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**Nigerian Economy & Forensic  
Examination of FAAC:  
Creating Value for States & Federal  
Government**

by  
**Owoh Godwin U.**  
PhD, FCA, FCTI

On the Occasion of the  
**Nigerian Governors' Forum Retreat,**

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Godwin U. Owoh; PhD, FCA, FCTI  
**Sokoto, Nov, 2013**

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**WELCOME  
YOUR  
EXCELLENCIES**

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- 2:0 Levels of Fiscal Dependency
- 3:0 QE, W & M Financing: States and Federal Government
- 4.0 Diversification, How Far for States?
- 5:0 Recommendations

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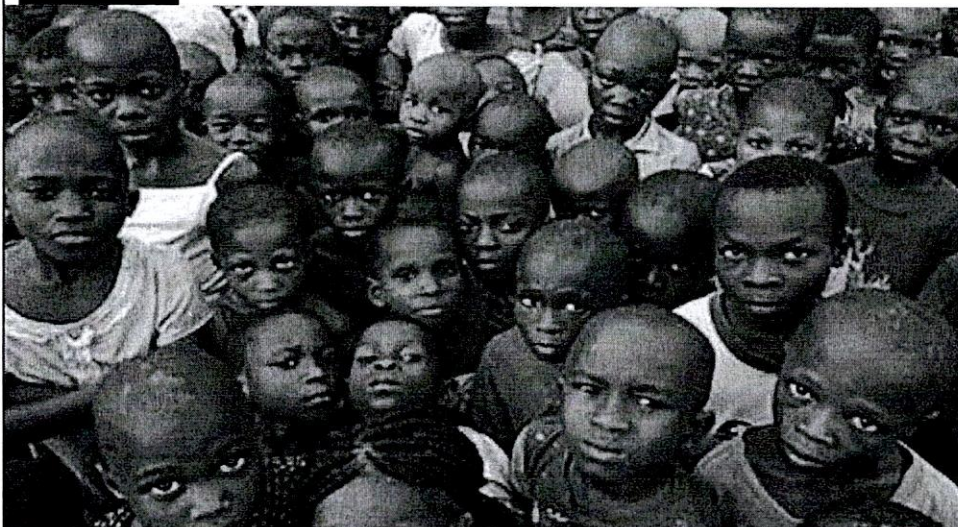
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## 1:0 Introduction



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## 1:0 Introduction

- Oil Revenue, short of expectations in the last 6 months
- Too many reasons;
- Receipts shortfall before August, 2013 to be augmented fully
- By October, funding shortfalls quoted as being ~~N~~146billion, net of shortfalls from NNPC

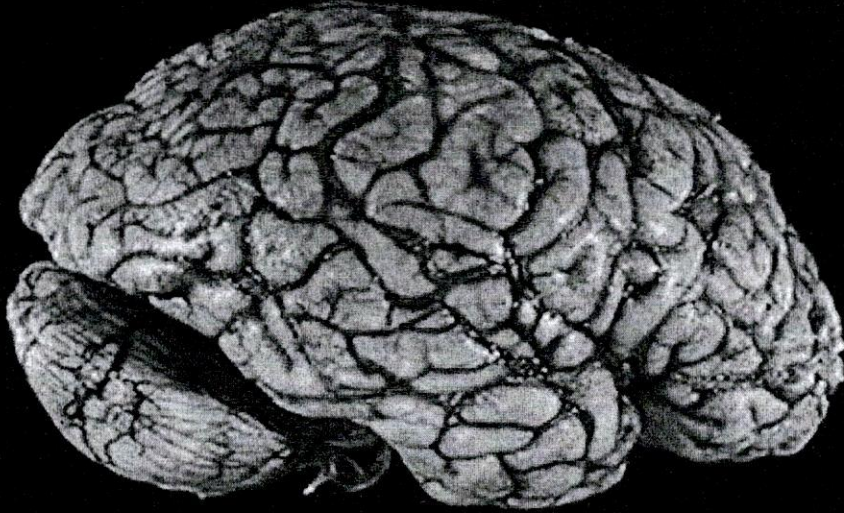
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ions:

- how far can we go with oil? Linear Corruption Equation:  $C = M + D$
- What alternatives or supplements to FAAC receipts?
- Could FRA 2007 be of any respite? S.25, 26
- What dangers can we predict of fiscal/public debt risks?

