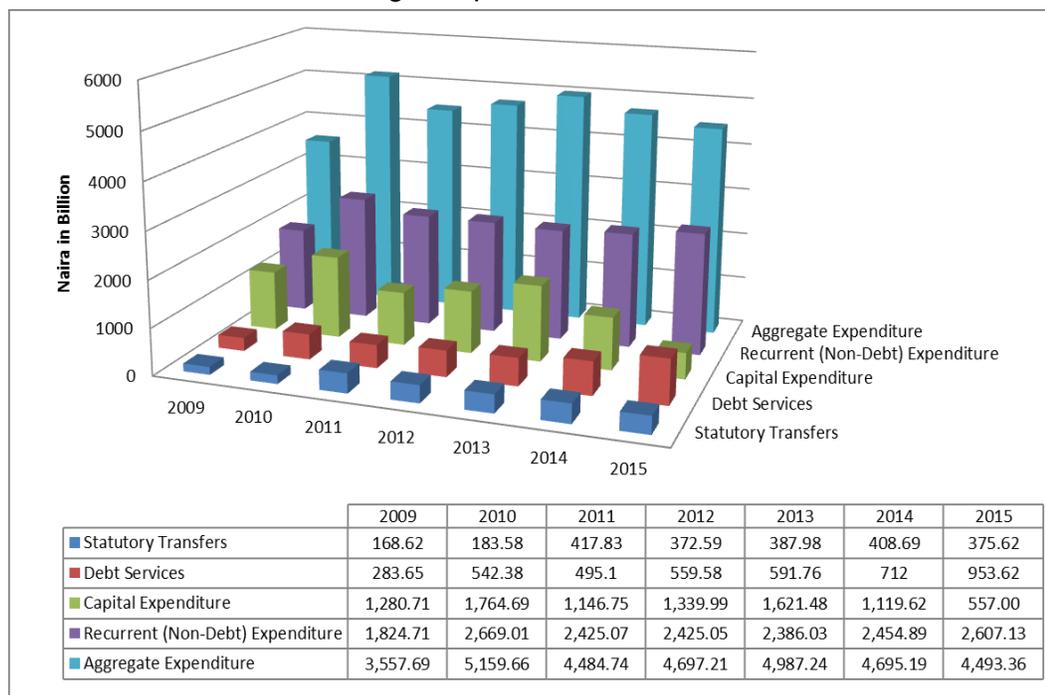
33. A total of N4,514.40 billion was appropriated for expenditure in the 2015 Budget. Of this amount, N4,493.36 billion was for the regular budget for 2015 while N21.03 billion was for the implementation of social safety net and specific infrastructure projects and programmes under the Subsidy Reinvestment and Empowerment Programme (SURE-P). The regular budget for 2015 is made up of N2,607.13 billion (or 58.02%) for Recurrent (Non-Debt) Expenditure, N953.62 billion (or 21.22%) for Debt Services, N375.62 billion (or 8.36%) for Statutory Transfers and N557.0 billion (or 12.4%) for Capital Expenditure.

3.5.1 Non-Debt Recurrent Expenditure

34. In preparing the 2015 Budget, Government was specific on its plan to consciously cut down the growth of recurrent expenditures as stated in the 2015-2017 Fiscal Framework and Fiscal Strategy Paper. But, there is a limit to how far these efforts can go because of the persistent demands for wage increases by various labour unions. Furthermore, government does not want to embark on rationalization of workers which would have lessened the huge wage bill. Since the government was determined in cutting down the cost of governance it had initiated other measures such as reduction in overhead cost and to continue the roll-out of the Integrated Payroll and Personnel Information System (IPPIS) across MDAs which will eventually result to savings in personnel costs.

Comment [MSOffice2]: Personal cost and overheads have also gone lower than 2009. Though the ratio relative to capital expenditure of 52.86% still exceeds the international accepted benchmark of 40%.

