



2020 SECOND QUARTER AND HALF YEAR BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION

Ministry of Finance, Budget and National Planning

FOREWORD

I am pleased to present to you the Second Quarter and Half-Year 2020 Budget Implementation Report (BIR), which provides information on budget performance during the period. The FGN Budget is a key policy tool for delivering on the objectives of Government. The 2020 Budget was titled “Budget of Sustaining Growth and Job Creation”. Anchored on the Economic Recovery and Growth Plan (ERGP) and the Economic Sustainability Plan (ESP), the it was designed to restore the Nigerian economy to the path of robust, sustainable and inclusive growth.

The report is produced in compliance with Sections 30 and 50 of the Fiscal Responsibility Act (FRA), 2007 which requires the Budget Office of the Federation (BOF) to prepare quarterly Budget Implementation Reports. The Reports are to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). They are also to be circulated extensively to all stakeholders and the general public through electronic and other media. I congratulate the Budget Office of the Federation and the relevant Ministries, Departments and Agencies (MDAs) for their hard work and keen efforts in preparing this Report. I also appreciate the vital roles of both the Fiscal Responsibility Commission and the National Assembly’s Joint Finance Committee in promoting best practices in public financial management. I look forward to the continued strengthening of our cooperative work in this regard.

In conclusion, I urge readers of the budget implementation reports to sustain their keen interest in government public financial management in Nigeria. I also encourage you to use the various avenues provided by government to contribute towards the improvement of budgetary outcomes for the benefit of all Nigerians.

Zainab Shamsuna Ahmed (Mrs)

Honourable Minister of Finance, Budget and National Planning

PREFACE

The Budget Office of the Federation (BOF) carries out quarterly monitoring and evaluation of the implementation of Annual Budgets and produces the reports thereof in accordance with the Fiscal Responsibility Act 2007. This Second Quarter Budget Implementation Report (BIR) is one of the in-year reports prepared by the BOF for the assessment of the 2020 budget performance. In addition to complying with the provisions of the FRA 2007, these reports are designed to enhance budget transparency, accountability and credibility as a key component of Nigeria's commitment to the Open Government Partnership (OGP).

The budget preparation, execution, monitoring and evaluation system in Nigeria has continued to develop. The BOF has continued to implement critical reform initiatives that have progressively delivered more purposeful, implementable and fairly comprehensive budget in a more effective manner. Appropriate technology and models are being adopted to ensure timely and accurate budget preparation, implementation and evaluation.

The implementation of the 2020 Budget was very challenging as the macroeconomic environment was adversely affected by the effects of the Coronavirus Disease (COVID-19) which started in late 2019. Specifically, it resulted in the collapse of crude oil demand and price in the international market and the downward revision of their benchmarks in the 2020 Budget. Consequently, aggregate revenue for the 2020 Budget significantly declined, further worsening the fiscal position of the federal government.

Despite these challenges, Government was able to deliver ~~N~~460.98 billion capital expenditure in the first half of 2020 and this enabled the government to continue its reflationary expenditure programme.

This Report is a product of joint efforts of the fiscal, financial and statistical agencies of government which provided the required data. I am very delighted by the collaborative efforts of the various Departments of the Budget Office of the Federation in producing this report. I commend their hard work and wish them every success as they continue to carry out this important function.

Ben Akabueze

Director General (Budget Office of the Federation)

Table of Contents

FOREWORD	II
PREFACE	III
TABLE OF CONTENTS.....	IV
TABLE OF ACRONYMS	VI
LIST OF TABLES	VII
LIST OF FIGURES.....	VIII
EXECUTIVE SUMMARY	IX
1.0 INTRODUCTION.....	1
2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS	4
2.1 PERFORMANCE OF THE GLOBAL ECONOMY	4
2.2 DOMESTIC MACROECONOMIC PERFORMANCE	4
2.2.1 <i>Developments in Real Sector</i>	5
2.2.1.1 <i>GDP Growth</i> :.....	5
2.2.1.2 <i>Oil Sector</i> :	6
2.2.1.3 <i>Non-Oil Sector</i> :.....	7
2.2.2 <i>Developments in Prices</i>	8
2.2.3 <i>Developments in Money Market</i>	9
2.2.4 <i>Developments in the External Sector</i>	11
2.2.4.1 <i>External Trade</i>	11
2.2.4.2 <i>Balance of Trade</i>	13
2.2.4.3 <i>Exchange Rates</i>	12
2.2.4.4 <i>External Reserves</i>	13
2.2.5 <i>Debt Stock</i>	14
2.2.5.1 <i>Total Public Debt Stock</i>	15
2.2.5.2 <i>Domestic Debt Stock</i>	16
2.2.5.3 <i>External Debt Stock</i>	17
3.0 FINANCIAL ANALYSIS OF THE 2020 BUDGET IMPLEMENTATION.....	16
3.1 KEY ASSUMPTIONS AND PROJECTIONS	16
3.1.1 <i>Budget Benchmark Oil Price and Production</i> :.....	18
3.2 ANALYSIS OF REVENUE PERFORMANCE:.....	19
3.2.1 <i>Performance of Key Oil Revenue Parameters</i> :	19
3.3 AGGREGATE REVENUE OF THE FEDERATION:.....	20

3.4	OIL REVENUE PERFORMANCE:	20
3.4.1	<i>Net Oil Revenue:</i>	21
3.4.2	<i>Half Year Oil Revenue Performance:</i>	21
3.5	NON-OIL REVENUE PERFORMANCE:	23
3.5.1	<i>Half Year Non-Oil Revenue Performance:</i>	24
3.6	DISTRIBUTABLE REVENUE:	27
3.7	EXCESS CRUDE ACCOUNT.....	30
3.8	FGN BUDGET REVENUE.....	29
3.8.1	<i>Total Inflow of the Federal Government</i>	33
3.9	EXPENDITURE DEVELOPMENTS:.....	33
3.9.1	<i>Non-Debt Recurrent Expenditure</i>	34
3.9.2	<i>Debt Service:</i>	35
3.9.3	Statutory Transfers:.....	39
3.9.4	<i>Capital Expenditure Performance:</i>	38
3.9.5	<i>Budget Deficit and Performance of the Financing Items:</i>	39
4.0	CONCLUSION.....	40

