

FAAC POSTMORTEM SUB-COMMITTEE

REPORT OF THE FAAC POST MORTEM SUB-COMMITTEE MEETING FOR THE MONTH OF JUNE, 2024

1.0 PREAMBLE:

- 1.1 The FAAC Post Mortem Sub-Committee (PMSC) meeting was held on Friday, 7th June, 2024 at the Boardroom of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). In attendance were the representatives of RMAFC, representatives of the Commissioners of Finance and Accountants-General Forum, the Senior Special Technical Assistant to the Nigerian Governors Forum as well as representatives of the Revenue Generating and Accounting Agencies. The updates on matters referred to the Sub-Committee are presented hereunder:

2.0 UPDATE ON OUTSTANDING ISSUES REFERRED TO THE COMMITTEE BY FAAC PLENARY

Update On \$599,813,170.02 NPDC Indebtedness to NUPRC/The Federation Account in respect of Forcados Assets OML 119, 60-63 Series:

Recall that the Sub-Committee had reported at the last FAAC Plenary that out of the outstanding sum of **\$599,813,170.02** indebtedness of NPDC to NUPRC, the sum of **\$581,579,845.00** had been received as payment on GVC Legacy debt out of which **\$21,563,800.00** was shared to the three tiers of government in 2022 while **\$499,388,524.92** was also shared in April, 2024. This brings the total amount disbursed to **\$520,952,324.92** leaving an outstanding balance of **\$18,233,325.02** as at April, 2024.

During the June, 2024 reconciliation meeting, NUPRC reported that no payment was received from the NPDC GVC outstanding balance of **\$18,233,325.02**. However, the unshared balance in the GVC Account as at May, 2024 was **\$63,459,078.41**.

3.0 NNPCL EXCHANGE RATE DIFFERENTIALS ON PMS IMPORTATION AND OTHER JV TAXES FOR THE PERIOD AUGUST, 2023 TO APRIL, 2024

- 3.1 Members may recall that the Sub-Committee had reported that NNPCL claimed that the Federation is indebted as a result of the use of the weighted average rate in computing the landing cost of PMS importation. According to NNPCL, the outstanding against the Federation in-respect of exchange rate differential as at May, 2024 was **\$2,689,898,039,105.53**
- 3.2 Also recall that the Sub-Committee had reported that NNPCL presented a document regarding the authorization to use weighted average exchange rate in monetizing PMS dollar payments.
- 3.3 After examining the submission of NNPCL, the Sub-Committee noted that the Company was given Presidential approval to use weighted average rate from October, 2023 to March, 2024. However, from April 2024, NNPCL wrote to Mr. President seeking extension but was advised to write through the National Economic Council (NEC) for approval.
- 3.4 The Sub-Committee's position was that the CBN remained the sole authority responsible to determine Exchange Rate.

4.0 REVIEW OF COST OF COLLECTION PAID TO AGENCIES

- 4.1 Members may recall that during the April, 2024 FAAC Plenary meeting, the Sub-Committee was mandated to review the percentages of cost of collection given to the revenue generating agencies. This was as a result of the concern raised by the Sub-Nationals that the amount being received by the agencies as cost of collection on monthly basis was on the high side.

- 4.2 Accordingly, the Sub-Committee had engagements with Federal Inland Revenue Service (FIRS) and the Nigerian Customs Service (NCS) to discuss the issue. However, the Sub-Committee is yet to meet with the Nigerian Upstream Regulatory Commission (NUPRC). Findings from the engagements will be communicated to the FAAC Plenary as soon the report is ready. This assignment is work in progress.

5.0 NNPC PROJECT GAZELLE FUNDING ESCROW ACCOUNT

- 5.1 The Sub-Committee observed from NNPC last month's report to FAAC that Production Sharing Contract (PSC) Tax and Royalty sales proceeds were transferred to an escrow account called Gazelle Funding account. The issue came up at the Sub-Committee's last meeting where NNPC representative explained that the Federal Government arranged a foreign loan of about **\$3.3 billion** through a Special Purpose Vehicle called Project Gazelle Funding.
- 5.2 The borrowing is backed by its future sales of crude oil which served as collateral. The loan structure involves NNPC depositing sales proceeds of PSC Royalty and Tax to Project Gazelle Funding Escrow Account from which 90% of the amount escrowed will be released to NNPC/CBN while only 10% will go towards the repayment of the loan facility.
- 5.3 The representative of the CBN also collaborated with NNPC submission adding that the essence of the loan was to stabilize the FOREX market and that about **\$2.9 billion** had so far accrued into the account.
- 5.4 Members of the Sub-Committee applauded the project but raised concern on the process. The Sub-Nationals need to be informed on the arrangement and therefore requested the representative of NNPC to convene a Stakeholders sensitization meeting so that all members are more informed on the Project.