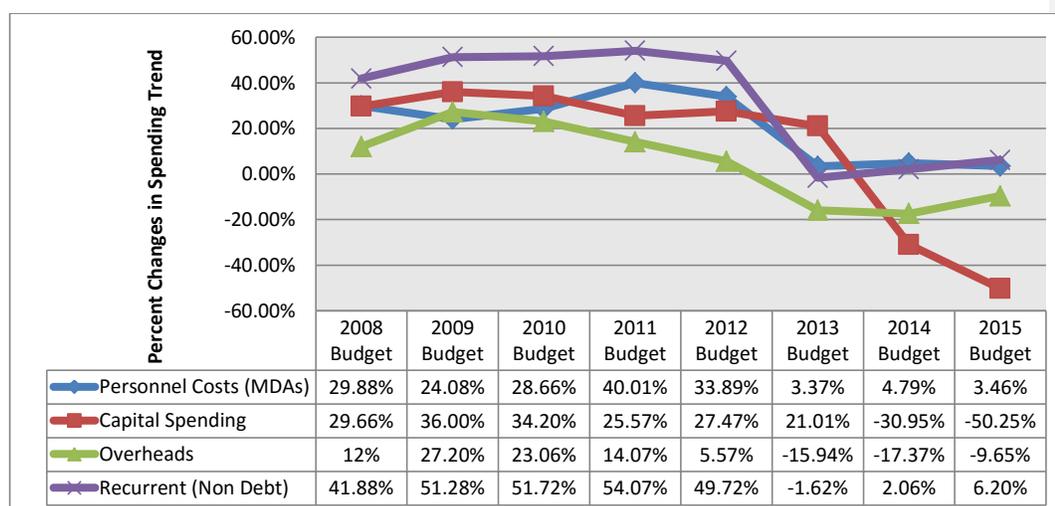
Chart 3.6: 2009 – 2015 Budget Expenditure Profile



Source: Budget Office of the Federation, 2015

35. Data from the OAGF shows that a total of N660.32 billion was expended on non-debt recurrent expenditure in the third quarter of 2015. This amount represents an increase of N8.54 billion (or 1.31%) above the quarterly estimate of N651.78 billion.

Chart 3.7: Personnel, Overhead and Capital Expenditure Trends (2008 – 2015)



Source: BOF and OAGF, 2015

3.5.2 Debt Service

36. Provisional data from the Debt Management Office (DMO) reveals that as at 30thSeptember, 2015 the Federal Government domestic debt stock stood at N8,612.23 billion representing an increase of N215.64 billion (or 2.57%) above the N8,396.59 billion reported in the second quarter of 2015. The 2015 third quarter debt figure was also N961.13 billion (or 12.56%) above the N7,651.1 billion recorded in the same period of 2014. A breakdown of the domestic debt stock as at 30thSeptember, 2015 shows that N5,568.14 billion (or 64.65%) is for FGN Bonds, N2,772.87 billion (or 32.2%) is for Nigerian Treasury Bills (NTBs) and N271.22 billion (or 3.15%) is for Treasury Bonds. The rise in domestic debt in the third quarter of 2015 can be attributed to the

growth in FGN Bonds. During the quarter, a total of N299.52 billion was released for domestic debt servicing while the actual domestic debt payment was N287.43 billion. The sum of N63.78 billion (or 28.52%) difference between the quarterly budgeted estimate of N223.65 billion for domestic debt services and the actual domestic debt services was mainly due to additional issues of FGN Bonds above the amount projected to be issued as a result of changes in the issuance calendar and the rising cost of rolling over NTBs.

37. Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 30th September, 2015, stood at US\$10,617.35 million signifying an increase of US\$300.53 million (or 2.91%) and US\$1,098.40 million (or 11.54%) over the US\$10,316.82 million and US\$9,518.95 million recorded in the second quarter of 2015 and third quarter of 2014 respectively. The rise in the external debt stock in the third quarter of 2015 was due mainly to the increase in Multilateral Debt drawdown. A breakdown of the external debt stock as at 30th September, 2015 shows that Multilateral Debts amounted to US\$7,542.52 million (71.04%), Non-Paris Club Bilateral Debts amounted to US\$1,574.83 million (or 14.83%) while Commercial (Euro-Bond) accounted for the balance of US\$1,500.0 million (or 14.13%).

38. The actual external debt service payment in the third quarter of the year amounted to US\$110.26 million. A breakdown of the payments reveals that US\$36.33 million (or 32.95%) was to Multilateral Creditors, US\$28.30 million (or 25.67%) was to Non-Paris Bilateral Creditors and US\$45.63 million (or 41.38%) was to Commercial (Eurobonds).