TABLE OF ACRONYMS

A/C:	<i>Account</i>	MDAs:	<i>Ministries, Departments and Agencies</i>
AIE:	<i>Authority to Incur Expenditure</i>	MPR:	<i>Monetary Policy Rate</i>
AF:	<i>Alternative Funding</i>	MTEF:	<i>Medium Term Fiscal Framework</i>
AEs:	<i>Advanced Economies</i>	N:	<i>Naira</i>
B:	<i>Billion</i>	NBS:	<i>National Bureau of Statistics</i>
BDC:	<i>Bureau De-Change</i>	NDDC:	<i>Niger Delta Development Commission</i>
BOF:	<i>Budget Office of the Federation</i>	NHRC:	<i>National Human Rights Commission</i>
BREXIT:	<i>British Exit</i>	NJC:	<i>National Judiciary Commission</i>
CBN:	<i>Central Bank of Nigeria</i>	NNPC:	<i>Nigerian National Petroleum Corporation</i>
CIT:	<i>Company Income Tax</i>	NTB:	<i>Nigerian Treasury Bills</i>
COVID-19:	<i>Corona Virus Disease - 2019</i>	OAGF:	<i>Office of the Account General of the Federation</i>
DMO:	<i>Debt Management Office</i>	ONSA:	<i>Office of National Security Adviser</i>
ECA:	<i>Excess Crude Account</i>	OPEC:	<i>Organization of Petroleum Exporting Countries</i>
EMDEs:	<i>Emerging Markets and Developing Economies</i>	OTC-FMDQ-OTC:	<i>Over the Counter Financial Market Dealer Quotation</i>
EMEs:	<i>Emerging Markets Economies</i>	PCC:	<i>Public Complaint Commission</i>
FAAC:	<i>Federation Account Allocation Committee</i>	PPT:	<i>Petroleum Profit Tax</i>
FGN:	<i>Federal Government of Nigeria</i>	PSC:	<i>Production Sharing Contracts</i>
FMFBNP:	<i>Federal Ministry of Finance, Budget and National Planning</i>	SC:	<i>Service Contracts</i>
GDP:	<i>Gross Domestic Product</i>	SWF:	<i>Sovereign Wealth Fund</i>
IMF:	<i>International Monetary Fund</i>	TSA:	<i>Treasury Single Account</i>
INEC:	<i>Independent National Electoral Commission</i>	UBEC:	<i>Universal Basic Education Commission</i>
JVC:	<i>Joint Venture</i>	US:	<i>United States</i>
LNG:	<i>Liquefied Natural Gas</i>	VAT:	<i>Value Added Tax</i>
M2:	<i>Money Supply</i>	WEO:	<i>World Economic Outlook</i>
MB&NP:	<i>Ministry of Budget and National Planning</i>	ZBB:	<i>Zero Base Budgeting</i>
MBPD:	<i>Million Barrels Per Day</i>		

LIST OF TABLES

Table 3.1: Key Assumptions and Targets for 2016 - 2020 Budget	18
Table 3.2: Detailed Assumptions for Oil Production and Taxes (2018 and 2020)	20
Table 3.3: Performance of Revenue in the Second Quarter of 2020 Vs 2019	24
Table 3.4: Net Distributable Revenue as at June 2020 (Oil Revenue at Benchmark Assumptions).....	27
Table 3.5: Actual Performance of Non-Oil Revenue Categories (Second Quarter) 2010 – 2019.....	28
Table 3.6: Percentage Growth in Non-Oil Revenue Performances (Second Quarter) 2011 – 2019.....	28
Table 3.7: Net Excess Crude Account	31
Table 3.8: Inflows to the 2020 Federal Budget as at June 2020	33
Table 3.9: FGN Budget Expenditure and Fiscal Account (in N’ Billion) as at June 2020	38

LIST OF FIGURES

Figure 2.1: GDP Percentage Growth (Q1 2015 - Q2 2020).....	6
Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate percent (Q1 2017 – Q2 2020).....	7
Figure 2.3: Inflation Rate (June 2019 – June 2020).....	9
Figure 2.4: M2 Growth Rate and Interest Rates Trend (June 2019 – June 2020).....	11
Figure 2.5: Naira/US\$ Exchange Rates Trend (June 2019 – June 2020).....	14
Figure 2.6: Level of External Reserves in Billion Dollars (June 2019 – June 2020).....	15
Figure 2.7: Total Public Debt Stock (Second Quarter 2020).....	16
Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2020	19
Figure 3.2: Oil Production and Lifting June 2019 – June 2020.....	21
Figure 3.3: 2019 Vs 2020 Revenue Performance (Second Quarter)	25
Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at June 2020).....	29
Figure 3.5: Contributions to Distributable Revenue (in the 2 nd Quarter of 2020).....	30
Figure 3.6: Contributions to FGN Budget in the Second Quarter of 2020.....	34
Figure 3.7: FGN Revenue (Budget Vs Actual as at June 2020).....	35
Figure 3.8: 2009 – 2020 Budget Expenditure Profile.....	36
Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2020).....	37

EXECUTIVE SUMMARY

The Federal Budget is an important instrument in achieving Government's strategic objectives and plans for the socio-economic development of the nation. The 2020 Budget titled "Budget of Sustaining Growth and Job Creation" was designed to strengthen the macroeconomic environment; invest in critical infrastructure, human capital development and enabling institutions, especially in key job creating sectors; incentivize private sector investment; and enhance social investment programs. The 2020-22 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provides the economic framework for the 2020 Budget, along with fiscal policy objectives and spending priorities of the Government over the three-year period.

Nigeria's Gross Domestic Product (GDP) declined by 6.10 percent (year-on-year) in real terms in the second quarter of 2020. This performance was recorded against the backdrop of significant global disruptions resulting from the COVID-19 public health crisis which resulted in a sharp fall in oil prices and restricted international trade. The 2020 second quarter performance represents a decline of 8.22 percent and 7.97 percentage points when compared with the 2.12 percent and 1.87 percent recorded in the second quarter of 2019 and first quarter of 2020 respectively. This drop reflected the earliest effects of the COVID-19 disruption, particularly on the non-oil economy. Quarter on quarter, real GDP growth in the second quarter of 2020 was -5.04 percent.

The uptick in the general price level persisted for the eleventh consecutive months in the second quarter of 2020. Headline inflation (year-on-year) rose from 12.26 percent in March to 12.56 percent in June 2020. This was largely driven by the increase in both food and core inflation, which rose marginally to 15.18 percent and 10.13 percent in June 2020 from 14.98 percent and 9.73 percent in March 2020, respectively.