## 2:0 Levels of Fiscal Dependency



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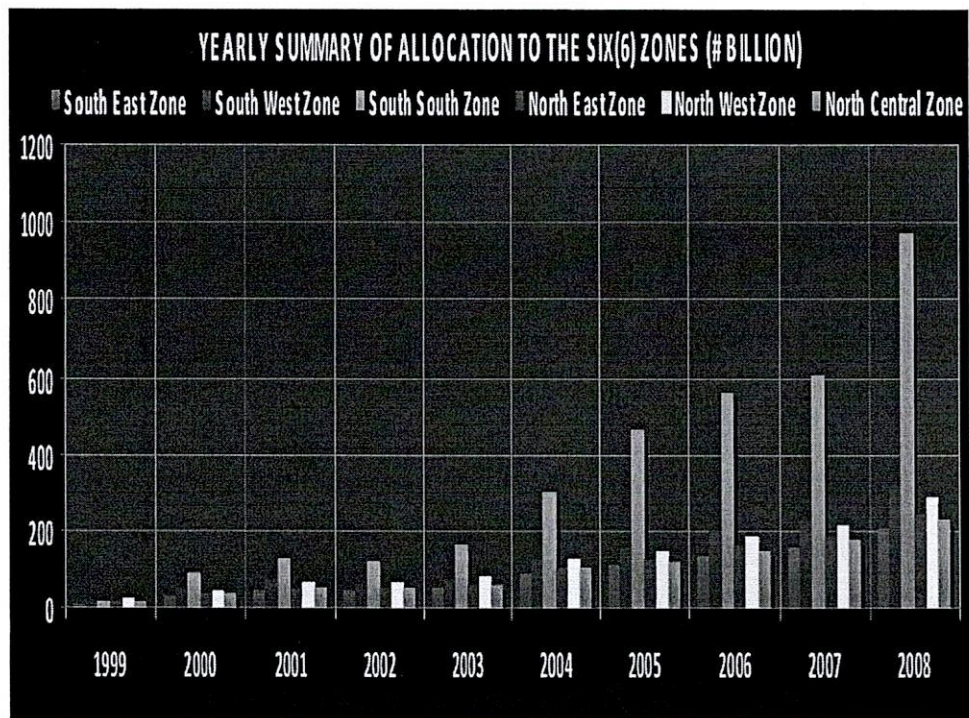
## Levels of Fiscal Dependency

**Graphs & Tables:**

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Gross Revenue from Oil and Non-Oil Sector into the Federation Account 1999 to 2009					
Year	Gross Oil Revenue (N)	% Increase/Decrease	Gross Non-Oil Revenue (N)	% Increase/Decrease	% of Gross Non-Oil Revenue on Gross Oil Revenue
1999	507,579,772,082.67	-	98,257,706,137.09	-	0.193581
2000	1,571,762,374,759.52	2.09	146,445,962,140.13	0.49	0.093173
2001	1,806,115,211,104.02	0.15	234,127,046,889.58	0.59	0.12963
2002	1,106,677,139,666.14	-0.39	230,609,791,513.10	-0.02	0.20838
2003	1,835,501,321,945.46	0.66	271,778,603,403.84	1.08	0.148068
2004	3,333,983,562,199.68	0.82	347,279,952,866.74	0.28	0.104164
2005	4,758,525,634,107.97	0.43	394,918,579,557.89	0.14	0.082992
2006	5,222,682,781,104.66	0.09	415,041,152,410.44	0.05	0.079469
2007	4,465,893,909,077.19	-0.15	598,106,377,217.59	0.44	0.133928
2008	6,530,626,407,024.95	0.46	602,579,003,217.40	0.01	0.09227
2009	1,249,091,466,409.66	-0.81	294,434,245,024.20	-0.51	0.235719