39. The total public debt stock as at 30th September, 2015 stood at US\$64.20 billion (or N12,358.49 billion). The breakdown comprises of US\$10.62 billion (or N2,091.09 billion or 16.92%) for external debt while the balance of US\$53.58 billion (or N10,267.41 billion or 83.08%) was for domestic debt stock. The total net value of Debt/GDP (external and domestic) ratio of 13.35% (using the rebased GDP figure of 2014) as at the end of September 2015 was considerably below the global threshold of 40%.

Table 3.7: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at September 2015

S/NC	ITEMS	BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3RD Quarter Actual Vs Quarterly Budget	3RD Quarter Vs 2ND Quarter (Actual)		Actual Vs Budget (3QRTS)		
		N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
A	TOTAL RETAINED REVENUE	3,452.36	863.09	2,589.27	970.02	498.54	803.52	2,272.08	(59.57)	(6.90)	304.98	61.17	(317.19)	(12.25)
B	TSA/E-Collection Pool A/C	-	-	-	-	-	208.05	208.05	208.05					208.05
C	TOTAL INFLOW	3,452.36	863.09	2,589.27	970.02	498.54	1,011.57	2,480.13	148.48	17.20	513.03	102.91	(109.14)	(4.22)
D	EXPENDITURE:													
	RECURRENT (NON-DEBT)													
1	Personnel Cost	1,830.22	457.56	1,372.67	432.97	401.14	502.47	1,336.58	44.92	9.82	101.34	25.26	(36.09)	(2.63)
2	Pension & Gratuities	291.05	72.76	218.29	55.98	48.49	56.64	161.11	(16.12)	(22.16)	8.15	16.81	(57.18)	(26.19)
3	Overhead Cost and Service Wide Vote	422.58	105.64	316.93	112.59	75.05	85.25	272.90	(20.39)	(19.30)	10.20	13.59	(44.04)	(13.89)
4	Presidential Amnesty Programme	63.28	15.82	47.46	15.63	15.80	15.96	47.39	0.14	0.90	0.17	1.06	(0.07)	(0.15)
5	Sub-total (Non-Debt)	2,607.13	651.78	1,955.35	617.18	540.47	660.32	1,817.98	8.54	1.31	119.85	22.17	(137.38)	(7.03)
6	Domestic Debts & Int. on Ways & Means	894.61	223.65	670.96	343.95	212.40	299.52	855.88	75.87	33.92	87.12	41.02	184.92	27.56
7	Foreign Debts	59.01	14.75	44.26	14.61	21.21	17.23	53.04	2.48	16.78	(3.98)	(18.77)	8.79	19.85
8	Sub-Total (Debt)	953.62	238.41	715.22	358.56	233.61	316.75	908.92	78.35	32.86	83.14	35.59	193.71	27.08
9	PAYMENTS TO VARIOUS SPECIAL ACCOUNTS:													
10	Loan to .5% Statutory Stabilization Account	-	-	-	30.00	-	-	30.00	-	-	-	-	-	30.00
	Loan to Ex Dom Naira Account IRO Ind. Oil Marketers	-	-	-	31.00	156.10	-	187.10	-	-	(156.10)	(100.00)	187.10	
12	Sub-Total (Payments to Special Accounts)	-	-	-	61.00	156.10	-	217.10	-	-	(156.10)	(100.00)	217.10	
13	CAPITAL EXPENDITURE:													
14	Capital Release 2014	-	-	-	21.68	-	-	21.68	-	-	-	-	-	21.68