Monetary aggregates increased in the review period relative to the first quarter of 2020. Broad Money Supply (M2) increased by ₦1,558.85 billion (5.05 percent) from ₦30,842.55 billion in March 2020 to ₦32,451.40 billion in June 2020. The growth in M2 was mainly driven by the expansion in the Net Foreign Asset (NFA) which rose by 18.36 percent (₦1,175.51 billion) from ₦6,401.41

billion in March 2020 to ₦7,576.93 billion in June 2020. Net Domestic Credit (NDC) also grew by 0.65 percent (₦248.26 billion) from ₦38,045.97 billion in March 2020 to ₦38,294.23 billion in June 2020.

The value of Nigeria's total imports amounted to ₦4,022.90 billion in the second quarter of 2020. This represents an increase of 10.69 percent when compared with the level recorded in the first quarter of 2020. Exports in second quarter of 2020 stood at ₦2,219.50 billion, indicating a decrease of 45.64 percent and 51.73 percent when compared with the figures recorded in the first quarter of 2020 and the second quarter of 2019 respectively. The 2020 half year export amounted to ₦6,302.40 billion reflecting a 31.0 percent decline from the half year performance of 2019. The above development resulted in the further deterioration of trade balance to a deficit of ₦1,803.30 billion compare to a deficit of ₦421.3 billion and ₦579.06 billion recorded in first quarter of 2020 and the fourth quarter of 2019 respectively.

The Naira/Dollar exchange rate at the Official/Inter-Bank markets depreciated from ₦326.63/US\$ in March 2020 to ₦361.0/US\$ in (April – June) 2020. At the Investors' and Exporters' (I&E) FX Window segment, the Naira/US\$ fell from ₦373.04/US\$ in March 2020 to ₦384.99/US\$, ₦386.24/US\$ and ₦386.39/US\$ in April, May and June 2020 respectively. Similarly, Naira/US\$ exchange rate at the Bureau De-Change (BDC) depreciated from ₦376.89/US\$ in March 2020 to ₦420.15/US\$, ₦443.89/US\$ and ₦447.71/US\$ in April, May and June 2020 respectively. There was however a marginal increase in the level of Nigeria's official gross (external) reserves to US\$36.46 billion as at end of June 2020 as against US\$33.69 billion recorded as at end of March 2020.

The total public debt stock as at 30th June, 2020 stood at US\$85,896.52 million (₦31,008.64 billion). This represents an increase of ₦3,681.41 billion (14.76 percent) when compared to the US\$79,303.31 million (₦28,628.49 billion) reported at the end of March 2020. The breakdown consisted of US\$31,477.13 million (₦11,363.24 billion) or 36.65 percent for external debt while the balance of US\$54,419.39 million (₦19,645.40 billion) or 63.35 percent was for domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 22.23 percent as at the end of June 2020. This is significantly below the country specific threshold of 25 percent and international threshold for comparator

countries of 56 percent.

Revenue shortfalls impacted FGN Budget implementation in the second quarter of 2020. The price of crude oil in the international market averaged US\$29.20 per barrel in the review period, representing a decrease of US\$21.06 per barrel (41.90 percent) from the US\$50.26 per barrel reported in the first quarter of 2020. This also reflects a decrease of US\$39.62 per barrel (57.57 percent) but an increase of US\$1.20 per barrel (4.29 percent) when compared to US\$68.82 per barrel recorded in the second quarters of 2019 and US\$28.00 per barrel amended budget benchmark, respectively.

Average oil production (including Condensates) in the second quarter of 2020 was 1.81mbpd. The figure indicates a decrease of 0.01mbpd (0.56 percent) below the 1.80mbpd benchmark for the amended 2020 Budget. The volume of oil production in the period was also 0.25mbpd (12.14 percent) below 2.06mbpd reported in both first quarter of 2020 and second quarter of 2019.

Gross Oil Revenue therefore stood at ₦2,298.48 billion representing a ₦781.80 billion (51.55 percent) increase above ₦1,516.68 billion projected half year gross oil revenue in the 2020 Amended Budget. It was however, ₦46.06 billion (2.04 percent) below the half year actual gross oil revenue of ₦2,252.42 billion recorded in 2019. Gross non-oil revenue of ₦1,755.14 billion received in the first half of 2020 signified a shortfall of ₦817.86 billion (31.79 percent) below the half year's estimate of ₦2,573.0 billion. A breakdown of the non-oil revenue items showed that all the non-oil revenue items were below their corresponding estimates. The net distributable revenue stood at ₦3,319.40 billion in the first half of 2020, representing a shortfall of ₦129.97 billion (3.77 percent).

The sum of ₦1,650.14 billion was received to fund the FGN budget in the first half of 2020. This comprises ₦819.93 billion (49.69 percent) oil revenue and ₦830.21 billion (50.31 percent) non-oil revenue. Total inflow for the period was ₦1,032.70 billion (38.49 percent) and ₦664.70 billion (28.71 percent) lower than the half year projection of ₦2,682.84 billion for 2020 and ₦2,314.84 billion reported in the first half of 2019 respectively.

The FGN continued to pursue initiatives on public expenditure reforms during the period. This include the roll-out of the Integrated Payroll and Personnel Information System (IPPIS) to higher institutions and the introduction of the Bottom-up Cash Plan Module. Total expenditure of Government in the half year of 2020 stood at ₦4,918.32 billion representing ₦68.64 billion (1.38 percent) shortfall from the ₦4,986.96 billion projected for the review period. This was however, ₦1,528.19 billion (45.08 percent) higher than the actual expenditure of ₦3,390.13 billion recorded in the first half of 2019. A total of ₦2,165.27 billion was spent on non-debt recurrent expenditure in the first half of 2020 representing a decrease of ₦305.87 billion (12.38 percent) from the half year estimate of ₦2,471.14 billion. It was however above the non-debt recurrent expenditure of ₦2,050.86 billion spent as at half year of 2019 by ₦114.41 billion (5.58 percent). Statutory Transfers amounts to ₦280.24 billion during the review period.

Total Debt Service in the half year of 2020 stood at ₦1,105.37 billion indicating a decrease of ₦234.04 billion (17.47 percent) from the ₦1,339.41 billion projected for the half year period. The sum of ₦853.61 billion was used for domestic debt servicing while ₦251.76 billion was spent for external debt servicing during the period under review. The amount used for domestic debt servicing revealed a difference of ₦83.06 billion (8.87 percent) from its half year projection.

