2016

FIRST QUARTER

BUDGET

IMPLEMENTATION REPORT

BUDGET OFFICE OF THE FEDERATION
Ministry of Budget and National Planning

FEDERAL REPUBLIC OF NIGERIA

2016

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BUDGET

IMPLEMENTATION REPORT

BUDGET OFFICE OF THE FEDERATION

Ministry of Budget and National Planning

FOREWORD

I am pleased to present to you this first quarter Implementation Report on the 2016 Budget which is the first full-year budget of this Administration. This Report provides information by which Government's performance in the management of public resources, as planned in the Budget, may be assessed. In our continuing efforts to improve on transparency and accountability in the public sector, the Government is committed to apprising Nigerians of its fiscal performances, and the use to which its fiscal resources are put.

Government has continued to place emphasis on the monitoring and evaluation of the execution of its national budgets so as to ensure that its policies and programmes improve the well being of Nigerians. In view of this, we have concentrated on funding viable ongoing capital projects, as well as critical new projects, to ensure their full implementation within the medium term period. Under this Administration, prominence is also being placed on the impact of budgets on Nigerians rather than the mere allocation and utilization of resources, so as to ensure greater value from government spending.

Pursuant to Section 30 of the Fiscal Responsibility Act, 2007, this Report is the output of meticulous work carried out by the Budget Office of the Federation and I commend the team for their hard work and commitment. I also wish to recognize the active role of the National Assembly's Joint Finance Committee and the Fiscal Responsibility Commission in promoting best practice in public financial management and look forward to continuing our cooperative work in this regard.

Finally, I also commend the readers of this Report for taking time to study its contents and appraise Government's performance in delivering on the promises inherent in the Budget. This way, we can all contribute towards more accountable governance and contribute more meaningfully to the preparation and implementation of our national budgets.

Sen. Udoma Udo Udoma
Honourable Minister of Budget & National Planning

PREFACE

The 2016 Budget was crafted with a theme – ***"Budget of Change".*** To achieve this goal, the Budget sought to stimulate the economy by focusing on the development of enabling infrastructure, creating jobs, diversifying the economy and social intervention programmes to support the poor and vulnerable.

The implementation of the Budget in the first quarter was challenging on several fronts, especially as revenue receipts from non-oil sources were considerably below their projected estimates. On the expenditure side, the recurrent expenditures were on track. But, due to the extension of the period for the implementation of the 2015 capital budget to 31st March 2016 and the late passage of the 2016 Budget, MDAs focused more on the continued implementation of their ongoing 2015 capital projects while making preparatory procurement arrangements for their proposed 2016 capital projects. The implementation of the budget is expected to improve in the course of the year.

This Report is a product of the collective efforts of the Budget Monitoring and Evaluation / and National Monitoring Evaluation teams and other departments of the Budget Office and other agencies of government which provided key fiscal and macroeconomic data. I commend their efforts even as Budget Office remains committed to perform in this important function.

Ben Akabueze
Director General (Budget Office of the Federation)

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A/C: *Account*

AIE: *Authority to Incur Expenditure*

AF: *Alternative Funding*

B: *Billion*

BDC: *Bureau De-Change*

BOF: *Budget Office of the Federation*

BREXIT: *Britain Exist*

CBN: *Central Bank of Nigeria*

CIT: *Company Income Tax*

DMO: *Debt Management Office*

ECA: *Excess Crude Account*

EMDEs: *Emerging Markets and Developing Economies*

EMEs: *Emerging Markets Economies*

FAAC: *Federation Account Allocation Committee*

FGN: *Federal Government of Nigeria*

FMF: *Federal Ministry of Finance*

GDP: *Gross Domestic Product*

IMF: *International Monetary Fund*

INEC: *Independent National Electoral Commission*

JVC: *Joint Venture*

LNG: *Liquefied Natural Gas*

M2: *Money Supply*

MBPD: *Million Barrels Per Day*

MDAs: *Ministries, Departments and Agencies*

MPR: *Monetary Policy Rate*

MTFF: *Medium Term Fiscal Framework*

N: *Naira*

NBS: *National Bureau of Statistics*

NDDC: *Niger Delta Development Commission*

NHRC: *National Human Rights Commission*

NJC: *National Judiciary Commission*

NNPC: *Nigerian National Petroleum Corporation*

NPLs: *Non Performing Loans*

NTB: *Nigerian Treasury Bills*

OAGF: *Office of the Account General of the Federation*

OPEC: *Organization of Petroleum Exporting Countries*

OTC-FMDQ-OTC: *Over the Counter Financial Market Dealer Quotation*

PCC: *Public Complaint Commission*

PPT: *Petroleum Profit Tax*

PSC: *Production Sharing Contracts*

SC: *Service Contracts*

SWF: *Sovereign Wealth Fund*

TSA: *Treasury Single Account*

UBEC: *Universal Basic Education Commission*

US: *United States*

VAT: *Value Added Tax*

ZBB: *Zero Base Budgeting*

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EXECUTIVE SUMMARY

The 2016 Budget with the theme "Budget of Change" is the first full-year budget of the present Administration. It was prepared while taking into account the general slowdown in global economic growth and more significantly a massive decline in crude oil prices which is a major source ofrevenue and foreign exchange for the nation. The Budget was designed to anchorGovernment's commitment to create a more diversified, sustainable and inclusive economy. In that regard, policies were put in place to guide and direct the domestic economy to its optimum level, diversify the economy and also to create wealth.

Nigeria's Gross Domestic Product (GDP) grew by -0.36% (year-on-year) in real terms in the first quarter of 2016 reflecting a 2.47 percentage points decline from the growth recorded in the previous quarter. It also represent a4.32 percentage points dip from the growth reported in the corresponding quarter of 2015. Growth performance was driven by non-oil GDP which mildly contracted by 0.18% in the review period reflecting a moderation of 3.32% and 5.77% from growth recorded in the previous and corresponding quarters of 2015 respectively. The slide in the Oil GDP moderated to -1.89% from -6.39% and -8.15% in the previous and corresponding quarters of 2015.

Inflationary pressure mounted during the quarter with all the inflation components climbing to the double digit range. Headline inflation on year-on-year basis increased from 9.17% and 9.6% respectively in June and December 2015 to 9.62%, 11.38% and 12.77% in January, February and March 2016 respectively. Likewise, Core inflation inched up from 8.40% and 8.7% in December 2015 respectively to 8.84%, 11.04% and 12.17% in January, February and March 2016 respectively. Food inflation followed similar pattern, rising from10.4% and 10.6% in December 2015 respectively to 10.64%, 11.35% and 12.74% in January, February and March 2016 respectively.

Broad money supply (M2) grew by N440.61 billion (or 2.2%) from N20,029.83 billion in December 2015 to N20,470.44 billion in March 2016. This was driven by the expansion of Net Domestic Credit by N1,052.37 billion (or 4.87%) from N21,612.45 billion in December 2015 to N22,664.82 billion in March 2016. The NDA was buoyed by a 30% expansion in credit to government while credit to the private sector grew by 0.87%.

In its pursuit of price stability the CBN raised the Monetary Policy Rate (MPR) to 12% in March 2016 from 11% maintained since November 2015. Thus the average interbank call rate increased from 0.77% in December 2015 to 2.04%, 2.67% and 4.32% in January, February and March 2016 respectively. The average prime and maximum lending rates however declined slightly from 16.96% and 26.84% respectively in December 2015 to 16.82% and 26.93% in March 2016.

The average naira exchange rate remained stable at the inter-bank segment of the foreign exchange market during the review period from N196.99/$ in December 2015 to the CBN fixed rate of N197.00/$ in January through March 2016. The exchange rates at the BDC however depreciated from N232.40/$ in December 2015 to N320.93/$ in March 2016. Given the pressure on the exchange rate and interventions of the CBN, Nigeria's foreign reserve dipped from US$28.28 billion in December 2015 to US$27.86 billion as at the end of March 2016.

Average crude oil price fell US$9.80 per barrel (or 22.43%) from the budget benchmark to US$33.89 per barrel in the first quarter of 2016 while average oil lifting in the first quarter of 2016 was 2.06mbpd signifying a shortfall of 0.14mbpd (or 6.36%) below the 2.20mbpd projected for the 2016 Budget.

Total available revenue to finance the budget stood at N535.98 billion in the first quarter of 2016 while aggregate expenditure over the period was N944.45 billion indicating a fiscal deficit of N408.46 billion. A total deficit of N602.44 billion was realized from financing item sources implying an increase of N51.25 billion (or 9.3%) above the quarterly estimate of N551.19 billion and N193.97 billion or 47.49% of actual deficit.

A breakdown of the expenditure revealed that as at 31st March, a total of N449.57 billion out of the N661.60 billion projected for recurrent (non-debt) was expended while N71.84 billion out of the N396.85 billion projected for capital budget implementation for the quarter was released to MDAs for major capital and social programmes. Others are Debt payment of N364.81 billion and Statutory Transfer of N58.23 billion.

Overall, the poor performance of oil price impacted negatively on revenue and on GDP growth leading to the first contraction of the economy in over two decades. Government augmented the shortfall in revenue through deficit financing especially by domestic borrowing. Performance in the economy is however expected to improve with the recovery in oil price in the short to medium term. In the meantime, government is implementing critical policies to guide and direct the domestic economy to its optimum level, diversify the economy and also to create wealth.

1.0 INTRODUCTION

The 2016 Budget, titled "Budget of Change" is the first full-year budget of the present Administration. It was prepared against a background of general slowdown in global economic growth and more significantly a massive decline in crude oil prices. The Budget was also planned to anchor Government's commitment to create a more diversified, sustainable and inclusive economy. It has the objective to unlock the latent potential of our people, communities and natural endowments across every part of the country.

The Budget seeks to stimulate the economy, making it more competitive by focusing on infrastructural development; delivering inclusive growth; and aggressively enhancing the welfare of Nigerians. The Budget, while helping industries, commerce and investments to pick up, will as a matter of urgency, address the immediate problems of youth unemployment and the challenging living conditions of the extremely poor and vulnerable Nigerians. In the short to medium term, the Budget will serve as a foundation for a robust economic diversification through import substitution and export promotion.

2. The Budget was guided by the 2016 – 2018 Medium Term Fiscal Framework and the 2016 Change Agenda of the present Government. The framework was prepared taking into cognizance, developments at both the international and local markets which are key factors that determines the successful implementation of the budget. At the global level, development in industrial and other economic activities influenced the demand and supply of commodities like oil, Nigerian government's major revenue earner. While at the local front, factors such as the disruptions in oil production and security challenges affected projected oil sales volumes and equally impinged the ability of agencies of government to generate projected revenues.

3. To deliver the Government's developmental objectives, the capital expenditure portion of the budget was increased from N557 billion in the 2015 budget to N1.587.40 billion, in the 2016 budget. For the first time in many years, capital expenditure was 26.19% of the total budget and this is expected to increase in subsequent budgetary fiscal years. This is in fulfilment of the government's promise to align expenditure to the nation's long-term objectives, and a sign of government's commitment to sustainable development. The increased capital expenditure

commits significant resources to critical projects in Road & Bridges, Power, Railways, Aviation, Water, Housing, Agriculture, Education, Health and Special Intervention Projects. These investments in infrastructure are meant to support the reforms in the Agriculture, Solid Minerals and other core job creating sectors of the economy.

4. The Appropriation Bill for the 2016 Budget was presented to the National Assembly in December 2015. The delay was due to the adoption of a new budget preparation system namely the Zero Based Budgeting (ZBB) which required skill upgrade for relevant officials responsible for budget preparation. The system was adopted to ensure proper alignment of government budgetary allocations and expenditure to the priorities of government in an effort to ensure that all resources are managed prudently and utilized solely for public interest. The ZBB requires Ministries, Departments & Agencies (MDAs) to justify every item of revenue and expenditure, as well as projects and programmes included in the budget. It is a complete departure from the old and traditional Incremental Budgeting approach that simply adjusts (usually upwards) amounts included in the prior period's budget.