15	*Capital Releases 2015	557.00	139.25	417.75	37.90	6.19	72.31	116.40	(66.94)	(48.07)	66.12	1,067.76	(301.35)	(72.14)
16	Sub-Total (Capital)	557.00	139.25	417.75	59.58	6.19	72.31	138.08	(66.94)	(48.07)	66.12	1,067.76	(279.67)	(66.95)
17	TRANSFER:													
18	Niger Delta Development Commission (NDDC)	46.72	11.68	35.04	-	7.71	19.39	27.10	7.71	65.99	11.68	151.53	(7.94)	(22.67)
19	National Judicial Council (NJC)	73.00	18.25	54.75	19.25	12.17	18.25	49.66	(0.00)	(0.01)	6.08	50.00	(5.09)	(9.29)
20	Universal Basic Education Commission (UBEC)	68.38	17.10	51.29	2.00	16.59	-	18.60	(17.10)	(100.00)	(16.59)	(100.00)	(32.69)	(63.74)
21	Independent National Electoral Commission (INEC)	62.00	15.50	46.50	5.17	5.17	20.67	31.00	5.17	33.34	15.50	300.06	(15.50)	(33.33)
22	National Assembly	120.00	30.00	90.00	37.50	6.25	30.91	74.66	0.91	3.03	24.66	394.53	(15.34)	(17.05)
23	Public Complaint Commission (PCC)	4.00	1.00	3.00	-	-	0.81	0.81	(0.19)	(19.20)	0.81	-	(2.19)	(73.07)
24	National Human Right Commission (NHRC)	1.52	0.38	1.14	0.30	0.23	0.13	0.65	(0.25)	(66.75)	(0.10)	(44.25)	(0.49)	(42.66)
25	Sub-Total (Transfers)	375.62	93.90	281.71	64.22	48.11	90.15	202.47	(3.76)	(4.00)	42.04	87.37	(79.24)	(28.13)
26	TOTAL EXPENDITURE	4,493.37	1,123.34	3,370.02	1,160.53	984.49	1,139.53	3,284.55	16.19	1.44	155.04	15.75	(85.47)	(2.54)
27	Fiscal Deficit	(1,041.01)	(260.25)	(780.76)	(190.52)	(485.95)	(127.96)	(804.42)	132.29	(50.83)	357.99	(73.67)	(23.67)	3.03
E	FINANCING ITEMS:													
1	Privitization Proceeds	10.00	2.50	7.50	-	-	-	-	(2.50)	(100.00)	-	-	(7.50)	(100.00)
2	Signature Bonus	58.89	14.72	44.17	-	-	-	-	(14.72)	(100.00)	-	-	(44.17)	(100.00)
3	FGN Share from Stabilisation Fund Account	80.00	20.00	60.00	6.60	-	-	6.60	(20.00)	(100.00)	-	-	(53.40)	(89.01)
4	Borrowing from Special Accounts	-	-	-	12.50	4.91	-	17.41	-	-	(4.91)	(100.00)	17.41	
5	Credit Advance by CBN	-	-	-	231.00	190.20	194.76	615.96	194.76	-	4.56	2.39	615.96	
6	Foreign Borrowing	380.00	95.00	285.00	-	-	-	-	(95.00)	(100.00)	-	-	(285.00)	(100.00)
7	Domestic Borrowing (FGN Bond)	502.12	125.53	376.59	210.00	120.00	-	330.00	(125.53)	(100.00)	(120.00)	(100.00)	(46.59)	(12.37)
	Transfer of Funds from Special Account (Monetization)	-	-	-	-	72.60	0.92	73.51	0.92	-	(71.68)	(98.74)	73.51	
9	Proceed of Sale of Government Properties	10.00	2.50	7.50	-	-	-	-	(2.50)	(100.00)	-	-	(7.50)	(100.00)
10	Sub-Total	1,041.01	260.25	780.76	460.10	387.71	195.67	1,043.47	(64.58)	(24.82)	(192.04)	(49.53)	262.71	33.65
11	Net Deficit/Surplus	-	-	-	269.58	(98.24)	67.71	239.05	67.71		165.95	(168.92)	239.05	