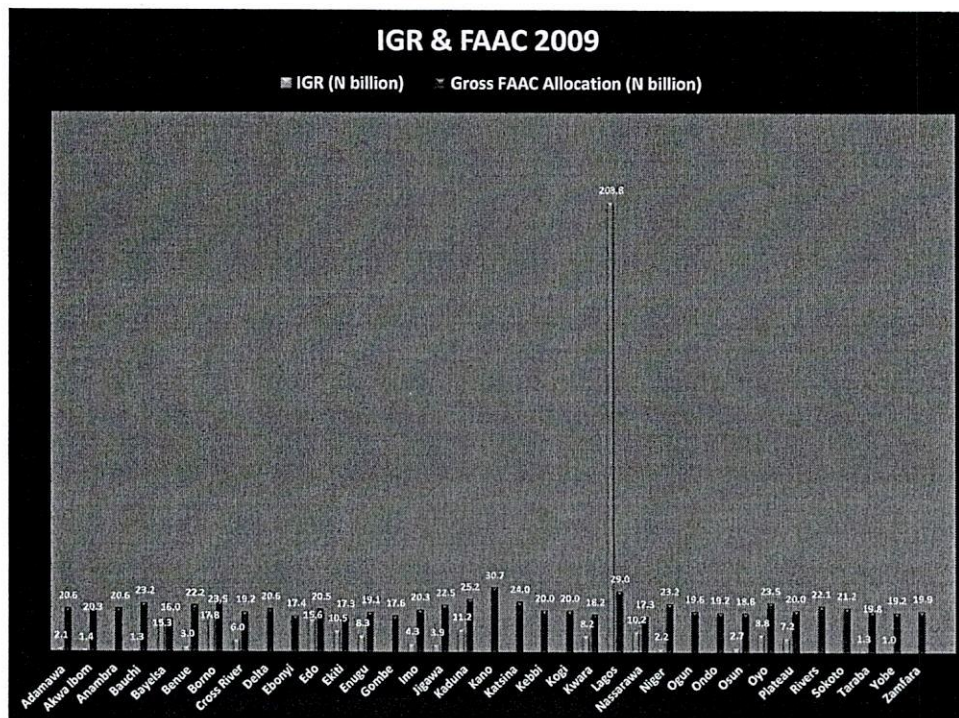


## Data points to very negative Fiscal deficiency Ratios:

- IGR & FAAC
- IGR & Debt
- Debt & FAAC
- IGR & Recurrent Expenditure

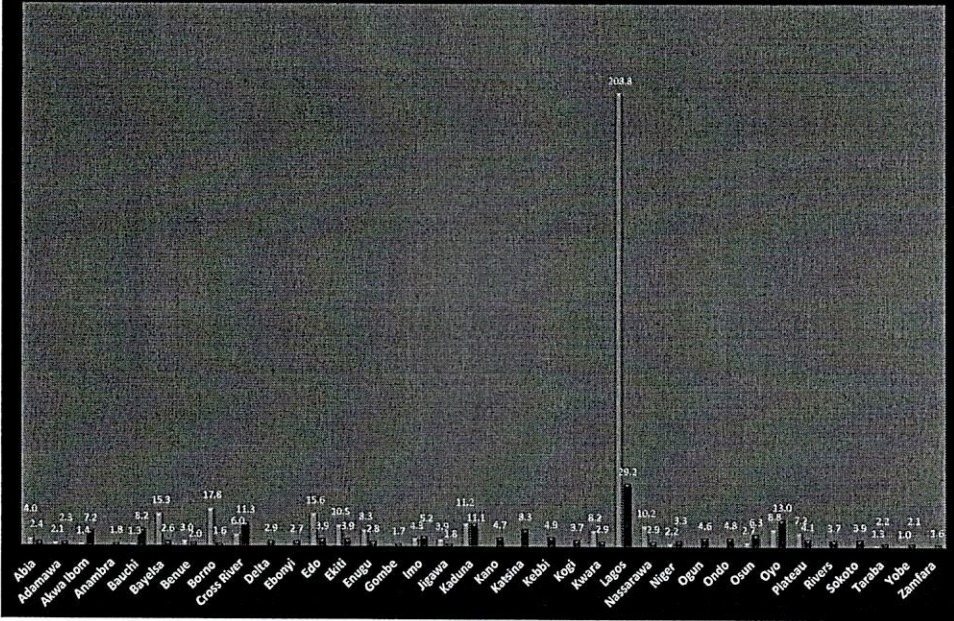
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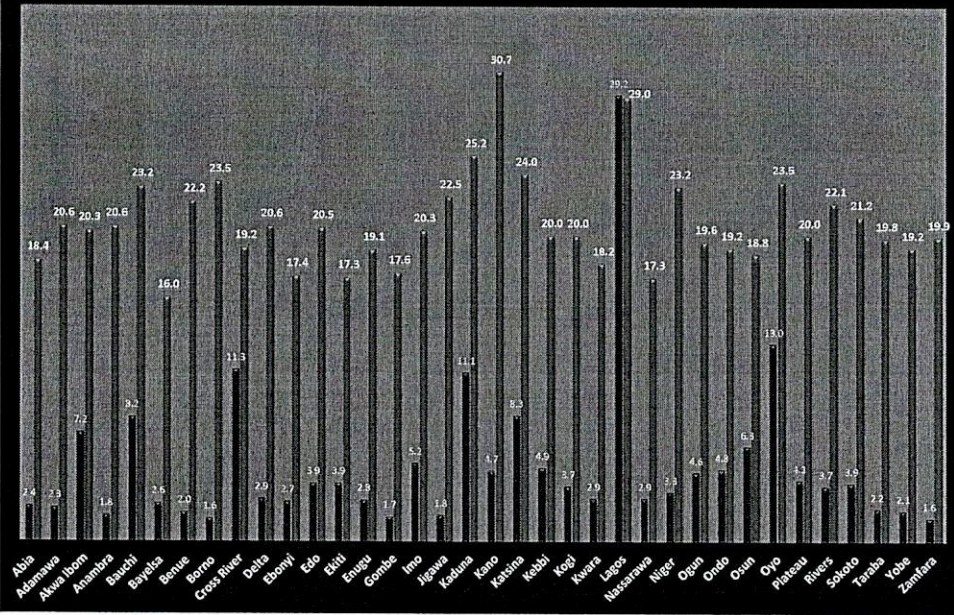
### IGR & DEBT 2009