5. This Report provides detailed information of 2016first quarter budget implementation. The rest of the Report is organized as follows: a brief analysis of the macroeconomic background under which the budget was executed is followed by a careful analysis 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 fourth quarter/consolidated report for the year.

2.0 MACROECONOMIC DEVELOPMENTS & ANALYSIS

Global Economic Developments:

Global output posted a growth of 2.3% in the fourth quarter of 2015, its lowest in three years, thereby fueling serious concerns over further deterioration. The deceleration stemmed from the continuous slowdown of growth in the emerging market economies, worsened by declining conditions in the Euro area and China as well as key emerging market economies. Other factors include unrelenting pressure in global financial markets arising from United States (US) monetary policy standardization, depressed global oil market as well as persistently declining global aggregate demand. Specifically, output dropped in Japan by 1.4% points in Q4 of 2015 in contrast to the 1.3% growth recorded in Q3. In the Euro area, GDP grew by 1.5% in Q4 of 2015, and was estimated to grow at 1.7% in 2016. The European Central Bank (ECB) in March 2016 reduced its monetary policy by further decreasing its refinancing rate to0% and deposit rate to -0.4%. The Bank also stretched its monthly asset purchase program from €60 billion to €80 billion to further encourage output growth and move inflation towards its long term objective of 2%.

7. Political and geo-political tensions in the Middle East, including a negotiated cease fire treaty in Syria and Iran's re-entry into the mainstream of international oil market may have further redefined conditions in the oil market. The market witnessed some uptick in prices following the resolve of the Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC members to pursue a higher anchor price. With the expected recovery, the Emerging Markets and Developing Economies (EMDEs) were projected to grow at 4.3% in 2016, an improvement over the 4% recorded in 2015. However, external and domestic challenges have continued, stemming from low commodity prices, troubled financial markets, lukewarm in global demand, policy uncertainty as well as continuously feeble growth in global trade. In addition, weaknesses in major emerging market economies, reduced capital inflows, rising borrowing costs and geopolitical factors have been identified as possible headwinds to growth in the EMDEs. In the environment of suppressed inflation, slow growth, weak global demand and unstable financial markets, the position of monetary policy in the advanced economies is expected to remain accommodative in 2016, while in the EMDEs, it is expected to be

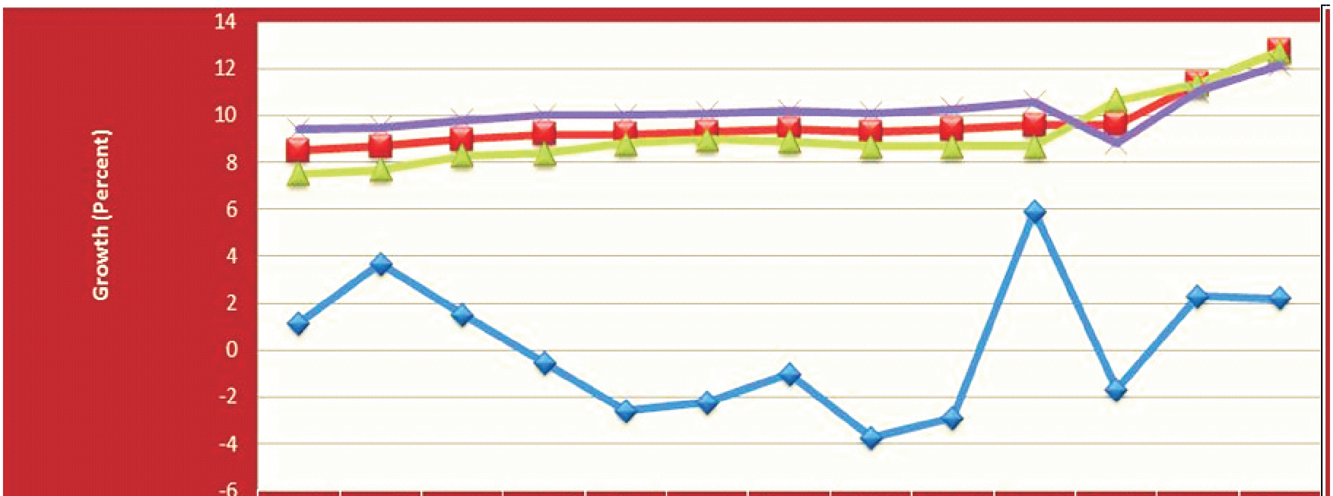
supported by currency adjustments and other complementary policies.

Domestic Economy:

8. Available data from the National Bureau of Statistics showed that in the first quarter of 2016, the nation's Gross Domestic Product (GDP) grew by -0.36% (year-on-year) in real terms. This was lower by 2.47 percentage points from growth reported in the preceding quarter and 4.32 percentage points lower than the growth recorded in the corresponding quarter of 2015. The oil sector slowed by 1.89% (year-on-year) while the non-oil sector slowed by 0.18% in real terms in the first quarter of 2016. Growth slowed across the all the sectors but the Agriculture and Service sector posted positive growth rates while the industrial sector continued to contract. Specifically, the agriculture sector grew by 3.09% in the first quarter of 2016 moderating slightly from 3.48% and 4.70% recorded in the last and corresponding quarters of 2015 respectively. The drop in the growth of the service sector was sharp, shedding 2.89% and 6.24% from growths in the last and corresponding quarters of 2015 respectively to a growth of 0.8% in the first half of 2016. The sluggish growth in output was directly attributable to fiscal contraction including revenue shortages and uncertainties, which inadvertently hampered consumption and investments.

9. There was an uptick in the year-on-year inflation pressure during the quarter and this resulted to all the inflationary components climbing to the double digit range. Year-on-year headline inflation increased from 9.6% in December 2015 to 9.62%, 11.38% and 12.77% in January, February and March 2016 respectively. The increase in headline inflation reflected increases in both food and core components of inflation. Similarly, Core inflation inched up from 8.7% in December 2015 to 8.84%, 11.04% and 12.17% in January, February and March 2016 respectively. Food inflation followed the same pattern, rising from 10.6% in December 2015 to 10.64%, 11.35% and 12.74% in January, February and March 2016 respectively. The rising inflationary pressure was traced to the lingering scarcity of refined petroleum products, exchange rate passed through imported goods, seasonal factors and increase in electricity tariff. The factors responsible for the rising inflation were more structural in nature than monetary and the development is being monitored closely by the relevant authorities with the hope of keeping the situation on check.

Chart 2.1: *Inflation and M2 Growth Rate (March 2015 – March 2016)*



	Mar.15	Apr.15	May.15	Jun.15	Jul.15	Aug.15	Sep.15	Oct.15	Nov.15	Dec.15	Jan.16	Feb.16	Mar.16
M2 Growth Rate	1.16	3.67	1.5	-0.54	-2.58	-2.23	-1.03	-3.75	-2.89	5.9	-1.69	2.29	2.2
Headline Inflation	8.5	8.7	9	9.2	9.2	9.3	9.4	9.3	9.4	9.6	9.62	11.38	12.77
Core Inflation	7.5	7.7	8.3	8.4	8.8	9	8.9	8.7	8.7	8.7	10.64	11.35	12.74
Food Inflation	9.4	9.5	9.8	10	10	10.1	10.2	10.1	10.3	10.6	8.84	11.04	12.17

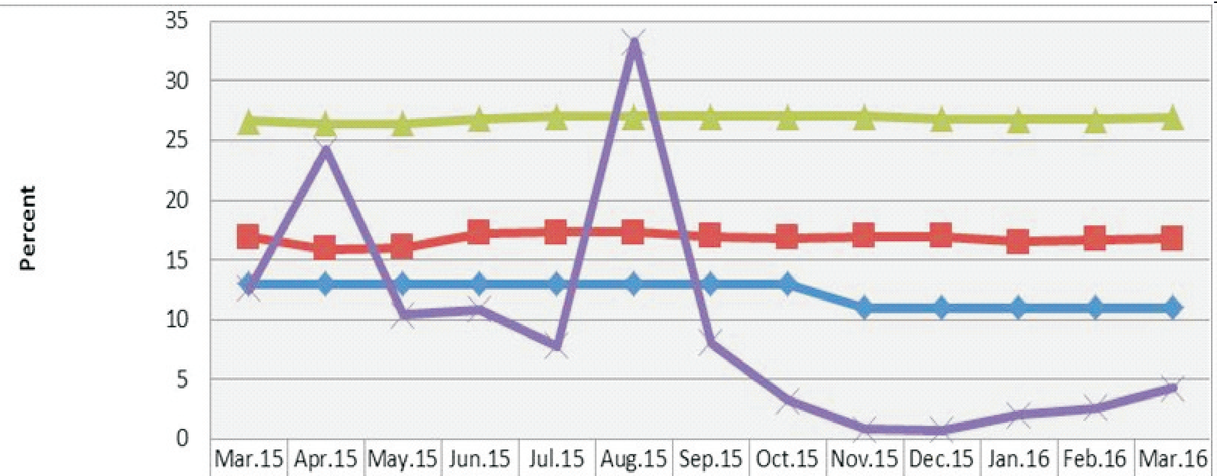
Source: Central Bank of Nigeria & National Bureau of Statistics, 2016

10. Data from the Central Bank of Nigeria (CBN) reveals that broad money supply (M2) grew by N440.61 billion (or 2.2%) in March 2016 above the level in December 2015, that is, from N20,029.83billion in December 2015 to N20,470.44 billion in March 2016. Similarly, net domestic credit, credit to government and credit to private sector followed the same trend. Net domestic credit increased by N1,052.37billion (or 4.87%) from N21,612.45 billion in December2015 to N22,664.82 billion in March 2016. Credit to private sector rose by N162.98 billion (or 0.87%) from N18,719.26 billion in December 2015 to N18,882.24 billion in March 2016. Credit to government also increased by N889.39 billion (or 30.74%) from N2,893.19 billion in December 2015 to N3,782.58 billion in March 2016. The average prime lending rate declined from 16.96% in December 2015 to 16.54%, 16.72% and 16.82% in January, February and March 2016 respectively. On the same note, the average maximum lending rate also decreased from 26.84% in December 2015 to 26.77% and 26.73% in January and February 2016 respectively before rising again to 26.93% in March 2016.