The revenue and expenditure outturn of the Federal Government resulted in a fiscal deficit of ₦2,806.83 billion (4.03 percent of prorated GDP) in the first half of 2020. This was ₦502.71 billion (21.82 percent) above the projected half year deficit of ₦2,304.12 billion. It was also, above the fiscal deficit of ₦1,075.28 billion recorded in first half of 2019. The deficit was financed through domestic borrowing of ₦1,419.99 billion, thereby reflecting a negative net financing of ₦1,386.85 billion in the period under review.

Overall, the macroeconomic environment in the second quarter of 2020 was relatively fragile. The situation might also worsen in the near-term if effective measures are not implemented to curtail the negative impact of the COVID-19

pandemic on the economy. Nonetheless, following the recent rise in global economic activities, leading to the rise in crude oil demand and price and coupled with the various stimulus economic packages being implemented the Federal Government, it is anticipated that things might improve in the subsequent quarters of the year.

1.0 INTRODUCTION

The Federal Budget remains a vital tool in achieving Government's strategic objectives and plans for the socio-economic development of the nation. It shows the allocation of resources to different sectors/agencies by the Government in its bid to provide public goods/services to the people. The Federal Budget is not all about expenditure allocations as it is often perceived by many. Revenue remains a critical and important component of the FGN budget. In recent times revenue generation has been a major challenge affecting effective implementation of FGN budgets but this is being tackled vigorously.

The 2020 Budget titled "Budget of Sustaining Growth and Job Creation" was designed to strengthen macroeconomic environment, enhance Investment in critical infrastructure and human capital development and enable institutions, especially in key job creating sectors. It also aims to incentivize private sector investments which are essential in complementing Government's efforts, and enhance social investment programs needed to further deepen their impact on the marginalized and the most vulnerable people.

The 2020-2022 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provides the economic framework for the 2020 Budget, along with fiscal policy objectives and spending priorities of the Government over the three-year period. It also indicates the plans for achieving Government's defined objectives, and highlights the key assumptions behind revenue projections and fiscal targets as well as possible fiscal risks over the medium term. Furthermore, it articulates the nature of Federal Government's debt liabilities, their fiscal consequences, and measures aimed at reducing them. The MTEF also provides the basis for the preparation of revenue and expenditure estimates of the annual federal budget. Hence, the MTEF represent efforts towards multi-year perspective in budgeting.

Accompanying the 2020 Budget Proposal to the National Assembly was the Finance Bill 2019 which had been passed and signed into law. The Finance Act has five strategic objectives, vis: promoting fiscal equity by mitigating instances of regressive taxation; reforming domestic tax laws to align with global best practices; introducing tax incentives for investments in infrastructure and capital markets; supporting Micro, Small and Medium-sized businesses in line with the Ease of Doing Business reforms; and raising revenues for government. The Act increased the Value Added Tax (VAT) rate from 5% to 7.5%. Hence, the 2020 Budget was based on this new VAT rate.

The additional revenues are expected to be used to fund health, education and infrastructure programmes. As the States and Local Governments are allocated 85% of all VAT revenues, greater investment is expected from them in these areas as well.

Investing in critical infrastructure is a key component of the fiscal strategy under the 2020 Budget. Accordingly, an aggregate sum of N2.49 trillion (exclusive of N196.77 billion in statutory transfers) was approved for capital projects in 2020. The main emphasis is the completion of as many ongoing projects as possible, rather than commencing new ones. Accordingly, capital projects that were not likely to be fully funded by the end of 2019 were rolled over into the 2020 Budget. Some of the key sectors for capital spending allocations in the 2020 Budget included: Works and Housing; Power; Transportation; Defence; Agriculture and Rural Development; Water Resources; Niger Delta Development Commission; Education; Health; Industry, Trade and Investment; North East Development Commission; Interior; Social Investment Programmes; Federal Capital Territory; and Niger Delta Affairs Ministry.

Government remains committed to ensuring the equitable sharing of economic prosperity. The focus on inclusive growth and shared prosperity underscores the keen interest in catering for the poor and most vulnerable. The newly created Ministry of Humanitarian Affairs, Disaster Management and Social Development is expected to institutionalize and enhance the implementation of the National Social Investment Programme. The Programme is already creating jobs and economic opportunities for local farmers and cooks, providing funding to artisans, traders, youths, and supporting small businesses with business education and mentoring. The provision for the Presidential Amnesty Programme was retained in the 2020 Budget in addition to other strategic priorities.

The 2020 Budget is expected to accelerate the pace of economic recovery, promote economic diversification, enhance competitiveness and ensure social inclusion. The Government is optimistic of attaining higher and more inclusive GDP growth in order to achieve the objective of massive job creation and lifting of many citizens out of poverty. The efficiency of port operations will also be enhanced through effective implementation of a single customs window, speeding up vessel and cargo handling and issuing more licenses to build modern terminals in existing ports, especially outside Lagos.

This Report gives comprehensive information on the 2020 Second

Quarter/Half Year Budget Implementation. The other parts of the Report are arranged as follows. Following this introductory section, Section 2 reviews macroeconomic performance, highlighting the performance of the real, monetary and external sectors. Section 3 presents an analysis of Government's revenue receipts and expenditure in the quarter under review, while Section 4 is a brief conclusion of the Report.

2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

2.1 PERFORMANCE OF THE GLOBAL ECONOMY

Global output growth declined further due to the persistent impact of the COVID-19 pandemic which included among others: continuing decline in global aggregate demand and supply; disruptions in global supply chain and trade; rising sovereign and corporate debts; heightened financial market vulnerabilities; low prices of crude oil and other commodities; and rising unemployment. In view of these, the International Monetary Fund (IMF) further downgraded global economic growth to -4.9 percent from -3.0 percent earlier forecasted for 2020. The downward revision was based primarily on the amplified negative effect of COVID-19 pandemic on many advanced and emerging market economies, as they witnessed extended lockdown periods and restrictions on economic activities.

The downward movement in inflation in most Advanced Economies, particularly below the 2.0 percent long-run target, despite the huge monetary and fiscal stimulus injections continued during the period. Across the Emerging Markets and Developing Economies (EMDEs), divergent inflation trends, with most developing commodity-exporting countries recording increases in inflation compared with other more diversified economies was observed. This development had unintentionally exerted substantial pressure on the exchange rates of these economies as the pass-through to domestic prices has been amplified.