■ IGR (N billion)    ▨ Debt Multilateral (N billion)



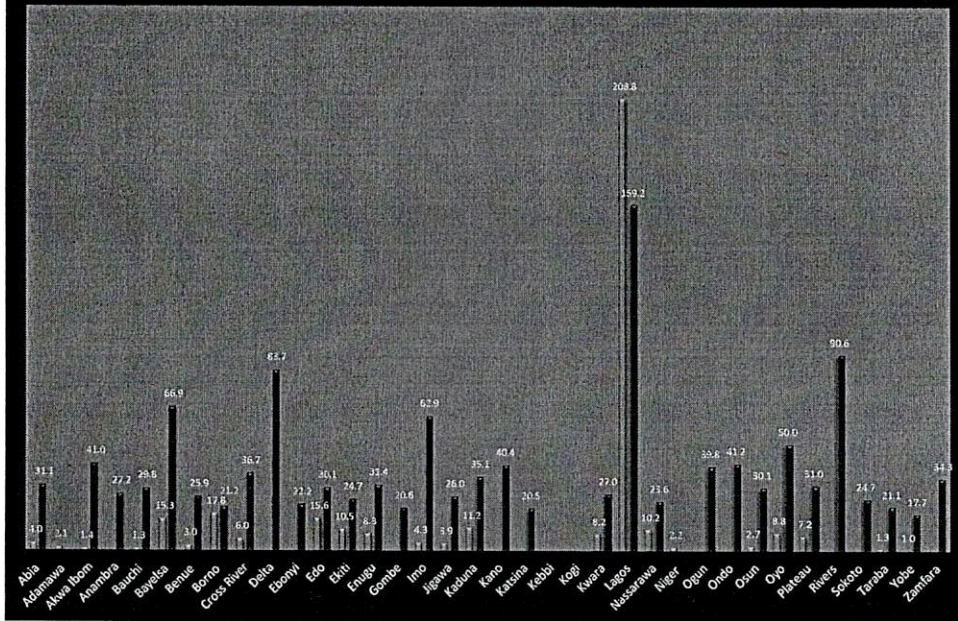
### DEBT & FAAC 2009

▨ Debt Multilateral (N billion)    ■ Gross FAAC Allocation (N billion)



## IGR & RECURRENT EXPENDITURE 2009

■ IGR (N billion) ■ RECURRENT EXPENDITURE (N billion)



## W & M Financing, States and Federal Government



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# W & M Financing, States and Federal Government