6.0 PERFORMANCE OF THE REVENUE GENERATING AGENCIES COLLECTIONS/TRANSFERS TO THE CBN COMPONENT STATEMENT IN APRIL, 2024 FEDERATION ACCOUNT

6.1 The contributions of the Revenue Generating Agencies to the CBN Federation Account Component Statement for the month of April, 2024 are presented in **Table 1** as follows:

Table 1: Summary of the Performance of the Agencies in the month of April, 2024

S/N	Agencies	Monthly Collection/ Inflow to FA (N)	Percentage Contribution (%)
i.	NNPC Ltd.	89,390,968,663.33	5.35
ii.	NUPRC/MPR	628,851,200,710.58	37.60
iii.	FIRS	668,021,050,929.16	39.94
iv.	NCS	268,119,059,122.29	17.11
	Total	1,672,382,279,425.36	100.00

Source: FAAC PMSC Analysis, May, 2024

6.2 The sum of **N1,043,333,538.60** was collected by the FMSMD in the month of April, 2024 Federation Account while the balance in the Solid Mineral Account as at April, 2024 stand at **N19,347,345,803.85**

7.0 ASSESSING THE IMPACT OF THE FAAC PMSC ON OUTSTANDING ARREARS OF REVENUE INFLOWS DUE TO THE FEDERATION ACCOUNT IN APRIL, 2024

7.1 For the Month of April, 2024 Federation Account, the PMSC will like to inform the Plenary that as a result of reconciliation with Revenue Generating Agencies, a total sum of **\$34,352,090.00** equivalent to **N126,827,637,455.12** was reconciled and confirmed paid to the CBN designated accounts as per detailed in Table 2 below:

Table 2: Impact PMSC on Revenue into the Federation Account from Outstanding Arrears for the Month of April, 2024

S/N	Detail	Amount in USD (\$)	Exchange Rate (N/\$)	Amount in Naira Equivalent due (N)
i.	NEPL/NUPRC PSC Royalty	16,910,670.00	1,329.205	22,477,747,117.35
ii.	NUPRC GVC Forcados	17,441,420.00	1,329.205	23,183,222,671.10
iii.	NNPC Ltd. Calenderized Interim Dividend February, 2024	-	-	81,166,666,666.67
	Total	34,352,090.00		126,827,637,455.12

Source: FAAC PMSC Analysis, May, 2024

- 7.2 The cumulative outstanding arrears reconciled and paid to the Federation Account from January to April, 2024 stood at **N442,389,326,949.83**. Details in Table 3 below:

Table 3: Summary of outcome of Reconciliation with the RGA Cumulative Payment to the Federation Account from Reconciled Outstanding Arrears from January to April, 2024

S/N	Month	Monthly Arrears Inflow to the Federation Account (N)	Cumulative Total (N)
i.	January, 2024	106,455,313,989.35	106,455,313,989.35
ii.	February, 2024	125,946,449,877.83	232,401,763,867.18
iii.	March, 2024	83,159,925,627.53	315,561,689,494.71
iv.	April, 2024	126,827,637,455.12	442,389,326,949.83

Source: FAAC PMSC

8.0 OUTSTANDING FEDERATION ACCOUNT REVENUE ARISING FROM THE INTER-AGENCIES RECONCILIATION MEETING HELD IN JUNE, 2024

- 8.1 The total unresolved amount due to the Federation Account from the reconciliation meeting held with the Revenue Generating Agencies in June, 2024 was **\$125,015,153.21** and **N3,497,284,714,772.20** as shown in **Table 4** below.

Table 4: Summary of Unresolved/Undergoing Reconciliation Federation Account Revenue as at June, 2024

AGENCY	DOLLAR (\$)	NAIRA (N)
NNPCL		940,620,250,860.81
NUPRC/NNPCL	18,233,325.02	1,711,728,045,702.35
FIRS/NNPCL	106,781,828.19	844,887,668,209.04
FMSMD/CBN	-	48,750,000.00
TOTAL	125,015,153.21	3,497,284,714,772.20

Source: FAAC PMSC

- 8.2 The Sub-Committee is working with the Revenue Generating Agencies to ensure that these outstanding amounts are paid to the Federation Account.
- 8.3 Members should note that these outstanding amounts are still being reconciled at the monthly reconciliation meetings between the Agencies and the Sub-Committee. Furthermore, the sum of **\$180,230,895.02** and **N2,535,352,533,190.87** outstanding payments from the Revenue Generating Agencies before June, 2023, were referred to the

Stakeholders Alignment Committee and the Sub-Committee awaits the outcome of the reconciliation soonest.

9.0 UPDATE ON BALANCES IN SPECIAL RESERVE ACCOUNTS

9.1 The balances in the Special Reserve Accounts as at 30th April, 2024 are shown in Table 5 below:

Table 5: Summary of Balances in the Special Accounts as at 30th April, 2024

S/N	ITEM	AMOUNT (₦)	AMOUNT (\$)
a .	Stabilization Fund Account	46,656,693,169.92	
b .	Development of Natural Resources	70,531,367,808.30	
c.	Domestic Excess Crude Proceed	6,324,176,981.07	
d .	Solid Mineral Account	19,347,345,803.85	
e .	Oil Excess Revenue Account	67,990,026.62	
f.	Police Trust Fund Account	27,389,773,732.83	
g .	Non-oil Excess Revenue Account	595,867,395,576.30	
h .	Forex Equalization Account	18,500,744,903.02	
i.	EMTL Account	13,953,481,584.12	
j.	Exchange Gain Account	80,230,572,340.52	
k.	Special Intervention for Nigerian Military	100,000,000,000.00	
l.	Good and Valuable Consideration Account		63,459,078.41
m.	Excess Crude/PPT and Royalty Account		473,754.57
n.	ECA Refund ledger & Signature Bonus Account	302,745,632,644.81	
o.	Intervention to States Infrastructure & Security	241,000,000,000.00	
p.	Ledger of 13% Derivation Refund on Withdrawal from Signature Bonus	385,000,000,000.00	
q.	Ledger of 13% Derivation Refund on Withdrawal from ECA	350,000,000,000.00	

Source: OAGF/FAAC/MMSD Record, May, 2024

10.0 Conclusion

10.1 I thank the Chairman and Members for your attention.


Kabir M. Mashi, OON

(Kaigaman Katsina)
Chairman, FAAC Post Mortem Sub-Committee
June, 2024