11. In its pursuit of price stability the Central Bank of Nigeria (CBN) like in December 2015 retained the same Monetary Policy Rate (MPR) of 12% in January and February but increased it to 12% in March 2016. The interest rates in the interbank money market are reflections of the liquidity situation in the banking system. Thus the average interbank call rate increased from 0.77% in December 2015

to 2.04%, 2.67% and 4.32% in January, February and March 2016 respectively. This was traced to surplus liquidity in the banking system. The deposit money banks were, however, reluctant to grant new credit because of rising Non-Performing Loans (NPLs), mainly in the oil sector, amongst other reasons. The trends in interest rates in the first quarter of 2016 are presented in *Chart 2.2.*

Chart 2.2: *Interest Rates Trend (March 2015 – March 2016)*

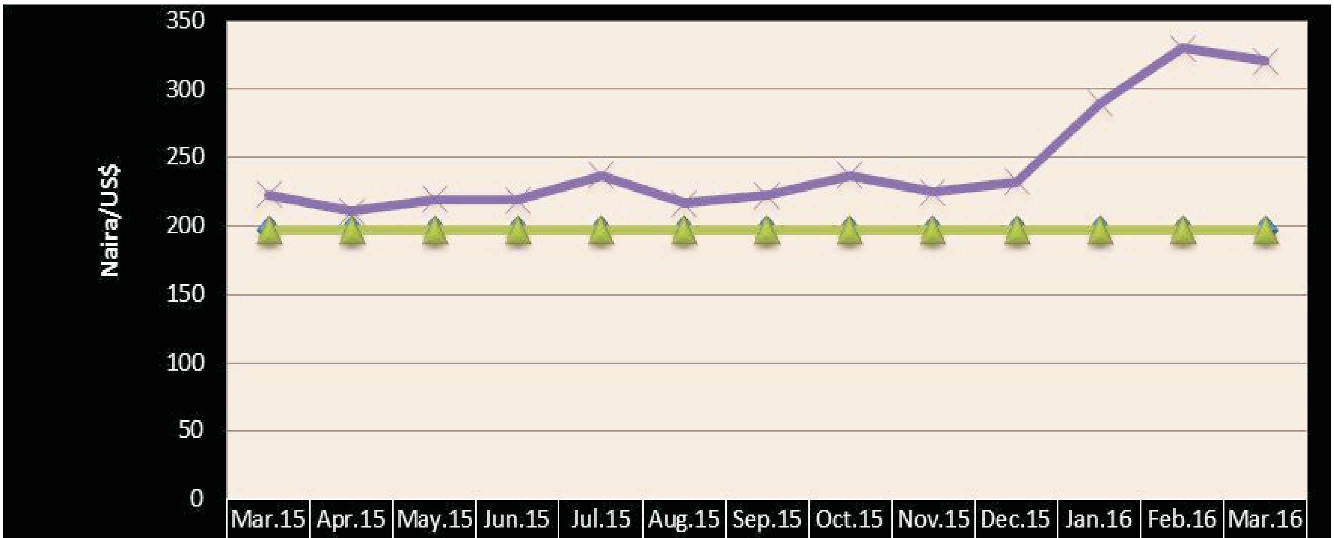


	Mar.15	Apr.15	May.15	Jun.15	Jul.15	Aug.15	Sep.15	Oct.15	Nov.15	Dec.15	Jan.16	Feb.16	Mar.16
MPR	13	13	13	13	13	13	13	13	11	11	11	11	11
Prime Lending Rate	16.9	15.95	16.08	17.24	17.3	17.29	17.02	16.84	16.98	16.96	16.54	16.72	16.82
Maximum Lending Rate	26.61	26.41	26.43	26.84	27.03	27.01	26.99	27.01	27.02	26.84	26.77	26.73	26.93
Inter-Bank Call Rate	12.59	24.24	10.43	10.85	7.79	33.26	8.12	3.22	0.84	0.77	2.04	2.67	4.32

Source: Central Bank of Nigeria, 2016

12. The average naira exchange rate remained stable at the inter-bank segment of the foreign exchange market during the review period. The end periodofficialWholesale Dutch Auction System (WDAS) and the Inter-Bank Naira/Dollar exchange rate depreciated slightlyfrom N196.99/$ in December 2015 and remained stable at N197.00/$ in January, February and March 2016. The BDC exchange rates depreciated from N232.40/$ in December 2015 to N289.78/$, N329.83/$ and N320.93/$ in January, February and March 2016 respectively. The CBN reiterated its commitment in maintaining a stable Naira exchange rate. It took note of the level of activity in the autonomous foreign exchange market as well as the rising demand in the interbank market. But, observed that the data on demand for foreign exchange was being overshadowed by speculative demand. As such, measures are being put in place to speed up reforms of the foreign exchange market to improve certainty and eliminate noise and opportunities for arbitrage.

Chart 2.3: *Naira/US$ Exchange Rates Trend (March 2015 – March 2016)*

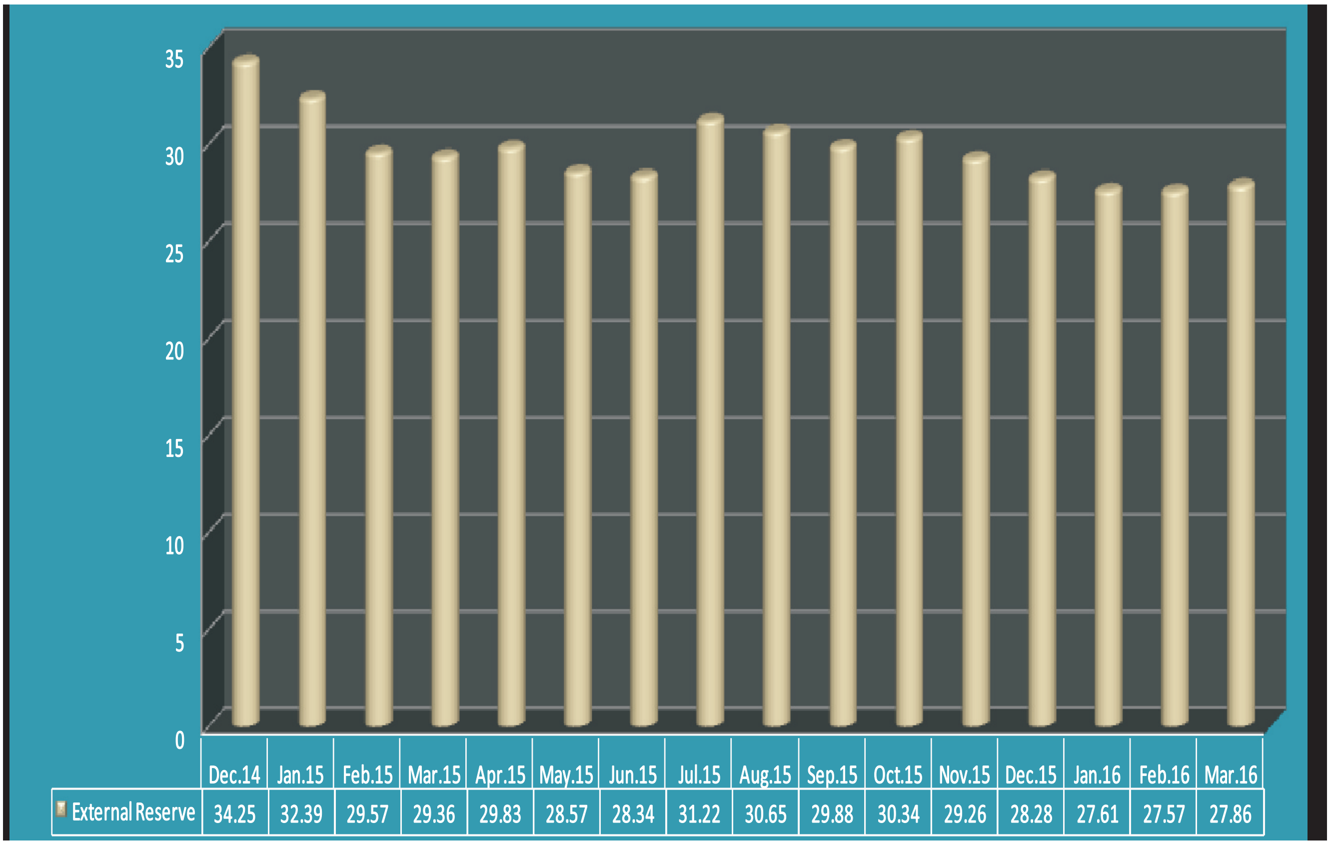


	Mar.15	Apr.15	May.15	Jun.15	Jul.15	Aug.15	Sep.15	Oct.15	Nov.15	Dec.15	Jan.16	Feb.16	Mar.16
DAS/WDAS	197.07	197	197	196.92	196.97	197	197	196.97	196.99	196.99	197	197	197
IFEM	197.07	197	197	196.92	196.97	197	197	196.97	196.99	196.99	197	197	197
BDC	222.93	210.7	219.55	218.98	237.15	216.64	222.68	237.15	224.98	232.4	289.78	329.83	320.93

Source: Central Bank of Nigeria, 2016

13. Data from the CBN revealedthat Nigeria's gross official (external) reserve decreased slightly at the end of the first quarter of 2016. It fellfrom US$28.28 billion in December 2015 to US$27.86billion as at the end of March 2016, representing a decrease of US$0.42billion (or 1.49%) below the figure recorded at the end of December 2015. Relative to the end of first quarter of 2015 level of US$29.36 billion, the external reserves at the end of first quarter of 2016 fell by US$1.50 billion (or 5.11%). The decreasing level of external reserves can be attributed to the forces of demand and supply. On the supply side, the falling oil price hadconsiderably reduced the growth to external reserves.On the demand side, the burdens in the foreign exchange marketwhich were supported mostly by the excess liquidity conditions in the bankingsystem and speculative activities. These elementsresulted 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 March 2016 could finance over six (6) months of imports which is well above the internationally recommended minimum threshold of 3-months import cover.

Chart 2.4: *Level of External Reserves in Billion Dollars (March 2015 – March 2016)*



Source: Central Bank of Nigeria, 2016

14. Provisional data from the Debt Management Office (DMO) indicates the total public debt stock as at 31st March, 2016 stood at US$71.66 billion (or N13,830.58 billion). The breakdown consists of US$11.19 billion (or N2,205.35 billion or 15.95%) for external debt while the balance of US$60.47 billion (or N11,625.23 billion or 84.05%) was for domestic debt stock. The net present value of total public Debt/GDP (external and domestic) ratio of 13.44% (using the rebased GDP figure of 2016 Budget) as at the end of March 2016 was considerably below the global threshold of 40%.

15. Federal Government domestic debt stock stood at N9,970.05 billion that as at 31st March, 2016 representing an increase of N1,133.05 billion (or 12.82%) above the N8,837.00 billion recorded in the fourth quarter of 2015. The 2016 first quarter debt figure was also N1,462.50 billion (or 17.19%) above the N8,507.55 billion reported in the same period of 2015. A breakdown of the domestic debt stock as at 31st March, 2016 shows that N6,914.26 billion (or 69.35%) is for FGN Bonds, N2,824.81 billion (or 28.33%) is for Nigerian Treasury Bills (NTBs) and N230.99 billion (or 2.32%) is for Treasury Bonds. The rise in domestic debt in the first quarter

of 2016 can be attributed to the growth in FGN Bonds and Nigerian Treasury Bills.

16. Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 31st March, 2016, stood at US$11,194.65 million representing an increase of US$476.22 million (or 4.44 %) and US$1,730.54 million (or 18.29%) over the US$10,718.43 million and US$9,464.11 million recorded in the fourth and first quarters of 2015 respectively. The increase in the external debt stock in the first quarter of 2016 was due mainly to the rise in Multilateral Debts draw down. A breakdown of the external debt stock as at 31st March, 2016 revealed that Multilateral Debts amounted to US$8,002.09 million (or 71.48%), Non-Paris Club Bilateral Debts amounted to US$1,692.56 million (or 15.12%) while Commercial (Euro-Bond) accounted for the balance of US$1,500.0 million (or 13.4%).

3.0 FINANCIAL ANALYSIS OF THE 2016 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections:

The 2016 Budget is an output of 2016-2018 Medium Term Fiscal Framework (MTFF) which was put together after series of meetings with all stakeholders. The happenings in the world market were also taken into consideration before arriving at some of the key assumptions in the framework.