## Graphs & Tables:

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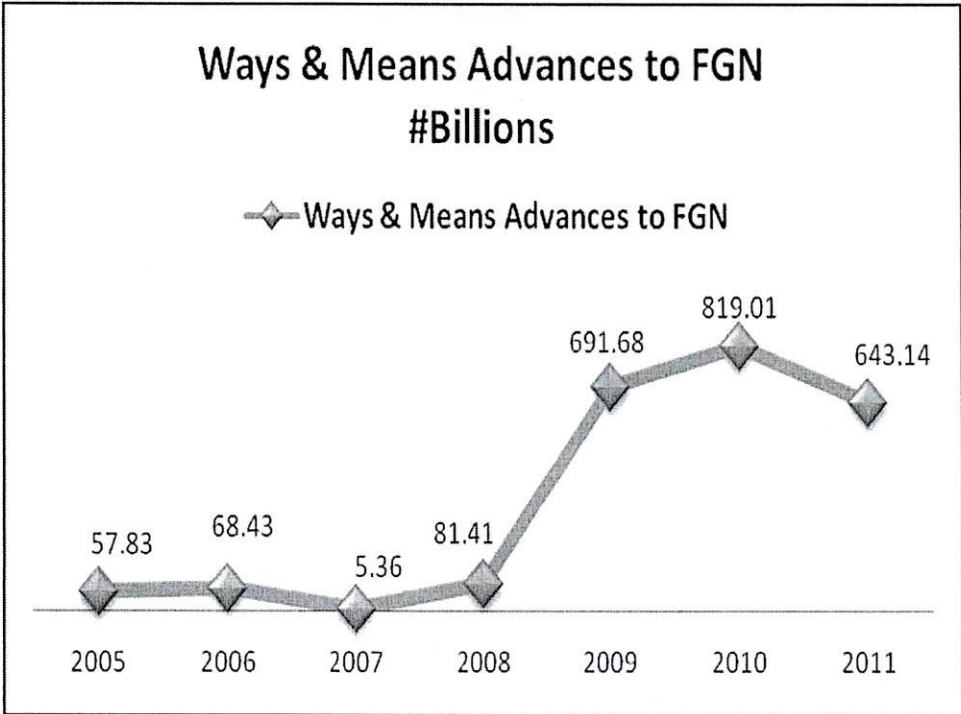
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WAYS & MEANS ADVANCES TO FGN FROM 2005 TO 2011							
M	2005	2006	2007	2008	2009	2010	2011
JAN	-	5,842,663,946.36	-	-	100,868,318,275.52	68,857,457,295.47	134,590,358,615.39
FEB	-	-	-	3,271,948,798.87	-	107,507,205,203.86	108,315,721,180.75
MAR	-	-	5,363,915,510.11	-	-	132,622,527,791.51	115,240,401,108.70
APR	-	-	-	-	-	45,211,926,298.19	78,221,979,474.10
MAY	-	26,214,909,995.20	-	-	-	-	101,919,978,944.97
JUN	30,118,166,461.69	32,540,066,912.70	-	29,386,364,752.50	86,668,918,042.97	130,814,804,114.97	104,849,040,460.99
JUL	-	-	-	-	200,448,247,907.58	60,255,936,601.71	-
AUG	14,880,071,993.63	-	-	3,064,594,753.55	14,353,951,471.24	6,578,426,820.66	-
SEP	12,834,218,392.47	-	-	-	48,707,063,707.03	-	-
OCT	-	3,837,309,935.03	-	-	-	45,676,002,542.88	-
NOV	-	-	-	-	93,622,223,855.48	162,594,663,534.55	-
DEC	-	-	-	45,683,966,196.27	147,016,026,043.30	58,893,932,523.10	-
TOTAL	57,832,456,847.79	68,434,950,789.29	5,363,915,510.11	81,406,874,501.19	691,664,749,303.12	819,012,882,726.90	643,137,479,784.90

