

Nigeria Governors' Forum
Analysis of the Excess Crude Account (ECA) – Distribution Options

- Quarterly **OR**
 - Every Two Months **OR**
 - Monthly
3. It is important to note that there has been an upward movement in the oil prices lately but still within the budget benchmark of \$45/bbl. Kindly find attached an analysis of the Price Movements for the OPEC Reference Basket recently obtained from the OPEC website.
 4. There is a strong likelihood that Mr. President will sign the 2009 Appropriation Bill this week. This will create a basis for the Ministry of Finance to compute and finalize the augmentation figures.
 5. The production level of oil remains a challenge and needs to be monitored closely. Also to be monitored would be the new fiscal arrangements entered into by the Oil Companies which may reduce government's take from oil produced. In this respect, attention must be directed at the Joint Venture (JV) and Production Sharing Contract (PSC) agreements/arrangements with the Oil companies.

Other Notes

6. The sum of **N1,494,379,984.60** is still owed by the **Federal Government, Abia, Enugu and Osun States to Akwa Ibom, Bayelsa, Cross Rivers, Delta, Imo, Ondo, Rivers States and all Local Government Councils (LGCs)** being amounts reflecting the debt overpayments on the Paris Club payment.
7. Some Federal, State and Local Governments are yet to remit tax payments collected to the Federation and VAT Pool Accounts. This would enhance monies distributable to tax compliant States.
8. The Governors' Forum may need to agree a minimum benchmark for State/LG contribution of their Internally Generated Revenue (IGR) to their Total Revenue (TR) base to enhance their ability to withstand shocks from FAAC allocations. Some percentage (IGR% of TR) suggestions are: **15% OR 20% OR 30%**

Analysis of Excess Crude Account Distribution Options available to the State Governments

s/n	Ref:	Assumptions for Option A	N	Exchange Rate	\$		
1	Att I	Domestic Excess Crude c/f Jan 2008		2.6788E+11	115 68	2,315,702,015.83	
2		% of Receipts as accrual to Revenue Fund		20%			
3	Att VIII	Base stock in Reserve Fund				8,644,536,652.84	
4							
5							
6		Foreign Excess Crude	Domestic Excess Crude	Total Available	Reserve Fund	Net Amount Available	
7		\$	\$	\$			
8	Att I	Balance b/f Jan 2008	11,934,807,027.60	2,315,702,015.83	14,250,509,043.43	8,644,536,652.84	5,605,972,390.59
9	Att VIII	Net Receipts in 2008	13,699,929,952.24	218,387,571.43	13,918,317,523.67		
10	Att VIII	Savings to Reserve Fund	2,739,985,990.45	43,677,514.29	2,783,663,504.73	2,783,663,504.73	
		Net Receipts 2008	10,959,943,961.79	174,710,057.14	11,134,654,018.94		11,134,654,018.94
		Total Amount Available				11,428,200,157.57	16,740,626,409.53
11	Att VII	Payments to States/LGCs/FG:					
12		March Payments					
13		- State			727,960,562.32		
14		- LGCs			359,939,447.72		
15		- FG			920,466,509.99		
16		Total March			2,008,366,520.03		
17		June Payments					
18		- State			1,764,840,154.67		
19		- LGCs			872,623,633.02		
20		- FG			2,231,544,319.79		
21		Total June			4,869,008,107.48		
	Att VII	Total Payments to FG/SG/LG from Excess crude Account			6,877,374,627.51		
		Augmentation to SG/LG in 2008????			293,241,186.27		
22	Att VII	Payment to Power Project					
23		- State			1,948,244,000.00		
24		- LGCs			963,307,500.00		
25		- FG			2,463,448,500.00		
26		Total for Power Project			5,375,000,000.00		
27	Att VII	Payment for Fuel Subsidy					
28		- States			869,483,761.66		
29		- LGCs			429,915,466.82		
30		- FG			1,099,414,892.82		
31		Total for Fuel Subsidy			2,398,814,121.30		
32							
33		Total 2008 Payments			14,944,429,935.08		14,944,429,935.08
34							
35		Balance after 2008 Savings Accrued and Payments			10,440,733,127.29	8+9-10-33	
36		Base stock in Reserve Fund			8,644,536,652.84		
37		Balance available for distribution - SCENARIO OPTION A			1,796,196,474.45	11,428,200,157.57	1,796,196,474.45
38							13,224,396,632.02

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SCENARIO OPTION B - FLEXIBILITY IN AMOUNT ACCRUING TO RESERVE FUND

Cont to Reserve Fund %	Total Available for distribution
0%	- 4,579,859,979.18
5%	- 3,883,944,103.00
10%	- 3,188,028,226.81
15%	- 2,492,112,350.63
20%	1,796,196,474.45 1,796,196,474.45