Table 3.1: Key Assumptions and Targets for the 2016 Budget

KEY ASSUMPTION & TARGETS	2016
Projected Production (in mbpd)	2.20
Budget Benchmark Price (per barrel in US)	38
Technical Cost of JVC Pbl to Oil Companies	
Operating Expenses (T1) in US $	10.29
Capital Expenses (T2) in US $	11.12
Technical Cost of PSC Pbl to Oil Companies	
Operating Expenses (T1) in US $	8.22
Capital Expenses (T2) in US $	19.62
Investment Tax Credit	4.94
Technical Costs of SC pbl to Oil Company	
Operating Expenses (T1) in US $	18.62
Capital Expenses (T2) in US $	2.44
Investment Allowances	2.996
Weighted Average Contribution Rates	
Weighted Average Rate of PPT - JV Oil	85%
Weighted Average Rate of PPT - PSC Oil	50.17%
Weighted Average Rate of PPT - SC Oil	85%
Weighted Average Rate of PPT - Independent (Indigenous)	85%
Weighted Average Rate of PPT - Marginal	51.6%
Royalty Rates	
Weighted Average Rate of Royalties - JV Oil	19.1%
Weighted Average Rate of Royalties - PSC	4.5%
Weighted Average Rate of Royalties - SC Oil	18.5%
Weighted Average Rate of Royalties -Independent	19.3%
Weighted Average Rate of Royalties - Marginal	9.3%
Average Exchange Rate (NGN/US$)	197
VAT Rate	5%
CIT Rate	30%

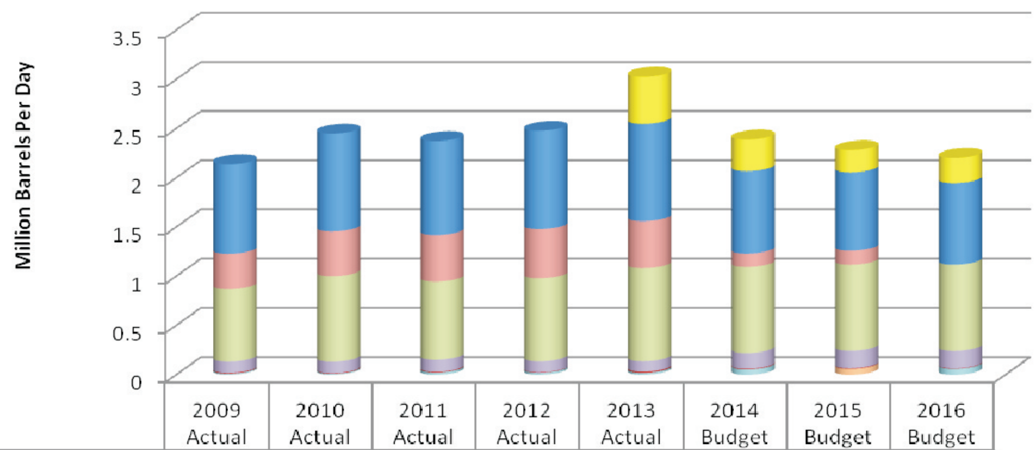
Source: BOF, NNPC, FIRS and NCS, 2016

Budget Benchmark Oil Price and Production

18. Due to the high volatile nature of oil prices in the international market, the Government devised a realistic method of arriving at the benchmark price of oil for its annual budgets. This was necessary so as to minimize the impact of the uncertainties in the prices of oil in the world market on budget expenditures. With the above in mind, the budget benchmark price of oil for the 2016 Budget was pegged at US$38.00/barrel while oil production was fixed at 2.20 million barrels per day (mbpd). The estimated oil production for 2016 budget represents a decrease of 0.08mbpd (or 3.51%) below the 2.28mbpd projected for the 2015 Budget.

19. Details of expected contributions of oil production by business arrangements are presented in Chart 3.1while the breakdown of contributions and duties for key oil taxes that are expected to accrue to the Federal Government are also represented in *Table 3.2.*

Chart 3.1: *Budget Oil Production by Business Arrangements 2009 – 2016*



	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2015 Budget	2016 Budget
Modified Carry Arrangement					0.476	0.32	0.223	0.252
Joint Ventures	0.91	0.995	0.955	1	0.991	0.837	0.798	0.830
Alternative Funding	0.36	0.455	0.474	0.5	0.477	0.135	0.141	0
Prod. Sharing Contracts	0.736	0.868	0.793	0.843	0.947	0.875	0.876	0.878
Independents	0.113	0.115	0.122	0.11	0.104	0.16	0.176	0.176
Service Contracts	0.009	0.007	0.008	0.005	0.013	0.008	0.007	0.006
Marginal Fields	0.011	0.01	0.022	0.02	0.019	0.053	0.059	0.059

Source: NAPIMS/NNPC, 2016

Table 3.2: *Detailed Assumptions for Oil Production and Taxes (2016)*

Share of Oil Production	***Percentage***
Joint Ventures	0.83%
Alternative Funding	0.00%
Modified Carry Arrangement	0.25%
Production Sharing Contracts	0.88%
Independents	0.18%
Service Contracts	0.01%
Marginal	0.06%
Total Production	2.20%
PPT Rates	
Weigthed Average -JV/AF/Independent/Marginal	85%
Weigthed Average -PSC	50.17%
Weigthed Average -SC	85%
Royalties Rates	
Weighted Average-JV/AF/Independent/Marginal	0.0%
Weigthed Average-PSC	4.5%
Weigthed Average-SC Oil	18.5%

Source: NNPC and BOF, 2016

3.2 Analysis of Revenue Performance:

Overview of Oil Revenue Parameters:

20. The price of crude oil in the international market averaged US$33.89 per barrel in the first quarter of 2016, signifying a decrease of US$9.80 per barrel (or 22.43%) and US$20.08 per barrel (or 37.21%) below the US$43.69and US$53.97 reported in the fourth and first quarters of 2015 respectively. The fall in crude oil prices during the period could be attributedto the decrease in demand for oil in the international market and the discovery of oil and other alternatives to oil by more countries of the world.

21. Provisional data from the Nigerian National Petroleum Corporation (NNPC) shows that the average oil production and lifting (including Condensates) in the first quarter of 2016 was 2.01mbpd and 2.06mbpd respectively. The average oil lifting figure depicts a shortfall of 0.14mbpd (or 6.36%) below the 2.20mbpd projected for the 2016 Budget. The volume of oil lifted in the period was also 0.13mbpd and 0.12mbpd below the 2.19mbpd and 2.18mbpd recorded in the fourth and first quarters of 2015 respectively. The shortfall in the quantity of oil lifted during the quarter as against the anticipated budget figure could be ascribed to the low global demand of oil in the world market as well as other factors like crude oil theft, illegal bunkering and pipeline vandalism that transpired during the period under review.

22. The 2016 Fiscal Framework presents a gross Federally collectible revenue estimate of N9,715.19 billion, comprising of N3,534.83 billion (or 36.38%) oil revenue and N6,180.36 billion (or 63.62%) non-oil revenue. Below is an analysis of the real performance of the oil and non-oil revenue earnings in the first quarter of 2016.

Oil Revenue Performance

23. A review of the oil revenue performance in the first quarter of 2016reveals that with the exception of Petroleum Profit and Gas Taxes of N213.35 billion and Other Oil and Gas Revenue of N1.52 billion which exceeded their respective quarterly anticipated estimates of N150.64 billion and N0.95 billion by N62.71 billion (or 41.63%) and N0.57 billion (or 60.34%) respectively, all other oil revenue items fell below their respective quarterly projections. Crude Oil Sales of N402.18 billion, Gas Sales of N6.37 billion, Royalties (Oil &Gas) of N100.69 billion, Rent of N0.16 billion and Gas Flared Penalty of N0.37 billion fell below their quarterly projections of N444.58 billion, N161.09 billion, N125.43 billion, N0.27 billion and N0.76 billion by N42.39billion (or 9.54%), N154.72 billion (or 96.05%), N24.74 billion (or 19.72%), N0.11 billion (or 41.7%) and N0.39billion (or 51.02%)respectively. Please see Table 3.1.

Net Oil Revenue:

24. In the first quarter of 2016, the actual Net Oil Revenue that accrued into the Federation Account was N487.62 billion, representing an increase of N117.75 billion

(or 31.84%) above the estimated quarterly projection of N369.87 billion. On the other hand, the net oil revenue in the first quarter of 2016 was lower than the N517.03 billion net oil revenue recorded in the fourth quarter of 2015by N29.41 billion (or 5.69%). The poor oil revenue performance in the first quarter of 2016 as against the figure reported in the fourth quarter of 2015 can be attributed to the fall in oil prices in the international market and as well as other supply and demand challenges like crude oil theft, illegal bunkering and destruction of pipelines that took place during the period. These data are presented in Table 3.1.

Year-to-Date:

25. As at end of March 2016, only Rent of N0.16 billion exceeded its corresponding 2015 first quarter performance of N0.10 billion by N0.06 billion (or 60%). On the other hand, Crude Oil Sales of N402.18 billion, Gas Sales of N6.37 billion, Royalties (Oil & Gas) of N100.69 billion, Gas Flared Penalty of N0.37 billion, Petroleum Profit & Gas Taxes of N213.35 billion and Other Oil & Gas Revenue of N1.52 billion fell below their corresponding 2015 first quarter performances of N557.50 billion, N55.63 billion, N158.13 billion, N0.67 billion, N415.17 billion and N4.57 billion by N155.32 billion (or 27.86%), N49.26 billion (or 88.55%), N57.44 billion (or 36.32%), N0.3 billion (or 44.78%), N201.82 billion (or 48.61%) and N3.05 billion (or 66.74%) respectively. These poor performances were due to the fall in prices and demand for Nigerian oil at the international market in the quarter under review.

Non-Oil Revenue Performance:

26. In recent period, the Government, through the Budget Office of the Federation and the Federal Ministry of Finance had devised a number of policies and measures meant to improve the non-oil revenue collections and outflows to the treasury. The impact of these actions as well as the Budget Office's regular engagements with all relevant revenue collecting agencies had resulted to the continued increase in targets and actual revenues collected from the non-oil sector. This trend, as presented in Table 3.4 and Table 3.5, is expected to continue beyond 2017.

27. In the first quarter of 2016, the actual gross non-oil revenue of N508.05 billion was received. This implies a shortfall of N545.56 billion (or 51.78%) below the quarterly estimate of N1,053.61 billion. A breakdown of the non-oil revenue items shows that all the non-oil revenue items fell below their quarterly projections. Value Added Tax of N196.57 billion, Company Income Tax of N176.26 billion, Customs & Excise Duties of N124.94 billion and Special Levies of N10.29 billion were below their quarterly estimates of N368.76 billion, N469.25 billion, N180.93 billion and N34.67 billion by N172.19 billion (or 46.69%), N293.0 billion (or 62.44%), N55.99 billion (or 30.95%) and N24.38 billion (or 70.33%) respectively.

Dividend by companies/investments funded by FAAC and Solid Minerals revenue, which had a quarterly projected estimate of N49.25 billion and N4.09 billion, yielded nothing in the quarter. When compared with their corresponding2015 fourth quarter performances, only Value Added Tax grew by N18.79 billion (or 10.57%) while Company Income Tax, Customs & Excise Duties and Special Levies fell by N102.87 billion (or 36.85%), N5.75 billion (or 4.4%) and N0.7 billion (or 6.4%) respectively. The low performances of the non-oil revenue items in the first quarter of 2016 can be ascribed to the slow pace of economic activities during the period, 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. Nonetheless, it is likely that this trend will improve in the second quarter of 2016 following the envisaged passage of the 2016 Appropriation Act by the National Assembly.

Year-to-Date:

28. With the exception of Customs & Excise Duties of N124.94 billion which was below its equivalent 2015 first quarter figure of N133.18 billion by N8.24 billion (or 6.19%). All other non-oil revenue items, Value Added Tax of N196.57 billion, Company Income Tax of N176.26 billion and Special Levies of N10.29 billion reported in the first quarter of 2016 exceeded their corresponding 2015 first quarter figures of N195.66 billion, N174.94 billion and N4.89 billion by N0.91 billion (or 0.47%), N1.32 billion (or 0.75%) and N5.40 billion (or 110.43%) respectively.