**WAYS & MEANS ADVANCES TO FGN FROM 2005 TO 2011**  
(₦ Billions)

YEAR	2005	2006	2007	2008	2009	2010	2011
TOTAL	57.83	68.43	5.36	81.41	691.68	819.01	643.14

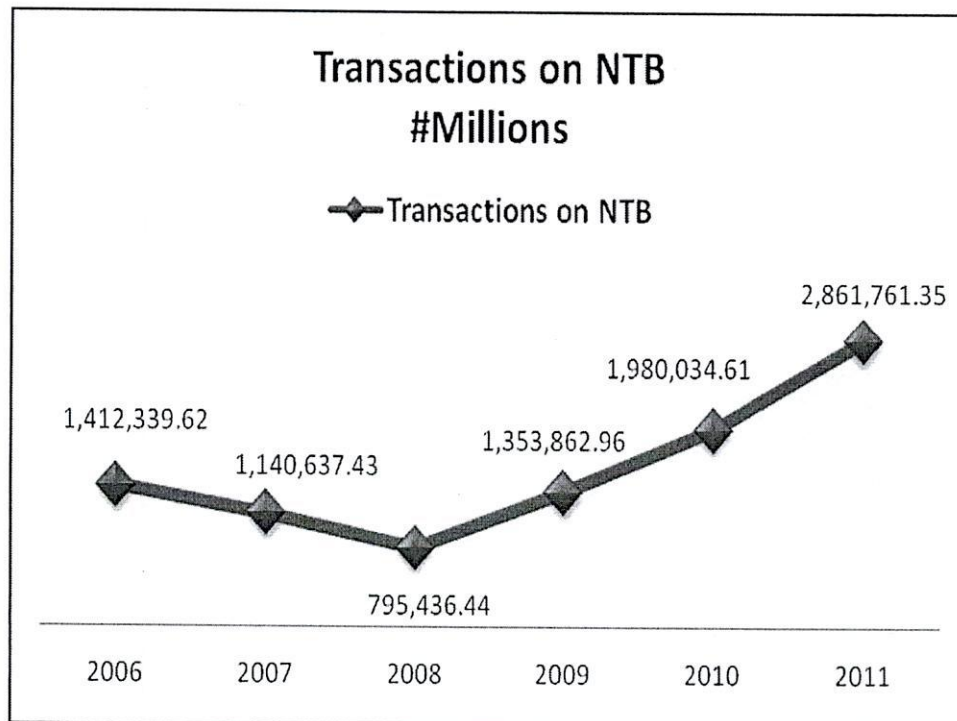
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**TRANSACTIONS ON NTB JANUARY – DECEMBER (2006 - 2011)**

**(₱ MILLIONS)**

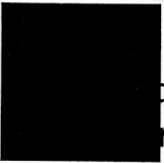
YEAR	2006	2007	2008	2009	2010	2011
<b>TOTAL AMOUNT ISSUED</b>	1,509,070.00	1,304,182.43	916,281.59	1,392,404.71	2,003,952.53	3,048,485.46
Amount Issued on AGF	1,509,070.00	1,304,182.43	916,281.59	1,077,403.72	1,476,843.07	2,529,483.83
Amount Issued on DMO	0.00	0.00	0.00	315,000.00	502,219.91	421,972.35
<b>DEPLOYMENT OF PROCEED</b>						
Deployment of Proceed to AGF	1,412,339.62	1,140,637.43	795,436.44	1,038,862.96	1,501,814.70	2,439,789
Deployment of Proceed to DMO	0.00	0.00	0.00	315,000.00	478,219.91	421,972.35
<b>TOTAL DEPLOYMENT OF PROCEED</b>	1,412,339.62	1,140,637.43	795,436.44	1,353,862.96	1,980,034.61	2,861,761.35
<b>TOTAL AMOUNT REPAID</b>	1,589,370.00	1,374,253.00	1,019,281.59	1,049,845.89	1,525,982.05	2,597,672.65





**M Financing is limited to 5% of the previous years actual revenue of the Federal Government, S.38 (2) of CBN Act, 2007**

- Liquidity injection favour the Federal Govt, but bad inflation to the States
- W & M is a key extra budgetary means of funding the Federal Government, the States are excluded
- Powers of the Auditor-General of the Federation, Section 49(2) of the CBN Act, 2007



**deployed to the Office of the Accountant General of the Federation**

- NN1.4 trillion was deployed in 2011, sizeable proportion of the Federal Budget
- In 2011, aside from FAAC receipts, the FGN was funded as follows:

<b>W &amp; M</b>	<b>₦643.14 billion</b>
<b>TBs</b>	<b>₦2,597.67 billion</b>
	<b>₦3.24 trillion</b>



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- Implication of S. 80 (1) of the Constitution
- W & M are CRF items
- W & M, TBs, Sectoral Injections are subject to FAAC procedures

**ARITHMETIC, OCTOBER 2013**

e.g

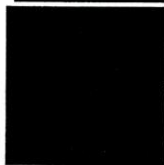


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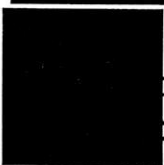
- actual total mineral revenue,	<b>N443.052 bn</b>
- budgeted mineral revenue,	<b>N465.057 bn</b>
- negative variance	<b><u>N22.005 bn</u></b>

• **Non-Oil**

- actual total non-oil,	<b>N96.501 bn</b>
- budgeted total non-oil,	<b>N158.711 bn</b>
- negative variance	<b><u>N62.2 bn</u></b>



Actual Revenue	<b>₦539.553 bn</b>
Budgeted Revenue	<b><u>₦623.768 bn</u></b>
Overall Negative Balance In the Month of October, 2013	<b><u>₦84.215 bn</u></b>
Transfer to ECA	<b>₦80.651 bn</b>
Amount allocated by FAAC In the Month of October, 2013	<b><u>₦453.006 bn</u></b>