The outlook for the global economy remains weak. The IMF's earlier prediction that the coronavirus pandemic will disappear by the end of the second quarter of 2020, as economies implement the various prevention protocols, was not realized. Instead several countries witnessed a second outbreak after the initial ease in lockdown. This warranted the IMF's downgrade of output growth forecast for both 2020 and 2021.

2.2 DOMESTIC MACROECONOMIC PERFORMANCE

In the domestic economy, macroeconomic environment became strained

following impact of global economic downturn as well as domestic measures adopted to curtail the spread of the COVID-19 in Nigeria. As a result, the GDP which has continued to show signs of recovery since mid-2017 started moderating and eventually slipping back into negative growth territory in the second quarter of 2020. It also led to the deterioration of the nation's external balance with reduction in external reserve as well as the depreciation of the exchange rate at the various segments of the foreign exchange windows. Trade also moderated significantly with exports mostly being impacted thereby leading to the deterioration of trade balance. Overall, this impacted fiscal balance and operations with significant reduction in revenue as well as increase in deficit and borrowing.

2.2.1 Developments in Real Sector

2.2.1.1 GDP Growth:

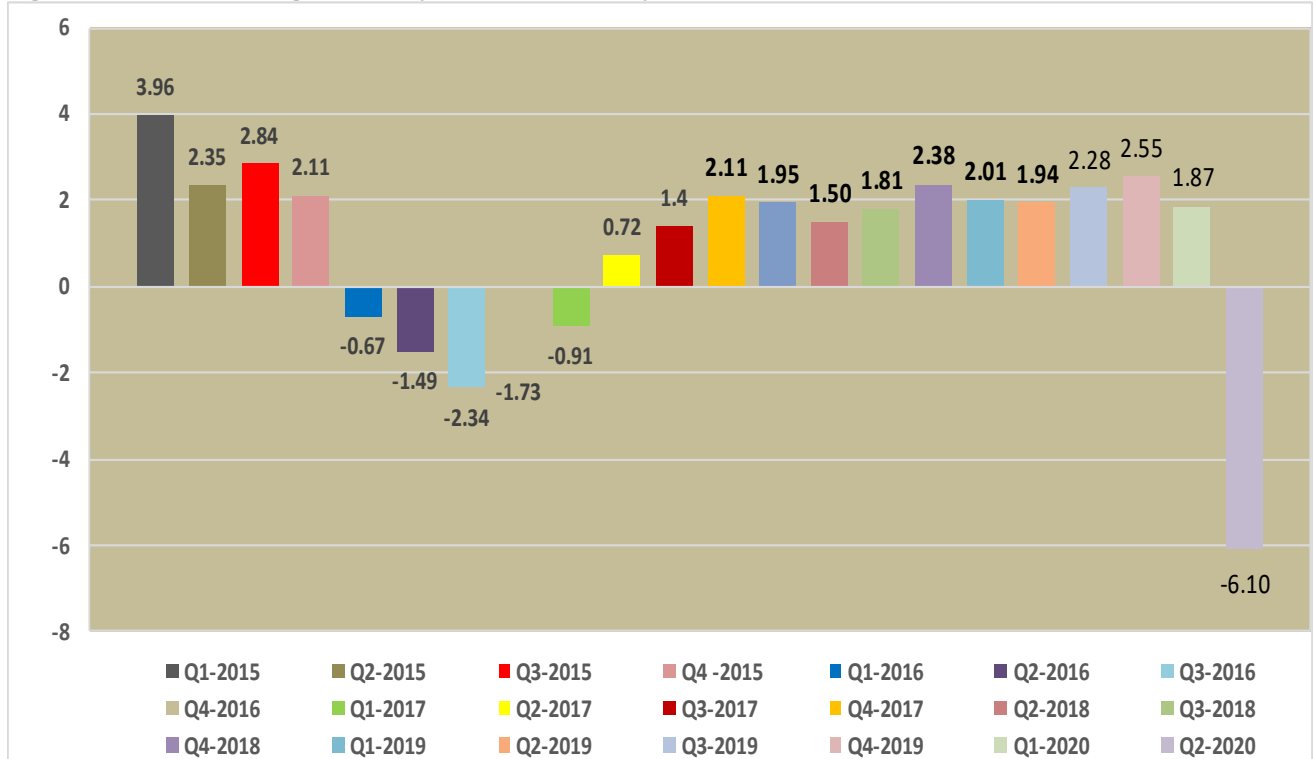
Nigeria's Gross Domestic Product (GDP) declined by 6.10 percent (year-on-year) in real terms in the second quarter of 2020, ending the 3-year trend of low but positive real growth rates recorded since the 2016/17 recession. The decline means that the Nigerian economy is on the way to recession and can be largely attributable to significantly lower levels of both domestic and international economic activity during the quarter, which resulted from nationwide shutdown aimed at containing the COVID-19 pandemic.

When compared with the performance of 2.12 percent recorded in the second quarter of 2019, it reflects a growth declined of 8.22 percentage points and also a fall by 7.97 percentage points when compared to the 1.87 percent performance reported in the first quarter of 2020. Consequently, for the first half of 2020, real GDP declined by 2.18 percent (year on year), compared with 2.11 percent recorded in the first half of 2019. Quarter on quarter, real GDP declined by 5.04 percent. Furthermore, only 13 activities recorded positive real growth compared to 30 in the preceding quarter.

Aggregate GDP stood at N34,023.20 billion in nominal terms, (-2.80 percent) in the quarter under review, lower than the N35,001.88 billion recorded in the second quarter of 2019. Overall, the nominal growth rate was -16.81 percentage points compared to the performance recorded in the second

quarter of 2019, and –14.81 percentage points from the performance reported in the first quarter of 2020.

