

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

Recall letter with reference number HMF/FMF/08/P/I/219 from the Honourable Minister of Finance (HMF) dated February 6, 2009 together with the eight (8) documents attached detailing the status of the Excess Crude Account (ECA).

Below is an analysis of the records received together with possible sharing options available to the State Governments:

I GENERAL ASSUMPTIONS UNDERLYING ECA ANALYSIS

- Exchange Rate on monies available is at **N115.68/\$**
- Balance on Account at December 31st 2007 amounts to a total of **\$14,250,509,043.43** made up of:
 - Foreign Excess Crude of **US\$11, 934, 807, 027.60**
 - Domestic Excess Crude of **US\$2,315,702,015.83**
(At **N115.68/\$** is **N267, 880,409,191.17**)
- Base Stock in Reserve Fund.... **US\$8,644,536,652.84**
(Equivalent of **NI Trillion**, per agreement of October, 2008)
- Receipts to the Excess Crude Account in 2008 amounted to **US\$13,918,317,523.67**
- Payments out of Excess Crude Account in 2008.....
US\$14,944,429,935.08
 - FG/SG/LG – **\$6,877,374,627.51**
 - Fuel Subsidy – **\$2,398,814,121.30**
 - Power Projects - **\$5,375,000,000.00**
 - Augmentation – **\$293,241,186.27**
- Accretion to Reserve Fund - **US\$2,783,663,504.73** (per the October 2007 Agreement which is 20% of receipts during the year)

II OPTIONS FOR DISTRIBUTING ECA

Scenario A

Based on the October 2007 Agreement, balance available for distribution at end December 2008 is **US\$1,796,196,474.45** (subject to reconciliation with the Ministry of Finance – Kindly refer to Scenario D for additional details).

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

In addition, the Total Reserve Fund balance at end December 2008 is **US\$11,428,200,157.57**. This includes Base Stock in Reserve Fund of **US\$8,644,536,652.84** (Equivalent of N1trillion, per Agreement of October 2007) and 20% accrual to the Reserve Fund of **US\$2,783,663,504.73**.

Scenario B

The balance available for distribution of **US\$1,796,196,474.45** could be increased in an incremental manner by reducing the accrual to the Reserve Fund in 2008 of **US\$2,783,663,504.73**.

For instance, if the decision taken is NOT TO accrue the agreed 20% of receipts into the Reserve Fund, then this would result in **US\$4,579,859,979.18** being available for distribution, bringing the Total Reserve Fund balance to **US\$8,644,536,652.84**.

The exact impact of the possible choices for reducing the amount of savings in 2008 as may be decided upon by Your Excellencies, and the resulting total amount available for distribution, can be found in the attached worksheet.

Scenario C

The balance available for distribution could be further increased beyond a decision NOT TO accrue the agreed 20% of receipts and therefore utilizing the total amount of **US\$4,579,859,979.18** available for distribution in 2008. This scenario provides for additional amounts being made available for distribution through a depletion of the Base Stock Reserve Fund of **US\$8,644,536,652.84**.

In addition to fully utilizing the **US\$4,579,859,979.18** available for distribution in 2008, the exact impact of the possible choices for depleting the Base Stock Reserve Fund as may be decided upon by Your Excellencies, and the resulting total amount available for distribution, can be found in the attached worksheet.

For example, if the amount distributed from Domestic Excess Crude Proceeds for augmentation in January 2009 (**US\$790,097,677.31** based on

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

N91, 651,330,567.76 at **N115.68/\$**) is used as benchmark to determine how much will be required for the year, this would amount to a total augmentation requirement of **US\$9,481,172,127.70** for the year (12 months). To achieve this, assuming the revenue generated in December 2008 and distributed in January 2009 remains constant, then we would need to deplete our Reserve Fund by approximately 60% in addition to fully utilizing the planned 2008 savings of **US\$2,783,663,504.73** as well as the balance available for distribution of **US\$1,796,196,474.45** to result in a total amount of **US\$9,766,581,970.88** available for distribution.

Scenario D

This scenario is very similar to Scenario C except for the fact that the amount available for distribution is **US\$4,045,087,762.22** as stated in the letter from the HMF and not **US\$1,796,196,474.45** which was arrived at from the figures provided in the attachments of the same letter from the HMF.

In this scenario, we would need to deplete our Reserve Fund by approximately 35%. This will result in a total amount of **US\$9,854,339,095.45** available for distribution using the amount distributed from Domestic Excess Crude Proceeds for augmentation in January 2009 (**US\$790,097,677.31** based on **N91, 651,330,567.76** at **N115.68/\$**) as benchmark to determine how much will be required for the year and assuming the revenue generated in December 2008 and distributed in January 2009 remains constant.

Other Considerations

1. The assumption on the exchange rate for use on the ECA is a factor that could affect all of the scenarios above. At the current CBN rate of **N145/\$** more monies are available than that projected above.
2. Whichever amount is decided upon for distribution, Your Excellencies would also need to decide how monies should be distributed. Options in this regard are:
 - All at once **OR**
 - Bi Annually **OR**