Cost of Collection, FIRS, ₦2.097bn; NCS,  
(₦1.384bn; Refund to NCS, ₦0.713bn)

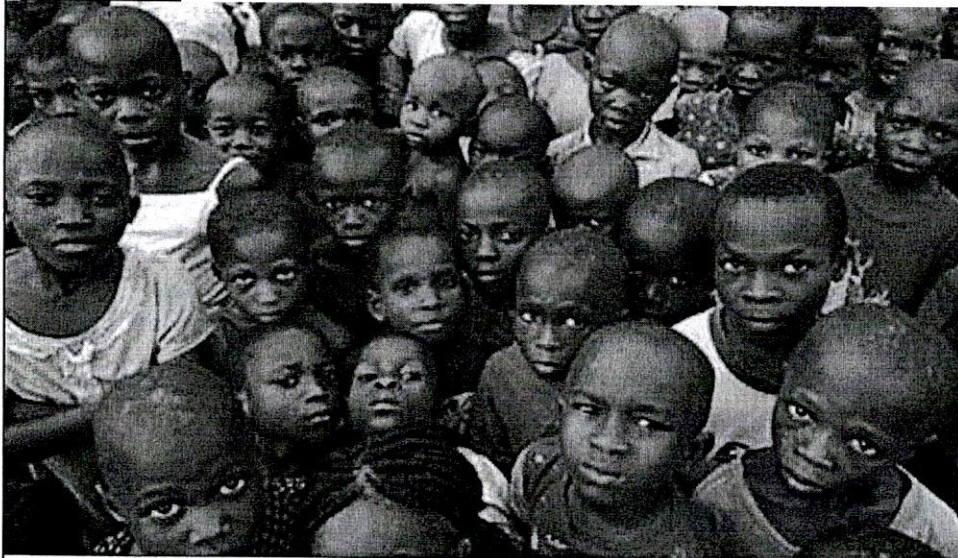
Federal Government	<b>₦213.825 bn</b>
States	<b>₦108.455 bn</b>
LGAs	<b>₦83.641 bn</b>
13% Derivation	<b>₦47.112 bn</b>

before October, 2013

revenue plummeted in the last 6 months

- August understanding; revenue on actual revenue generated
- Shortfalls before August should be settled fully
- By October, pending shortfall quoted as being ₦146 billion, net of shortfalls from NNPC

Diversification, How Far for States?



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## 5:0 Recommendations

█ need to benefit from QE, W&M, TBS  
█ of the Federal Government  
(Modalities could be worked out);MPT

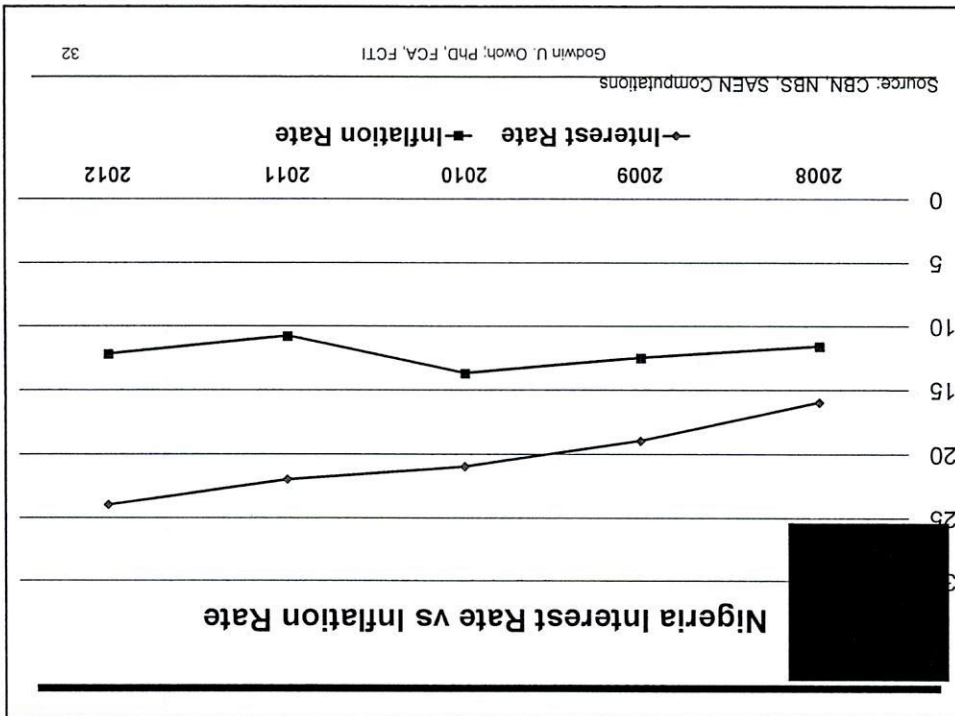
- Sectoral Intervention Funds should be subject to CRF
- Need to consolidate National Deficit Financing NDF
- Grow the States, optimize States' resources and create employment
- Fight Corruption

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# THANK YOU!!!