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q2 2020)



Source: National Bureau of Statistics, 2020

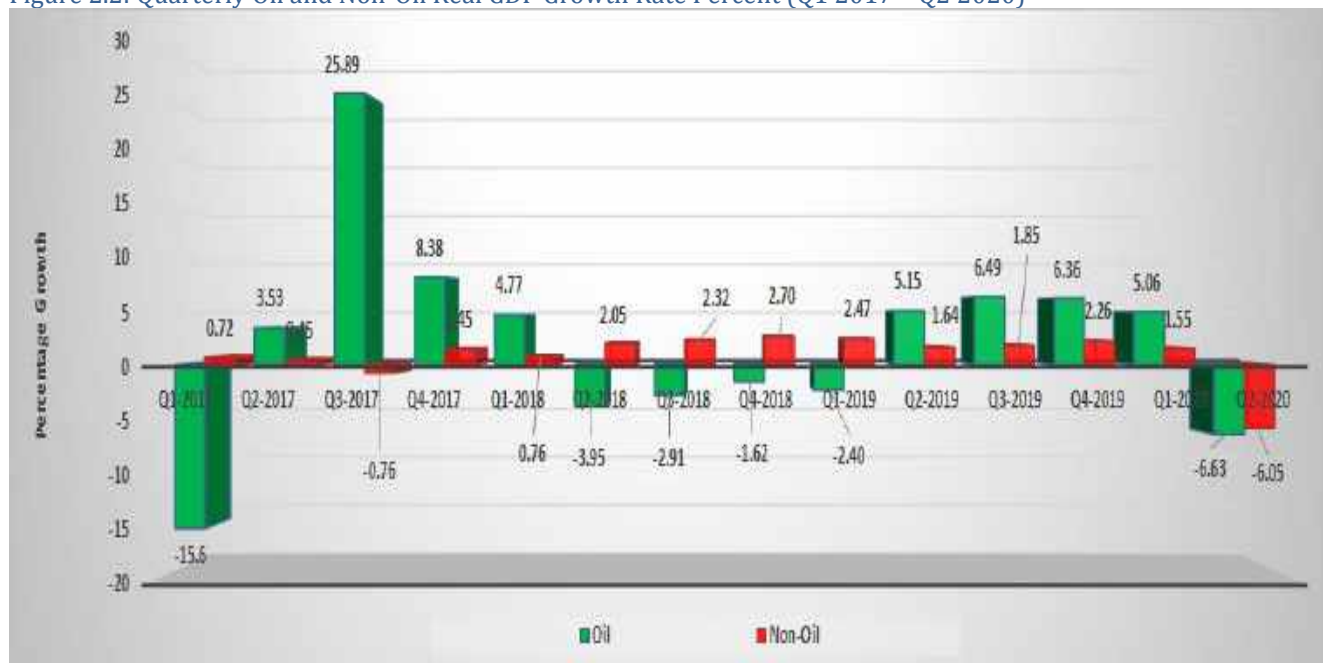
2.2.1.2 Oil Sector:

An average daily oil production of 1.81 million barrels per day (mbpd) was recorded in the second quarter of 2020. This implies a decline of 0.21mbpd and 0.25mbpd when compared to the average daily production of 2.02mbpd and 2.06mbpd recorded in the same period of 2019 and first quarter of 2020 respectively. Real growth of the oil sector was –6.63 percent (year-on-year) in the second quarter of 2020 indicating a decrease of -13.80 percentage points relative to the rate recorded in the corresponding quarter of 2019. Growth decreased by –11.69 percentage points when compared to the first quarter of 2020 which recorded 5.06 percent.

Quarter-on-Quarter, the oil sector recorded a growth rate of –10.82 percent

in the second quarter of 2020. The sector also contributed 8.93 percent to total real GDP in second quarter 2020, this was 0.05 percent and 0.57 percent lower than 8.98 percent and 9.50 percent recorded in the corresponding period of 2019 and the preceding quarter of 2020 respectively.

Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate Percent (Q1 2017 – Q2 2020)



Source: National Bureau of Statistics, 2020

2.2.1.3 Non-Oil Sector:

The non-oil sector grew by –6.05 percent in real terms during the quarter under review. It was the first negative growth in real non-oil GDP rate since the third quarter of 2017. The 2020 second quarter performance was also - 7.70 and -7.60 percent lower than the amount recorded in the second quarter of 2019 and first quarter of 2020 respectively. The non-oil sector output was driven by Financial & Insurance (Financial Institutions), Information & Communication (Telecommunications), Agriculture (Crop Production) and Public Administration.

On the other hand, the sector’s growth was negatively impacted by Transport & Storage, Accommodation & Food Services, Construction, Education, Real Estate and Trade among others. In real terms, the Non-Oil sector accounted for 91.07 percent of aggregate GDP in the second quarter of 2020, this was

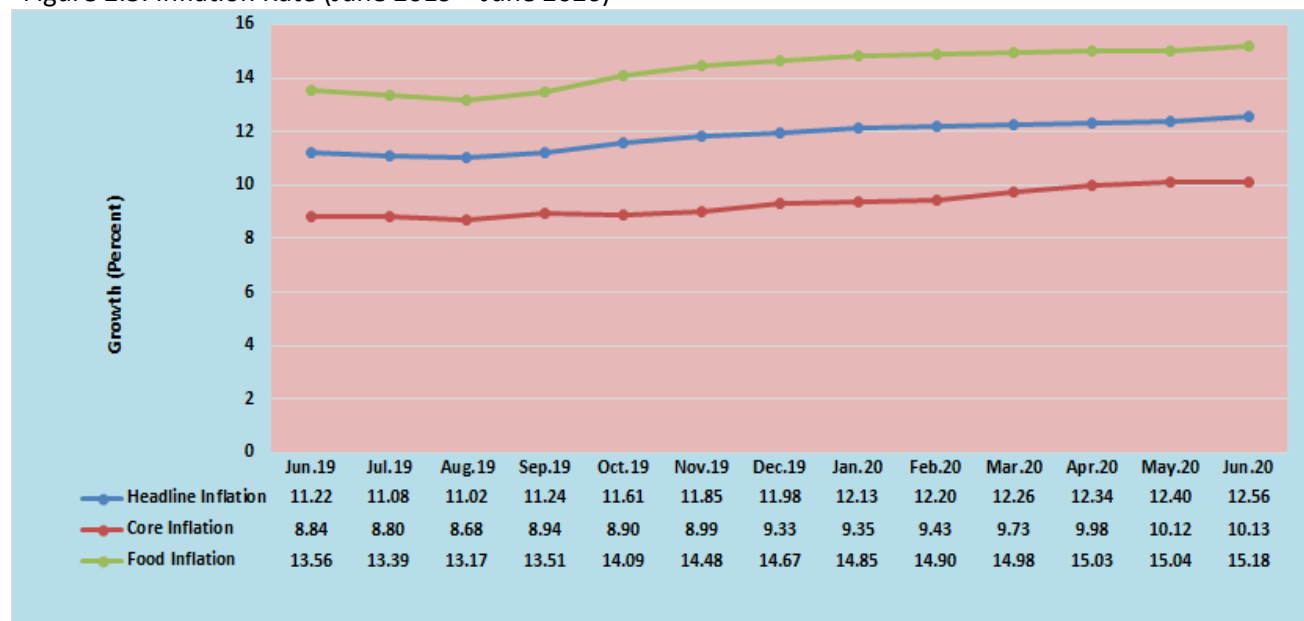
slightly higher than the 91.02 percent and 90.50 percent recorded in the second quarter of 2019 and the preceding quarter of 2020 respectively.