Table 3.3: *Net Distributable Revenue as at March, 2016 (Oil Revenue at Benchmark Assumptions)*

S/NO	ITEMS	BUDGET			ACTUAL	VARIANCE	
		2015 Annual Budget	2016 Annual Budget	2016 Quarterly Budget	2016 First Quarter	2016 First Quarter Actual Vs Quarterly Budget	
A	OIL REVENUE	N'bn	N'bn	N'bn	N'bn	N'bn	%
1	Crude Oil Sales Export	2,583.16	1,778.30	444.57	402.18	(42.39)	(9.54)
2	Crude Oil Sales Domestic						
3	Gas Sales (NLNG Feedstock Sales & Upstream Liquid Gas)	612.11	644.34	161.09	6.37	(154.72)	(96.05)
4	Oil Royalties & Gas Royalties	647.45	501.71	125.43	100.69	(24.74)	(19.72)
5	Rent	1.05	1.08	0.27	0.16	(0.11)	(41.70)
6	Gas Flared Penalty	2.95	3.05	0.76	0.37	(0.39)	(51.02)
7	PPT & Gas Income @ 30% CITA	1,580.85	602.56	150.64	213.35	62.71	41.63
8	Other Oil and Gas Revenue	3.65	3.78	0.95	1.52	0.57	60.34
9	Sub-Total	5,431.20	3,534.83	883.71	724.64	(159.07)	(18.00)
10	DEDUCTIONS			-	-	-	
11	DPR Cost of Collection	-		-	4.23	4.23	
12	Joint Venture Cash Calls	1,404.02	1,684.26	421.07	159.93	(261.14)	(62.02)
13	Domestic Fuel Subsidy (NNPC) and Marketers (PMS)	100.00	-	-	-	-	
14	Subsidy Payment (Kerosine)	45.52	-	-	-	-	
15	Arrears of 2015 Subsidy on Domestic Consumption	-	150.00	37.50	-	(37.50)	(100.00)
16	Under Remittance of Funds by NNPC	-	-	-	-	-	
17	Oil Excess Revenue	-	-	-	-	-	
18	Sub-Total	3,881.67	1,700.57	425.14	560.49	135.34	31.84
19	Transfer to Excess Crude Account	-		-	-	-	
20	Balance of Oil Revenue	3,881.67	1,700.57	425.14	560.49	135.34	31.84
21	13% Derivation of Net Oil Revenue	504.62	221.07	55.27	72.86	17.59	31.84
22	TO FEDERATION ACCOUNT (OIL)	3,377.05	1,479.49	369.87	487.62	117.75	31.84
B	DIVIDEND BY COMPANIES / INVESTMENTS FUNDED BY FAAC			-	-	-	
23	Total Dividend Payment	-	197.00	49.25	-	(49.25)	(100.00)
24	TO FEDERATION ACCOUNT (DIVIDEND BY COMPANIES / INVESTMENT)	-	197.00	49.25	-	(49.25)	(100.00)
C	SOLID MINERALS & OTHER MINNING REVENUE			-	-	-	
25	Total Solid Mineral Revenue	15.68	16.36	4.09	-	(4.09)	(100.00)
26	13% Derivation of Solid Minerals Revenue	2.04	2.13	0.53	-	(0.53)	(100.00)
27	TO FEDERATION ACCOUNT (SOLID MINERALS)	13.64	14.23	3.56	-	(3.56)	(100.00)
D	NON-OIL REVENUE			-	-	-	
28	Value Added Tax (VAT)	1,283.70	1,475.03	368.76	196.57	(172.19)	(46.69)
29	Corporate Tax (CIT, Stamp Duties & CGT)	1,423.60	1,877.02	469.25	176.26	(293.00)	(62.44)
30	Customs: Import, Excise & Fees	718.26	723.72	180.93	124.94	(55.99)	(30.95)
31	Special Levies (Federation Account)	148.54	138.69	34.67	10.29	(24.38)	(70.33)
32	Sub-Total	3,574.11	4,214.46	1,053.61	508.05	(545.56)	(51.78)
33	Cost of Collection and Other Deductions	192.97	207.81	51.95	24.38	(27.57)	(53.08)
34	Cost of Collection (VAT)	51.35	59.00	14.75	7.86	(6.89)	(46.69)
35	4% Cost of Collection (CIT)	55.94	63.44	15.86	7.05	(8.81)	(55.55)
36	7% Cost of Collection (Customs and Special Levies)	60.68	60.37	15.09	9.47	(5.63)	(37.28)
37	FIRS Tax Refunds	25.00	25.00	6.25	-	(6.25)	(100.00)
38	TO FEDERATION ACCOUNT (NON-OIL)	2,148.79	2,590.62	647.65	294.97	(352.69)	(54.46)
39	Total VAT Pool	1,232.35	1,416.03	354.01	188.71	(165.30)	(46.69)
40	Net Non-Oil Revenue	3,381.14	4,006.65	1,001.66	483.67	(517.99)	(51.71)
41	Sub-Total: FEDERATION ACCOUNT	5,539.48	4,281.34	1,070.33	782.59	(287.75)	(26.88)
42	Actual Balances in Special Accounts End of Previous Year 2015	17.24	22.25	5.56	-	(5.56)	(100.00)
43	TOTAL FEDERATION ACCOUNT	5,556.72	4,303.58	1,075.90	782.59	(293.31)	(27.26)
E	TOTAL DISTRIBUTION			-	-	-	
1	Federation Account	5,556.72	4,303.58	1,075.90	782.59	(293.31)	(27.26)
2	VAT Pool Account	1,232.35	1,416.03	354.01	188.71	(165.30)	(46.69)
3	GRAND TOTAL	6,789.07	5,719.61	1,429.90	971.30	(458.61)	(32.07)

Source: OAGF and Budget Office of the Federation, 2016

Table 3.4: *Actual Performance of Non-Oil Revenue Category (2006-2015)*

Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10 - Year Average
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm	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	231,995.76	341,539.22
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	473,320.00	644,251.05
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	794,200.00	104,660.64	502,197.82
Education Tax	23,950.00	50,650.00	59,387.00	61,058.20	-	-	-	-	-	-	19,504.52
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	323,369.00	195,710.98

Source: OAGF and BOF, 2016

Table 3.5: *Percentage Growth in Non-Oil Revenues (2007-2015)*

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	9 - Year Average
Customs Duties & Excise	41.20%	10.23%	1.65%	10.85%	36.51%	12.52%	-8.96%	30.96%	-59.03%	8.44%
Company Income Tax	33.59%	27.45%	35.54%	16.34%	9.07%	18.36%	16.14%	22.50%	-60.79%	13.13%
Value Added Tax	30.97%	34.08%	15.79%	20.17%	15.39%	9.34%	12.03%	-0.17%	-86.82%	5.64%
FGN Independent Revenue	42.86%	30.17%	-67.66%	139.50%	18.85%	13.30%	32.69%	7.64%	-9.50%	25.21%

Source: OAGF and BOF, 2016

Comparative Revenue Performance Analysis:

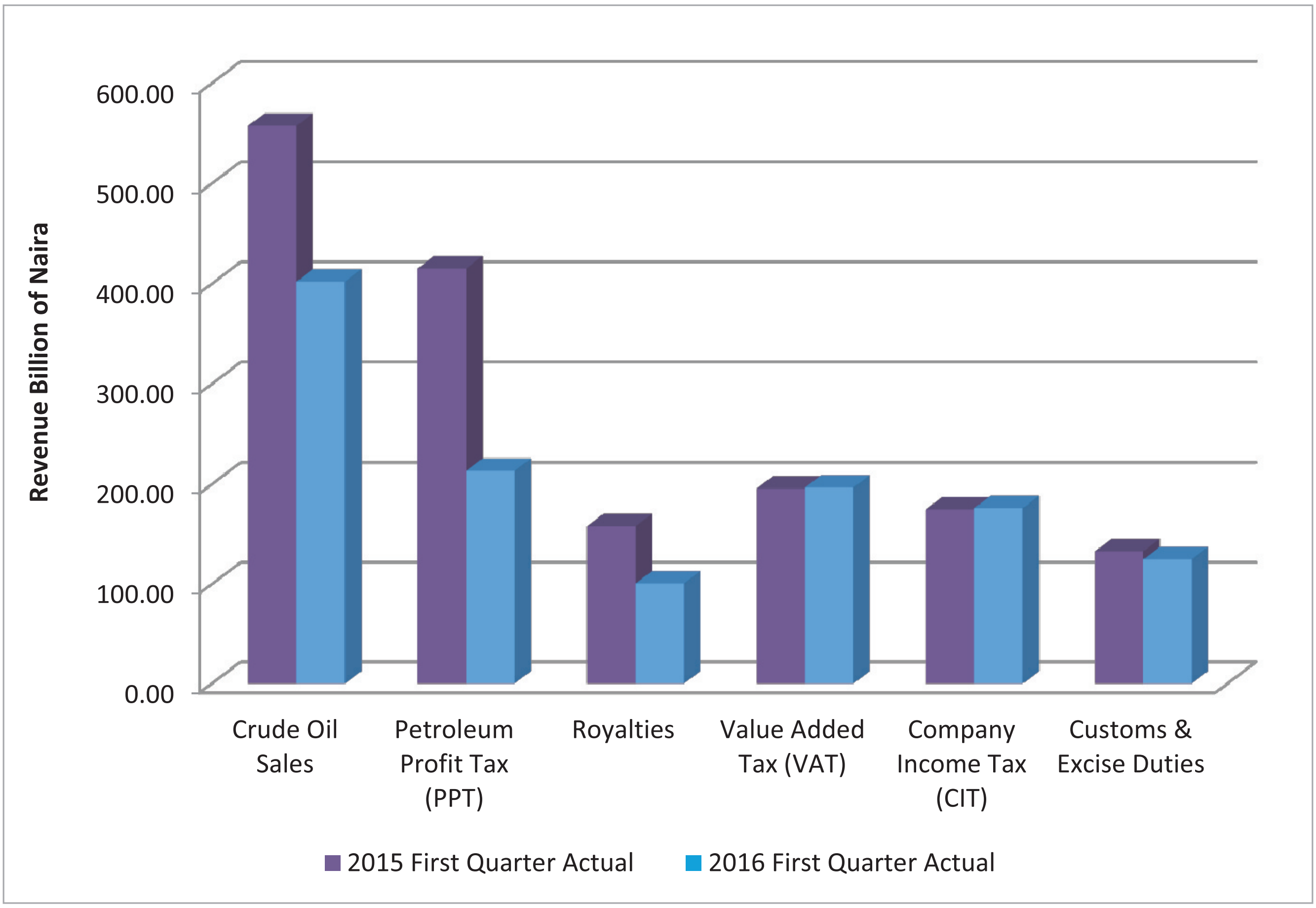
29. A comparative analysis of the data further impliesthat the aggregate gross oil receipts in the first quarter of 2016 were not only lower thantheir respective estimates for the period, but were also below the corresponding levels in the same period of 2015. The low performance can be attributed to the fall in the price of oil in the international market and the reduction in oil lifting figures due to fall in demand, continuous crude oil theft and vandalism of pipelines in the Niger Delta region during the period. On a similar note, the aggregate gross non-oil revenues for the same period revealed a shortfall of N0.62 billion (or 0.12%) below the corresponding figures recorded in 2015. Please see data in *Table 3.6.*

Table 3.6: *Performance of Revenue in the First Quarter of 2016 Vs 2015*

Revenue Items	2015	2016	Variance	
	1st Quarter Actual	1st Quarter Actual	1st Quarter 2016 Vs 1st Quarter 2015	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	557.5	402.18	-155.32	-27.86
Petroleum Profit Tax (PPT)	415.17	213.35	-201.82	-48.61
Royalties	158.13	100.69	-57.44	-36.32
Gross Oil Revenue	1,191.77	724.64	-467.13	-39.20
Net Oil Receipts	845.42	560.49	-284.93	-33.70
Non-Oil Revenue	-	-		
Value Added Tax (VAT)	195.66	196.57	0.91	0.47
Company Income Tax (CIT)	174.94	176.26	1.32	0.75
Customs & Excise Duties	133.18	124.94	-8.24	-6.19
Gross Non-Oil Revenue	508.67	508.05	-0.62	-0.12
Net Non-Oil Receipts	484.18	483.67	-0.51	-0.11