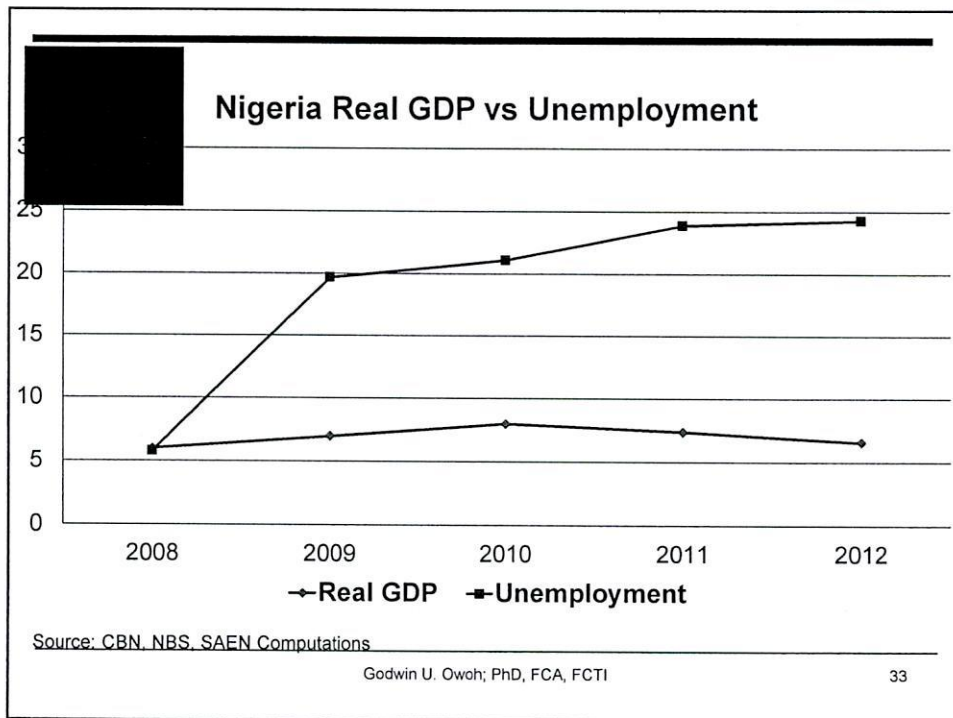




**Graphs & Tables:**

**Diversification, How Far for States?**

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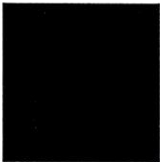

### TI GCB 2013 REPORT (1 – 5 Rating to Worst) Extract from Selected Countries

COUNTRY/ TERRITORY	POLITICAL PARTIES	PARLIAMENT/ LEGISLATURE	MILITARY	NGOS	MEDIA	RELIGIOUS BODIES	BUSINESS/PRIVATE SECTOR	EDUCATION SYSTEM	JUDICIARY	MEDICAL AND HEALTH	POLICE	PUBLIC OFFICIALS/ CIVIL-SERVANTS
NIGERIA	4.7	4.2	3.2	2.7	2.8	2.4	3.0	3.4	3.9	3.0	4.7	4.0
KENYA	3.5	4.0	3.0	2.3	2.0	2.1	2.7	3.0	3.6	3.2	4.8	3.6
GHANA	4.2	3.6	2.6	2.3	3.3	2.3	3.0	3.9	4.0	3.0	4.7	3.6
SOUTH AFRICA	4.2	4.0	2.0	3.2	3.1	2.3	3.5	2.7	3.2	3.6	4.4	4.1
UNITED STATES	4.1	3.7	2.9	3.0	3.7	3.1	3.6	3.1	3.3	3.3	3.3	3.6
UNITED KINGDOM	3.9	3.6	2.5	2.6	3.9	3.0	3.5	2.6	2.7	2.6	3.0	3.3

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 **5:0 Recommendations**



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... of the Federal Government  
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- Sectoral Intervention Funds should be subject to CRF
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