2.2.2 Developments in Prices

The persistent, although marginal, uptick in inflation continued for the eleventh consecutive month. Headline inflation (year-on-year) rose from 12.26 percent in March to 12.56 percent in June 2020. The increase in headline inflation was largely driven by the increase in both food and core inflation, which rose marginally to 15.18 percent and 10.13 percent in June 2020 from 14.98 percent and 9.73 percent in March 2020, respectively.

The insistent inflationary uptick continued to be driven by legacy structural factors. These factors included: disruptions to key supply channels due to security challenges from herder-farmer clashes, banditry/kidnapping, inadequate transportation outlay, epileptic power supply, low technological adaptability and exchange rate pass-through inflation due to weakening oil price. These factors coupled with the impact of COVID-19 which compounded the supply chain challenges drove inflation dynamics during the review period.

Figure 2.3: Inflation Rate (June 2019 – June 2020)



Source: National Bureau of Statistics, 2020

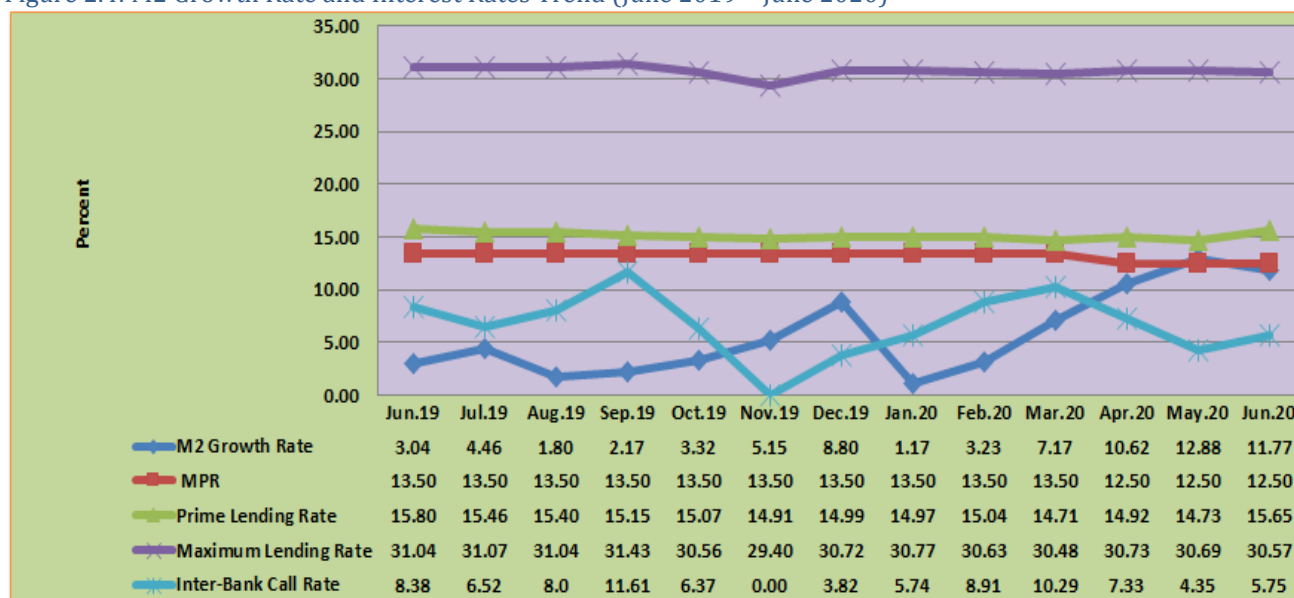
Efforts are therefore being focused on an orderly liquidity growth, addressing the security challenges and improving food production and supply through encouraging financial institutions to ensure that loans to the agricultural sector were channelled effectively to end users and other measures. Government is also stepping up efforts for a robust fiscal policy strategy to attract private investment and capital, to finance the huge infrastructure deficit in Nigeria.

2.2.3 Developments in Money Market

Monetary aggregates increased in the review period relative to the first quarter of 2020. Broad Money Supply (M2) increased by ₦1,558.85 billion (5.05 percent) from ₦30,842.55 billion in March 2020 to ₦32,451.40 billion in June 2020. The growth in M2 was mainly driven by the expansion in the Net Foreign Asset (NFA) which rose by 18.36 percent (₦1,175.51 billion) from ₦6,401.41 billion in March 2020 to ₦7,576.93 billion in June 2020. Net Domestic Credit (NDC) also grew by 0.65 percent (₦248.26 billion) from ₦38,045.97 billion in March 2020 to ₦38,294.23 billion in June 2020.

The development in NDC was due to the expansions of Credit to Private Sector during the period under review. Credit to Private Sector increased by 3.95 percent (₦1,117.86 billion) from ₦28,313.97 billion in March 2020 to ₦29,431.83 billion in June 2020. Net Credit to Government on the other hand decreased by 8.94 percent (₦869.60 billion) from ₦9,732.00 billion in March 2020 to ₦8,862.41 billion in June 2020. When compared to the level at the end of second quarter of 2019, broad money supply expanded by ₦4,552.57 billion (14.74 percent) in June 2020.

Figure 2.4: M2 Growth Rate and Interest Rates Trend (June 2019 – June 2020)



Source: Central Bank of Nigeria, 2020

Comparative to the first quarter of 2020, the Central Bank of Nigeria (CBN) reduced the Monetary Policy Rate (MPR) from 13.5 percent to 12.5 percent in the review period. The asymmetric corridor around the MPR was however, maintained at +200 and - 500 basis points. Other key monetary policy instruments were however retained during the period under review as the Cash Reserve Ratio (CRR) and the Liquidity Ratio stayed at 27.5 percent and 30.0 percent respectively.