Source: OAGF and Budget Office of the Federation, 2015

Note: 1. As our banker the FGN is entitle to raise credit from the CBN through the mechanism of ways and means subject to 12.5% of FGN's revenue. This amount will be retired and therefore not considered as new borrowing outside the borrowing approved to finance budget deficit.

2. Earlier ways and means arrangement was at the threshold of 12.5% of FGN revenue. However, due to current fiscal challenges, the CBN had agreed to increase the threshold hence our ability to raise N615.96 billion.

3.5.3 Statutory Transfers:

40. In the third quarter of 2015, a total of N90.15 billion was released as statutory transfers. A breakdown of the actual transfers in the third quarter shows that N19.39 billion was to Niger Delta Development Commission (NDDC), N18.25 billion was to National Judicial Council (NJC), N20.67 billion was to Independent Electoral Commission (INEC), N30.91 billion was to National Assembly (NAS), N0.81 billion was to Public Complaint Commission (PCC) and N0.13 billion was to the National Human Right Commission (NHRC). It is worthy to note that quarterly releases under this subhead are made on demand by the beneficiaries subject to budgetary provisions.

3.5.4 Capital Expenditure Performance

41. Government like in the preceding budgets continued in 2015 to direct the bulk of its finances to the structural reform of the economy and provision of critical infrastructure in the power, health, education, roads, rail and aviation sectors as well as the provision of physical and food security. In view of this, a total of N557.0 billion was allocated to capital spending in the 2015 Budget.

MDAs' Capital Vote Utilization:

42. Owing to the shortfall in anticipated revenue inflow and other demands for the limited resources available to the government, the 2015 third quarter Capital Development Warrant was yet to be released as at the time of this report. Data from the OAGF showed that as at 30th September, 2015, only N116.40 billion was released to MDAs for their 2015 capital projects, N59.25 billion as First Quarter General Capital Warrant and N57.15 billion as Authority to Incur Expenditure (AIE's). It is good to note that the Budget Office of the Federation in conjunction with the Office of the Accountant General of the Federation is working towards releasing the Second and Third Quarter General Capital Development Warrants.

Performance as at 30th September, 2015

43. In addition to the regular budget, an extra provision of N21.03 billion was made for major capital and social programmes under the SURE-P window, and this assisted in the area of infrastructure development in the third quarter of 2015. A total of N21.03 billion (or 100%) of the appropriated sum was released while N20.38 billion (or 96.91%) of the released amount was utilized as at 30th September, 2015.

3.5.5 Performance of the Financing Items:

44. The 2015 Fiscal Framework reveals a quarterly deficit of N260.25 billion to be financed through Proceeds of Sale of Government Properties of N2.5 billion, Privatization Proceeds of N2.5 billion, FGN's Share of Signature Bonus of N14.72 billion, Sharing from Stabilization Fund Account (ECA) of N20.0 billion, Domestic Borrowing (FGN Bond) of N125.53 billion and Foreign Borrowing of N95.0 billion.

45. In the third quarter, a total of N195.67 billion was realized from financing item sources implying a decrease of N64.58 billion (or 24.82%) below the quarterly estimate of N260.25 billion. The financing item was

realized from only Transfer of Funds from Special Account (Monetization) of N0.92 billion and Credit Advance from CBN of N194.76 billion while other items such as through Privatization Proceeds, Proceeds of Sale of Government Properties, Borrowing from Special Accounts, Domestic Borrowing (FGN Bond), Foreign Borrowing and FGN's Share of Signature Bonus did not materialize in the quarter.

5.0 CONCLUSION

In spite of the continuous drop in the prices and demand of oil in the world market, the National Bureau of Statistics (NBS) reported that the domestic economy had stayed healthy. When measured by the Real Gross Domestic Product (GDP), the economy grew by 2.84% (year-on-year) on aggregate basis in the third quarter of 2015. The oil sector grew by 1.06% (year-in-year) while the non-oil sector grew by 3.05% in real terms in the third quarter of 2015. The country's external reserve was still on course at a sustainable level of about US\$28.88 billion during the period.

47. Provisional data from the OAGF shows that a net distributable sum of N1,313.36 billion accrued to the Federation Account for distribution among the three tiers of government in the quarter, signifying a shortfall of N383.91 billion when compared with N1,697.27 billion projected for the quarter. This follows from the shortfall in net oil and non-oil revenue of N240.74 billion and N135.32 billion respectively. The implementation of the federal budget in the third quarter was also on course.

48. During the quarter, a total of N660.32 billion out of the N651.78 billion projected for recurrent (non-debt) was expended while N72.31 billion out of the N139.25 billion projected for capital budget implementation was also released. In addition a total of N21.03 billion (or 100%) of the appropriated sum under the SURE-P window was also released while N20.38 billion (or 96.91%) of the released amount was utilized as at 30th September, 2015.

49. This interim report is dedicated to the reporting of the macroeconomic environment and financial analysis on the implementation of the Budget. The Budget Office of the Federation, in partnership with MDAs, Civil Society Organizations and media representatives will soon embark on physical monitoring and evaluation of selected capital projects for the quarter. Their findings will be combined with this provisional report and published in due course.