Source: OAGF and Budget Office of the Federation, 2016

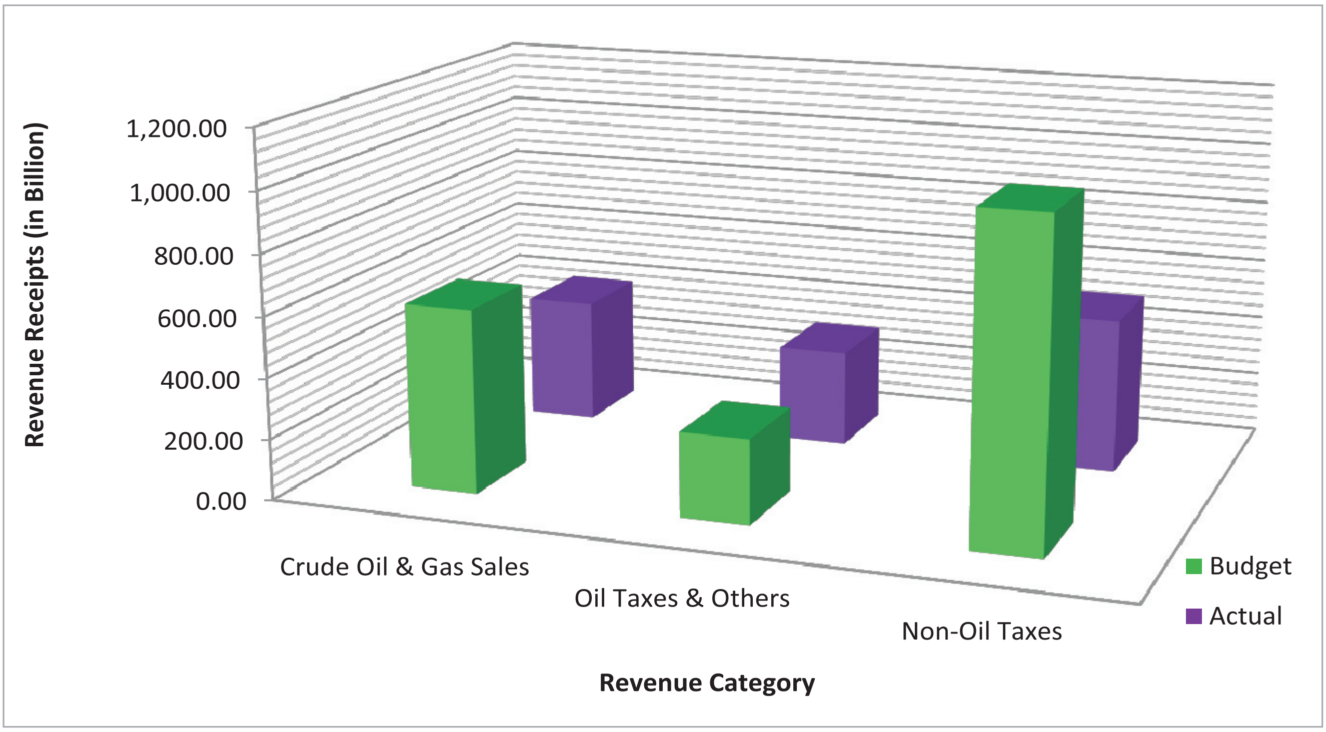
Chart 3.2: *2015 Vs 2016 Revenue Performance (FirstQuarter)*



Source: OAGF and Budget Office of the Federation, 2016

30. Chart 3.3Graphical illustration of the actual performance of revenue categories compared with their budgeted estimates as at March 2016.

Chart 3.3: *Projected Vs Actual FAAC Revenue Receipts (as at March 2016)*



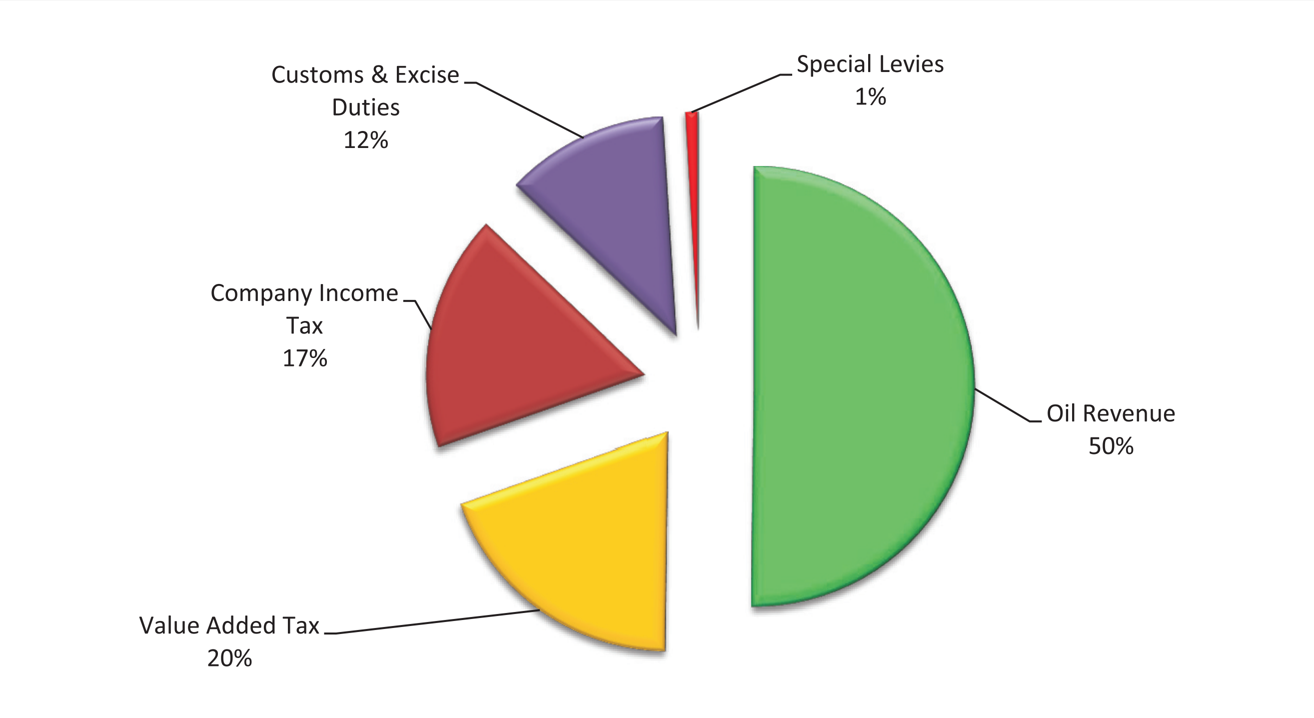
Source: Budget Office of the Federation, 2016

Distributable Revenue:

31. 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 N971.30 billion was available for distribution in the first quarter of 2016. This represents a shortfall of N458.61 billion (or 32.07%) from the budgeted figure in 2016.

32. Chart 3.4 gives the percentage contribution of the various revenue categories to distributable revenue in the first quarter of 2016.

Chart 3.4: *Contributions to Distributable Revenue (in the 1st Quarter of 2016)*



Source: Budget Office of the Federation, 2016

3.3 Excess Crude Account:

33. The Excess Crude Account (ECA) was set up to serve as a stabilization and savings account. Nothing was transferred to the ECA in the first quarter of 2016 due to oil revenue shortfall which was caused by the fall in the price of oil in the international market. The inflow in the first quarter of 2016 was similar to the preceding fourth quarter of 2015 but different from the corresponding first quarter of 2015 where N14.98 billion was transferred into the ECA. Similar to what happened in the transfers, there were no withdrawals from the ECA within the period. These data are presented in *Table 3.7.*

Table 3.7: *Net Excess Crude Account*

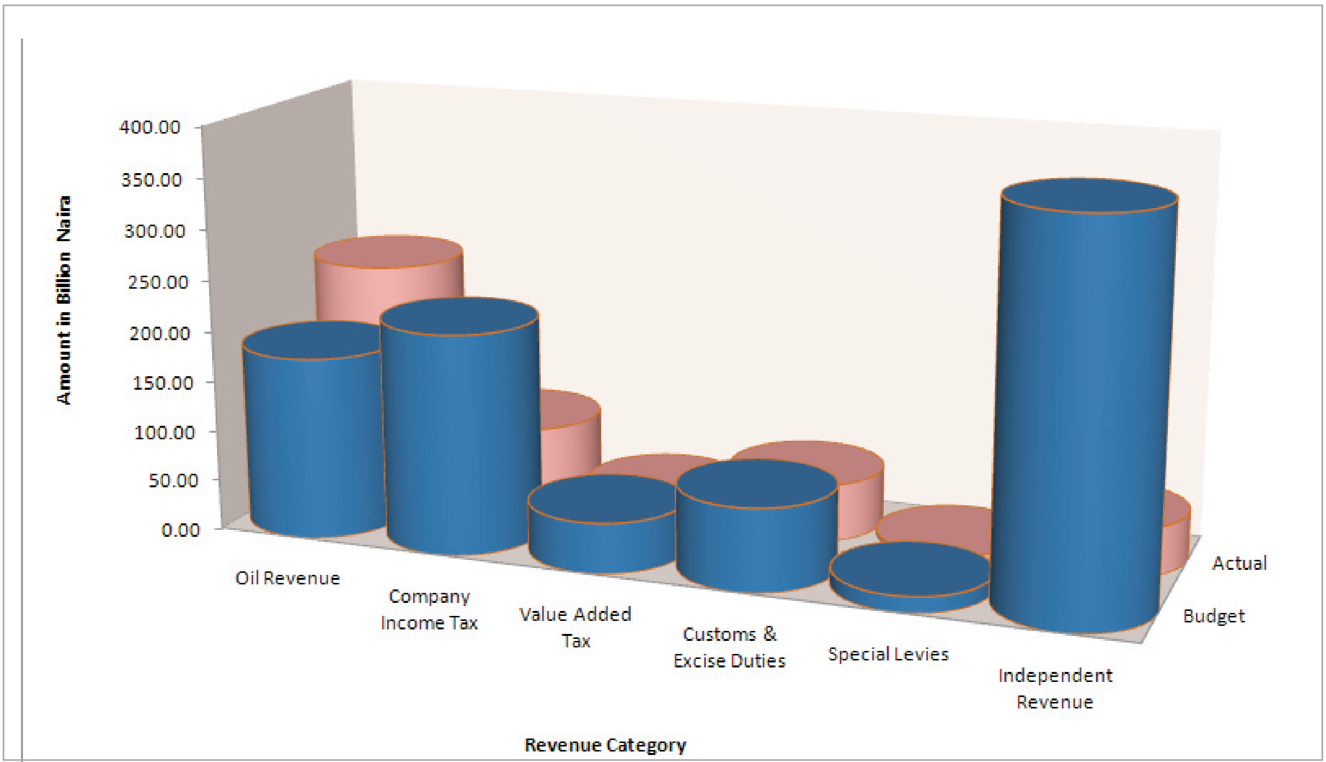
Description	2015 Actual (N'bn)		2016 Actual (N'bn)
	First Quarter	Fourth Quarter	First Quarter
Inflows			
Transfer to Excess Crude Oil Account	14.98	0.00	0.00
Outflows			
Payment for Petroleum Product Subsidy	197.05	0.00	0.00
Augmentation: Distribution among tiers of Govt.	15.63	0.00	0.00
Transfer for Special Intervention Fund	0.56	0.00	0.00
Transfers Int. trf - SWF	0.00	0.00	0.00
Total Outflow	213.25	0.00	0.00
Net Excess Crude Account	-198.27	0.00	0.00