SCENARIO OPTION C - NO ACCRUAL TO RESERVE FUND + FLEXIBILITY IN BASE RESERVE FUND DEPLETION

% Depletion in Fund	Amt from Reserve Fund	Amt from Accruals	Total Available	% Increment
0%	-	4,579,859,979.18	4,579,859,979.18	
5%	432,226,832.64	4,579,859,979.18	5,012,086,811.82	9%
10%	864,453,665.28	4,579,859,979.18	5,444,313,644.46	19%
15%	1,296,680,497.93	4,579,859,979.18	5,876,540,477.11	28%
20%	1,728,907,330.57	4,579,859,979.18	6,308,767,309.75	38%
25%	2,161,134,163.21	4,579,859,979.18	6,740,994,142.39	47%
30%	2,593,360,995.85	4,579,859,979.18	7,173,220,975.03	57%
35%	3,025,587,828.49	4,579,859,979.18	7,605,447,807.67	66%
40%	3,457,814,661.14	4,579,859,979.18	8,037,674,640.32	76%
45%	3,890,041,493.78	4,579,859,979.18	8,469,901,472.96	85%
50%	4,322,268,326.42	4,579,859,979.18	8,902,128,305.60	94%
55%	4,754,495,159.06	4,579,859,979.18	9,334,355,138.24	104%
60%	5,186,721,991.70	4,579,859,979.18	9,766,581,970.88	113%
65%	5,618,948,824.35	4,579,859,979.18	10,198,808,803.53	123%
70%	6,051,175,656.99	4,579,859,979.18	10,631,035,636.17	132%
75%	6,483,402,489.63	4,579,859,979.18	11,063,262,468.81	142%
80%	6,915,629,322.27	4,579,859,979.18	11,495,489,301.45	151%
85%	7,347,856,154.91	4,579,859,979.18	11,927,716,134.09	160%
90%	7,780,082,987.56	4,579,859,979.18	12,359,942,966.74	170%
95%	8,212,309,820.20	4,579,859,979.18	12,792,169,799.38	179%
100%	8,644,536,652.84	4,579,859,979.18	13,224,396,632.02	189%

% Increment = increment over amount obtained with 0% accrual to reserve fund but with base fund intact

Analysis of Excess Crude Account Distribution Options available to the State Governments

SCENARIO OPTION D - HMF FIGURE FOR AMOUNT AVAILABLE + FLEXIBILITY IN BASE RESERVE FUND DEPLETION

% Depletion in Fund	Amt from Reserve Fund	Amt from HMF	Planned accretion to Sav Total Available	% Increment
0%	-	4,045,087,762.22	2,783,663,504.73	6,828,751,266.95
5%	432,226,832.64	4,045,087,762.22	2,783,663,504.73	7,260,978,099.60
10%	864,453,665.28	4,045,087,762.22	2,783,663,504.73	7,693,204,932.24
15%	1,296,680,497.93	4,045,087,762.22	2,783,663,504.73	8,125,431,764.88
20%	1,728,907,330.57	4,045,087,762.22	2,783,663,504.73	8,557,658,597.52
25%	2,161,134,163.21	4,045,087,762.22	2,783,663,504.73	8,989,885,430.16
30%	2,593,360,995.85	4,045,087,762.22	2,783,663,504.73	9,422,112,262.81
35%	3,025,587,828.49	4,045,087,762.22	2,783,663,504.73	9,854,339,095.45
40%	3,457,814,661.14	4,045,087,762.22	2,783,663,504.73	10,286,565,928.09
45%	3,890,041,493.78	4,045,087,762.22	2,783,663,504.73	10,718,792,760.73
50%	4,322,268,326.42	4,045,087,762.22	2,783,663,504.73	11,151,019,593.37
55%	4,754,495,159.06	4,045,087,762.22	2,783,663,504.73	11,583,246,426.02
60%	5,186,721,991.70	4,045,087,762.22	2,783,663,504.73	12,015,473,258.66
65%	5,618,948,824.35	4,045,087,762.22	2,783,663,504.73	12,447,700,091.30
70%	6,051,175,656.99	4,045,087,762.22	2,783,663,504.73	12,879,926,923.94
75%	6,483,402,489.63	4,045,087,762.22	2,783,663,504.73	13,312,153,756.58
80%	6,915,629,322.27	4,045,087,762.22	2,783,663,504.73	13,744,380,589.23
85%	7,347,856,154.91	4,045,087,762.22	2,783,663,504.73	14,176,607,421.87
90%	7,780,082,987.56	4,045,087,762.22	2,783,663,504.73	14,608,834,254.51
95%	8,212,309,820.20	4,045,087,762.22	2,783,663,504.73	15,041,061,087.15
100%	8,644,536,652.84	4,045,087,762.22	2,783,663,504.73	15,473,287,919.79

% increment = increment over amount obtained with 0% accrual to reserve fund but with base fund intact

Analysis of Excess Crude Account Distribution Options available to the State Governments

DISTRIBUTION BASED ON AMOUNT SHARED IN JANUARY

	AMOUNT DIST JANUARY	
JANUARY - NAIRA	N 91,651,330,567.76	\$ 116
JANUARY - \$		790,097,677.31
ANNUALISED - \$		9,481,172,127.70

CONSIDERATIONS FOR DECISION MAKING

- Oil Price Projections
- Actual Oil Price Movement
- Oil Production Projections
- Actual Oil Production
- JV vs PSC mix
- Government Take from Oil Projections
 - Petroleum Profits Tax
 - Royalties
 - Crude Oil Sales
 - Other
- VAT Projections
- CIT Projections
- Other Federal Tax Projections:
 - Capital Gains Tax
 - Stamp Duties
- Recovery of Tax Arrears due from Federal/State MDA's
- Recovery of Debt overpayments from affected States
 - N1,494,379,984.60 owed by Abia, Enugu, Osun and FG to Akwa Ibom, Bayelsa, Cross Rivers, Delta, Imo, Ondo, Rivers and LGCs
- Internally Generated Revenue Projections
 - Personal Income Tax
 - Fees, charges etc

Att IV