Source: Office of the Accountant General of the Federation, 2016

3.4 FGN Budget Revenue

34. In accordance with the approved 2016 Budget framework, the sum of N3,855.74billion was projected to fund the Federal Budget, signifying a quarterly share of N963.93 billion. In the first quarter of 2016, the sum of N236.50 billion received from oil sources was higher than the quarterly estimate of N179.39 billion by N57.11 billion (or 31.84%). On the other hand, all non-oil revenue items fell below their quarterly budget estimates. FGN Share of VAT of N26.42 billion, Customs & Excise Duties of N56.35 billion, Special Levies of N4.64billion and Company Income Tax of N82.06 billion were below their corresponding quarterly budget projections of N49.56 billion, N81.61 billion, N15.64 billion and N216.86 billion by N23.14billion (or 46.69%), N25.26billion (or 30.95%), N11.0billion (or 70.33%) and N134.80 billion (or 62.16%).The above mentioned followed the same pattern of their respective performances at the Federation Account level. The data are presented below in *Table 3.8.*

Chart 3.5: *FGN Revenue (Budget Vs Actual as at March 2016)*



Source: The OAGF and Budget Office of the Federation, 2016

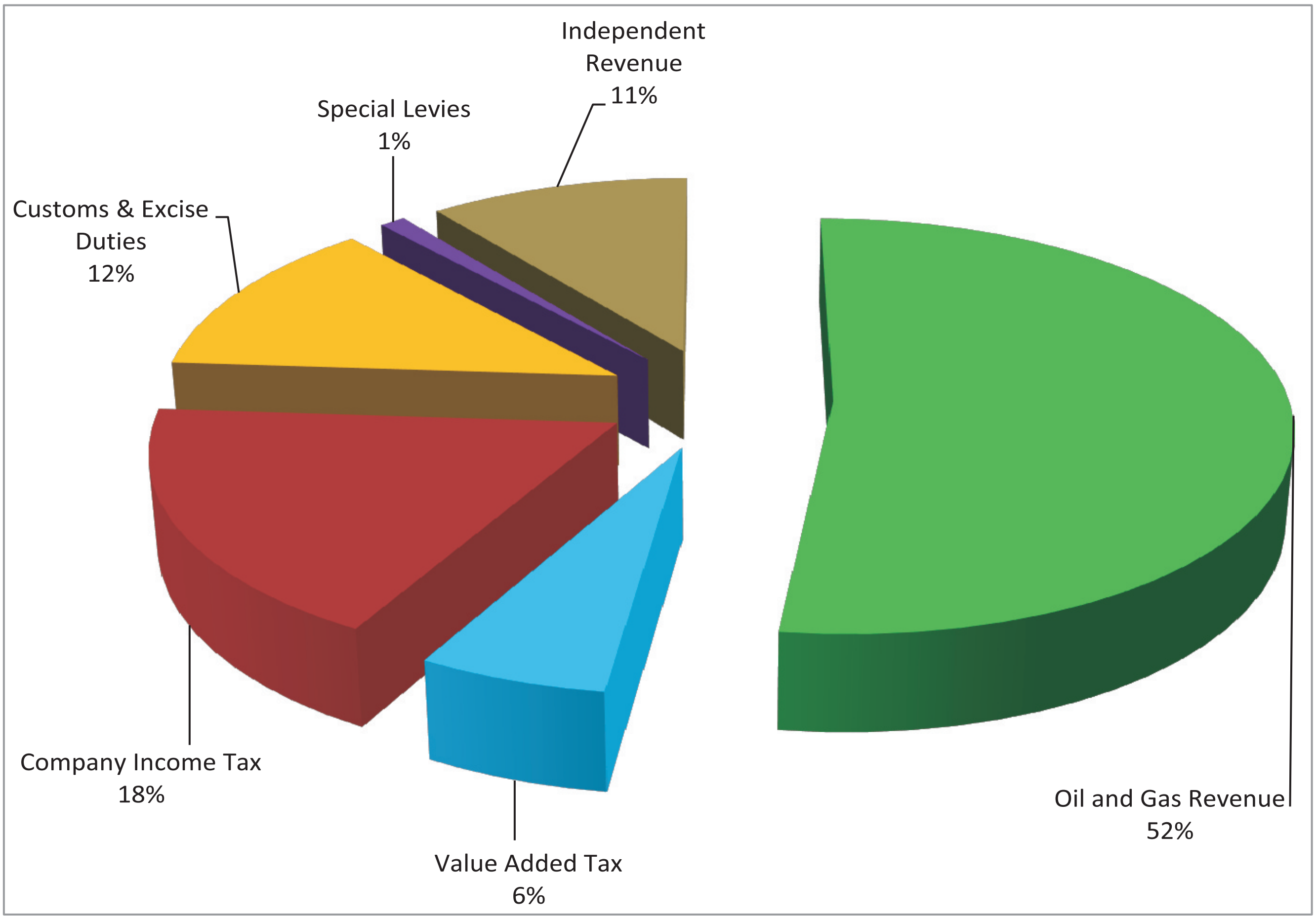
Table 3.8: *Inflows to the 2016 Federal Budget as at March 2016*

S/NO	DESCRIPTION	BUDGET			ACTUAL	VARIANCE	
		2015 Annual Budget	2016 Annual Budget	2016 Quarterly Budget	2016 First Quarter	2016 First Quarter Actual Vs Quarterly Budget	
1	Inflow for the Federal Budget (CRF)	N'bn	N'bn	N'bn	N'bn	N'bn	%
2	FGN Share of Oil Revenue	1,637.87	717.55	179.39	236.50	57.11	31.84
3	FGN Share of Non-Oil Revenue	1,229.67	1,567.93	391.98	169.48	(222.50)	(56.76)
4	FGN Share of Company / Investment by FAAC	-	95.55	23.89		(23.89)	(100.00)
5	FGN Share of Solid Minerals Revenue	6.61	6.90	1.73		(1.73)	(100.00)
6	FGN Share of Value Added Tax (VAT)	172.53	198.24	49.56	26.42	(23.14)	(46.69)
7	FGN Share of Customs	323.97	326.44	81.61	56.35	(25.26)	(30.95)
8	FGN Share of Special Levies (Federation Account)	67.00	62.56	15.64	4.64	(11.00)	(70.33)
9	FGN Share of Conpany Income Tax	651.19	867.46	216.86	82.06	(134.80)	(62.16)
10	FGN Share of Actual Balances in Special Accounts	8.36	10.79	2.70		(2.70)	(100.00)
11	FGN Independent Revenue	489.29	1,505.88	376.47	47.52	(328.95)	(87.38)
12	FGN Bal of Special Accts as at 31/12/15:	8.20	14.38	3.59		(3.59)	(100.00)
13	Unspent Balance from Previous Fiscal Year	50.00	50.00	12.50		(12.50)	(100.00)
14	FGN Share of Kerosene Subsidy Remittance by NNPC	37.32					
15	Sub-Total	3,452.36	3,855.74	963.93	453.50	(510.44)	(52.95)
16	Other Financing Sources	-	-		36.56	36.56	
17	NNPC Refund to FGN				17.48	17.48	
18	Receipts from LNG	-			14.26	14.26	
19	Exchange Rate Difference				4.81	4.81	
20	TOTAL RETAINED REVENUE	3,452.36	3,855.74	963.93	490.05	(473.88)	(49.16)
21	TSA/Pool A/C	-			45.93	45.93	
22	Total Revenue Available for Implementation	3,452.36	3,855.74	963.93	535.98	(427.95)	(44.40)

Budget Office of the Federation and the OAGF, 2016

35. A total of N453.50 billion, excluding other funding sources, was received in the first quarter of 2016. This amount was N510.44 billion (or 52.95%) and N23.98 billion (or 5.02%) lower than the quarterly projection of N963.93 billionand N477.48 billion actual receipt recorded in the fourth quarter of 2015 respectively. The aggregate revenue in the first quarter of 2016 was also N428.86 billion (or 48.60%) below the N882.36 billion recorded in the first quarter of 2015.

Chart 3.6: *Contributions to the FGN Budget Revenue in the First Quarter of 2016 (Excluding FGN's Unspent Balances and FGN's Balances in Special Accounts)*



Source: The OAGF and Budget Office of the Federation, 2016

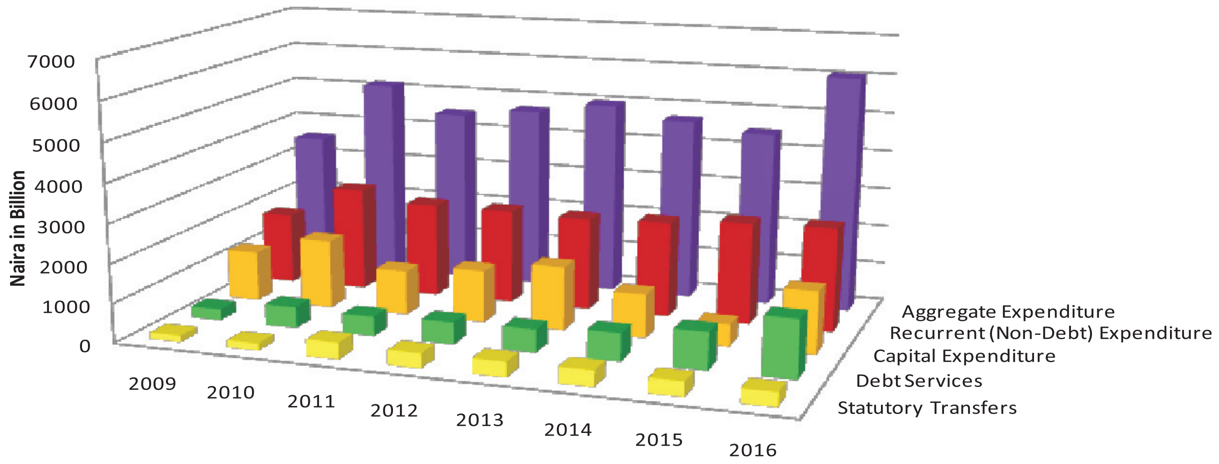
3.5 Expenditure Developments

36. A total of N6,060.48billion was appropriated for expenditure in the 2016 Budget. Of this amount, N2,646.39billion (or 43.67%) was for Recurrent (Non-Debt) Expenditure, N1,475.32 billion (or 24.34%) was for Debt Services, N351.37 billion (or 5.8%) was for Statutory Transfers and N1,587.40 billion (or 26.19%) was for Capital Expenditure.

3.5.1 Non-Debt Recurrent Expenditure

37. In preparing the 2016 Budget, Government was distinct on its plan to resolutely cut down the growth in recurrent expenditures as affirmed in the 2016-2018 Fiscal Framework and Fiscal Strategy Paper. Nevertheless, there is a limit to how far these efforts can go because of the persistent demands for wage increases by various labour unions. Moreover, government does not want to embark on rationalization of workers which would have reduced the huge wage bill. Since the government was determined to cut down the cost of governance it had commenced other actions such as the 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.

Chart 3.7: *2009 – 2016 Budget Expenditure Profile*

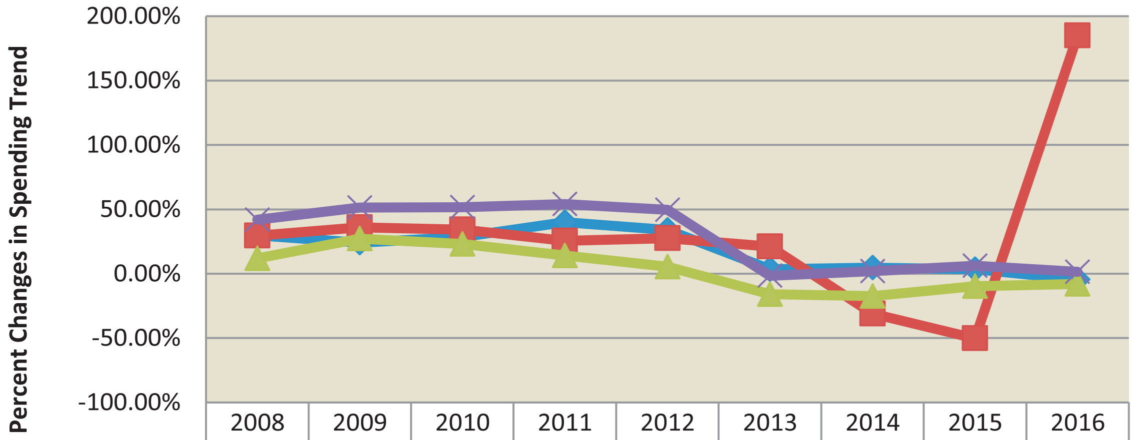


	2009	2010	2011	2012	2013	2014	2015	2016
Statutory Transfers	168.62	183.58	417.83	372.59	387.98	408.69	375.62	351.37
Debt Services	283.65	542.38	495.1	559.58	591.76	712	953.62	1,475.32
Capital Expenditure	1,280.71	1,764.69	1,146.75	1,339.99	1,621.48	1,119.62	557.00	1,587.40
Recurrent (Non-Debt) Expenditure	1,824.71	2,669.01	2,425.07	2,425.05	2,386.03	2,454.89	2,607.13	2,646.39
Aggregate Expenditure	3,557.69	5,159.66	4,484.74	4,697.21	4,987.24	4,695.19	4,493.36	6,060.48

Source: Budget Office of the Federation, 2016

38. Data from the OAGF signifies that a total of N449.57 billion was expended on non-debt recurrent expenditure in the first quarter of 2016. This amount implies a decrease of N212.03 billion (or 32.05%) below the quarterly estimate of N661.60 billion.

Chart 3.8: *Personnel, Overhead and Capital Expenditure Trends (2008 – 2016)*



	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget
Personnel Costs (MDAs)	29.88%	24.08%	28.66%	40.01%	33.89%	3.37%	4.79%	3.46%	-4.47%
Capital Spending	29.66%	36.00%	34.20%	25.57%	27.47%	21.01%	-30.95%	-50.25%	184.99%
Overheads	12%	27.20%	23.06%	14.07%	5.57%	-15.94%	-17.37%	-9.65%	-8%
Recurrent (Non Debt)	41.88%	51.28%	51.72%	54.07%	49.72%	-1.62%	2.06%	6.20%	1.51%

Source: BOF and OAGF, 2016

3.5.2 Debt Service

39. Total debt service related expenditure stood at N364.81 billion in the first quarter of 2016 indicating a shortfall of N4.03 billion or 1.09% from the N368.83 billion prorate budget estimate for the period.

40. A breakdown of the debt service payments indicate that a total of N326.85 billion was proposed for domestic debt servicing for the quarter while N349.36 billion was released, indication an increase of N22.51 billion (or 6.89%) above the quarterly budgeted estimate. The actual external debt service payment in the first quarter of the year amounted to N15.45 billion indicating an increase by 1.83 billion or 13.41% of the prorate budget estimate for the period.

Table 3.9: *FGN Budget Expenditure and Fiscal Account (in N' Billion) as at March 2016*

S/NO	ITEMS	BUDGET			ACTUAL	VARIANCE	
		2015 Annual Budget	2016 Annual Budget	2016 Quarterly Budget	2016 First Quarter	2016 First Quarter Actual Vs Quarterly Budget	
		N'bn	N'bn	N'bn	N'bn	N'bn	%
A	TOTAL RETAINED REVENUE	3,452.36	3,855.74	963.93	490.05	(473.88)	(49.16)
B	TSA/Pool A/C	-	-	-	45.93	45.93	
C	TOTAL INFLOW	3,452.36	3,855.74	963.93	535.98	(427.95)	(44.40)
D	EXPENDITURE:					-	
1	RECURRENT (NON DEBT):			-	-	-	
2	Personnel Cost	1,830.22	1,748.33	437.08	364.75	(72.33)	(16.55)
3	Pension & Gratuities	291.05	188.11	47.03	31.95	(15.08)	(32.06)
4	Overhead Cost	177.60	163.39	40.85	27.04	(13.81)	(33.81)
5	Service Wide Vote	244.98	226.56	56.64	25.83	(30.81)	(54.40)
6	Presidential Amnesty Programme	63.28	20.00	5.00	-	(5.00)	(100.00)
7	Special Interventions		300.00	75.00	-	(75.00)	(100.00)
8	Sub-Total (Non-Debt)	2,607.13	2,646.39	661.60	449.57	(212.03)	(32.05)
9	Domestic Debts & Int. on Ways & Means	894.61	1,307.40	326.85	349.36	22.51	6.89
10	Foreign Debts	59.01	54.48	13.62	15.45	1.83	13.41
11	Sinking Fund to Retire Maturing Loans		113.44	28.36	-	(28.36)	(100.00)
12	Sub-Total (Debt)	953.62	1,475.32	368.83	364.81	(4.03)	(1.09)
13	CAPITAL EXPENDITURE:			-	-	-	
14	Capital Releases 2015	-		-	59.19	59.19	
15	*Capital Releases 2016	557.00	1,587.40	396.85	12.65	(384.20)	(96.81)
16	Sub-Total (Capital)	557.00	1,587.40	396.85	71.84	(325.01)	(81.90)
17	TRANSFERS:			-	-	-	
18	Niger Delta Development Commission (NDDC)	46.72	41.05	10.26	6.84	(3.42)	(33.33)
19	National Judicial Council (NJC)	73.00	70.00	17.50	11.67	(5.83)	(33.34)
20	Universal Basic Education Commission (UBEC)	68.38	77.11	19.28	12.85	(6.43)	(33.33)
21	Independent National Electoral Commission (INEC)	62.00	45.00	11.25	7.50	(3.75)	(33.33)
22	National Assembly	120.00	115.00	28.75	19.17	(9.58)	(33.34)
23	Public Complain Commission (PCC)	4.00	2.00	0.50	-	(0.50)	(100.00)
24	National Human Right Commission (NHRC)	1.52	1.21	0.30	0.20	(0.10)	(33.22)
25	Sub-Total (Transfers)	375.62	351.37	87.84	58.23	(29.61)	(33.71)
26	TOTAL EXPENDITURE	4,493.37	6,060.48	1,515.12	944.45	(570.67)	(37.67)
27	Fiscal Deficit	(1,041.01)	(2,204.74)	(551.19)	(408.46)	142.72	(25.89)
E	FINANCING ITEMS:			-	-	-	
1	Privitization Proceeds	10.00	10.00	2.50	5.92	3.42	136.88
2	Signature Bonus	58.89	0.74	0.19	-	(0.19)	(100.00)
3	FGN Share from Stabilisation Fund	80.00	-	-	-	-	
4	Borrowing from Special Accounts	-		-	(3.49)	(3.49)	
5	Recoveries of Misappropriated Funds	-	350.33	87.58	-	(87.58)	(100.00)
6	Foreign Borrowing	380.00	635.88	158.97	-	(158.97)	(100.00)
7	Domestic Borrowing (FGN Bond)	502.12	1,182.80	295.70	300.00	4.30	1.45
8	Deficit Funding for 2015 Supplementary Appropriation ACT			-	300.00	300.00	
9	Transfer of Funds from Special Account (Monetization)	-		-	-	-	
10	Proceed of Sale of Government Properties	10.00	25.00	6.25	-	(6.25)	(100.00)
11	Sub-Total	1,041.01	2,204.74	551.19	602.44	51.25	9.30
12	Net Deficit / Surplus	0.00	(0.00)	(0.00)	193.97	193.97	

Source: OAGF and Budget Office of the Federation, 2016

5.3 Statutory Transfers:

41. In the first quarter of 2016, a total of N58.23 billion was released as statutory transfers. A breakdown of the actual transfers in the first quarter shows that N6.84 billion was to Niger Delta Development Commission (NDDC), N11.67 billion was to National Judicial Council (NJC), N12.85 billion was to Universal Basic Education Commission (UBEC), N7.50 billion was to Independent Electoral Commission (INEC), N19.17 billion was to National Assembly(NAS), N0.0 billion was to Public Complaint Commission (PCC)and N0.20billion was to the National Human Right Commission (NHRC). It is worthyto note that quarterly releases under this subhead are made on demand by the beneficiaries subject to budgetary provisions and availability of funds.

3.5.4 Capital Expenditure Performance

42. Government like in the previousbudgets continued in 2016 to direct the greater part of its finances to the structural reform of the economy and provision of critical infrastructure in the areas of roads, power, housing, rail and aviation sectors as well as the delivery of physical and food security. With this in mind, a total of N1,587.40billion was allocated to capital spending in the 2016Budget.

MDAs' Capital Vote Utilization:

43. Due to the inability of the National Assembly to pass the 2016 Appropriation Act before the end of the quarter, the first quarter 2016 Capital Development Warrant was not released to all MDAs as expected. Data from the OAGF shows that as at 31st March, 2016, only N71.84 billion was released through Authority to Incur Expenditure (AIEs) tosome specific MDAs for their 2015 and 2016 capital projects. The sum of N59.19 billion was for the implementation of the 2015 capital projects which was extended to 31st March 2016 while N12.65 billion was for the implementation of the 2016 capital projects. It is important to note that the Budget Office of the Federation in conjunction with the Office of the Accountant General of the Federation are working towards releasing the First Quarter General Capital Development Warrants as soon as the 2016Appropriation Act is passed and signed by

the National Assembly and Mr. President.

3.5.5 Performance of the Financing Items:

44. The 2016 Fiscal Frameworkprojected a quarterly deficit of N551.19 billion to be financed through Privatization Proceeds of N2.50 billion, FGN's Share of Signature Bonus of N0.19 billion, Recovery of Misappropriated Funds of N87.58 billion, Foreign Borrowing of N158.97 billion, Domestic Borrowing (FGN Bond) of N295.70 billion and Sale of Government Properties of N6.25 billion.

45. In the first quarter, a total of N602.44 billion was realized from financing item sources implying an increase of N51.25 billion (or 9.3%) above the quarterly estimate of N551.19 billion. The financing item was realized from the Privatization Proceeds of N5.92 billion, Domestic Borrowing (FGN Bond) of N300.0 billion and Deficit Funding for 2015 Supplementary Appropriation Act of N300.0 billion while Borrowing from Special Accounts yielded a deficit of N3.49 billion. On the other hand FGN's Share of Signature Bonus, Foreign Borrowing and Sale of Government Properties did not materialize in the quarter

4.0 CONCLUSION

The effect of the general slowdown in the global economy together with other internal factors had a negative impact on the nation's economy in the first quarter of 2016. Measured by the Real Gross Domestic Product (GDP), the economy grew by -0.36% (year-on-year) in real terms in the first quarter of 2016. The oil sector slowed by 1.89% (year-on-year) while the non-oil sector slowed by 0.18% in real terms in the first quarter of 2016. The country's external reserve was still on trackat a robust level of about US$27.86billion during the period.

47. Provisional data from the OAGF shows that a net distributable sum of N971.30 billion accrued to the Federation Account for distribution among the three tiers of government in the quarter, indicating a shortfall of N458.61 billion when compared with N1,429.90billion projected for the quarter. This follows from the shortfall in net non-oil revenue of N517.99 billion. The implementation of the federal budget in the first quarter was also on course.

48. During the quarter, a total of N449.57 billion out of the N661.60 billion planned for recurrent (non-debt) was expended while N71.84 billion out of the N396.85 billion projected for capital budget implementation was also released to MDAs.

49. This provisional report outlines the macroeconomic setting 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 the physical monitoring and evaluation of selected capital projects for the quarter. The findings of the above mentioned group would be compiled and combined with this interim report and published in due course.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