The above developments led to across board variability in the deposit and lending rates in the economy. The average interbank call rate decreased considerably from 10.29 percent in March 2020 to 7.33 percent, 4.35 percent and 5.75 percent in April, May and June 2020 respectively. On the other hand, the average prime lending rate increased slightly from 14.71 percent in March 2020 to 14.92 percent, 14.73 percent and 15.65 percent in April, May and June 2020 respectively. Similarly, the average maximum lending rate also increased slightly going up from 30.48 percent in March 2020 to 30.73 percent, 30.69 percent and 30.57 percent in April, May and June 2020 respectively (Figure 2.4).

2.2.4 Developments in the External Sector

2.2.4.1 External Trade

The value of Nigeria's total imports amounted to N4,022.90 billion in the second quarter of 2020. This represents a drop of 10.69 percent when compared with the level recorded in the first quarter of 2020. The performance was however, 0.39 percent higher than the figure reported in the second quarter of 2019. The 2020 half year import value amounted to N8,527.0 billion, 10.58 percent above the half year performance of 2019. The fall in value of import in the second quarter of 2020 can be attributed to the decrease in the value of mineral fuels, Machinery and Transport equipment and Miscellaneous manufactured articles against their respective values in first quarter of 2020.

The value of Nigeria's exports in second quarter of 2020 stood at N2,219.50 billion, indicating a decrease of 45.64 percent and 51.73 percent when compared with the figures recorded in the first quarter of 2020 and the second quarter of 2019 respectively. The 2020 half year export amounted to N6,302.40 billion (31.0 percent) below the half year performance of 2019. Exports by section revealed that mineral products accounted for the largest portion of exports, amounting to N1,872.40 billion (84.35 percent), mainly due to the crude oil component.

2.2.4.2 Balance of Trade

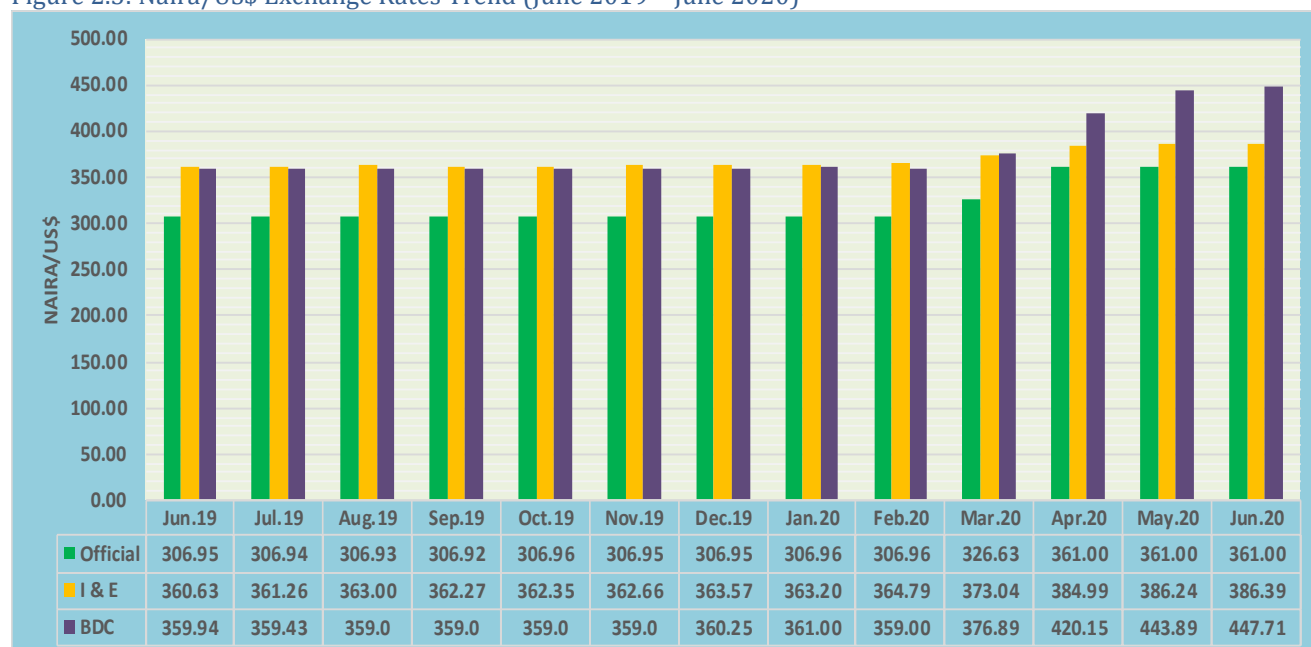
The value of Nigeria's merchandise trade stood at N6,242.4 billion in the second quarter of 2020. This revealed a decline of 27.30 percent and 27.46 percent performance when compared to the figures reported in the first quarter of 2020 and the second quarter of 2019 respectively. The value of 2020 half year total trade amounted to N14,829.40 billion (11.96 percent) below the half year figure reported in 2019. The trade balance in the second quarter of 2020 recorded a deficit of N1,803.30 billion, marking the third consecutive quarter of negative trade balance. This compares with the trade in goods deficit of N421.3 billion and N579.06 billion recorded in first quarter of 2020 and the fourth quarter of 2019 respectively. The escalating trade deficit could be attributed to the rising exports but mainly to the slump in exports occasioned by the impact of the COVID-19 pandemic. This is

expected to moderate in the remaining quarters of the year especially with expected improvements in the international oil price.

2.2.4.3 Exchange Rates

The Official, Investors' and Exporters' (I&E) Window and Bureau-de-Change (BDC) segments of the foreign exchange market witnessed some level of instability. This fluctuation could be attributed to the impact of the COVID-19 which continued to ravage the whole world. The Naira/Dollar exchange rate at the Official/Inter-Bank markets depreciated from ₦326.63/US\$ in March 2020 to ₦361.0/US\$ in (April – June) 2020. Similarly, the Naira/US\$ depreciated at the Investors' and Exporters' (I&E) FX Window segment from ₦373.04/US\$ in March 2020 to ₦384.99/US\$, ₦386.24/US\$ and ₦386.39/US\$ in April, May and June 2020 respectively. Similarly, Naira/US\$ exchange rate at the Bureau De-Change (BDC) depreciated from ₦376.89/US\$ in March 2020 to ₦420.15/US\$, ₦443.89/US\$ and ₦447.71/US\$ in April, May and June 2020 respectively.

Figure 2.5: Naira/US\$ Exchange Rates Trend (June 2019 – June 2020)



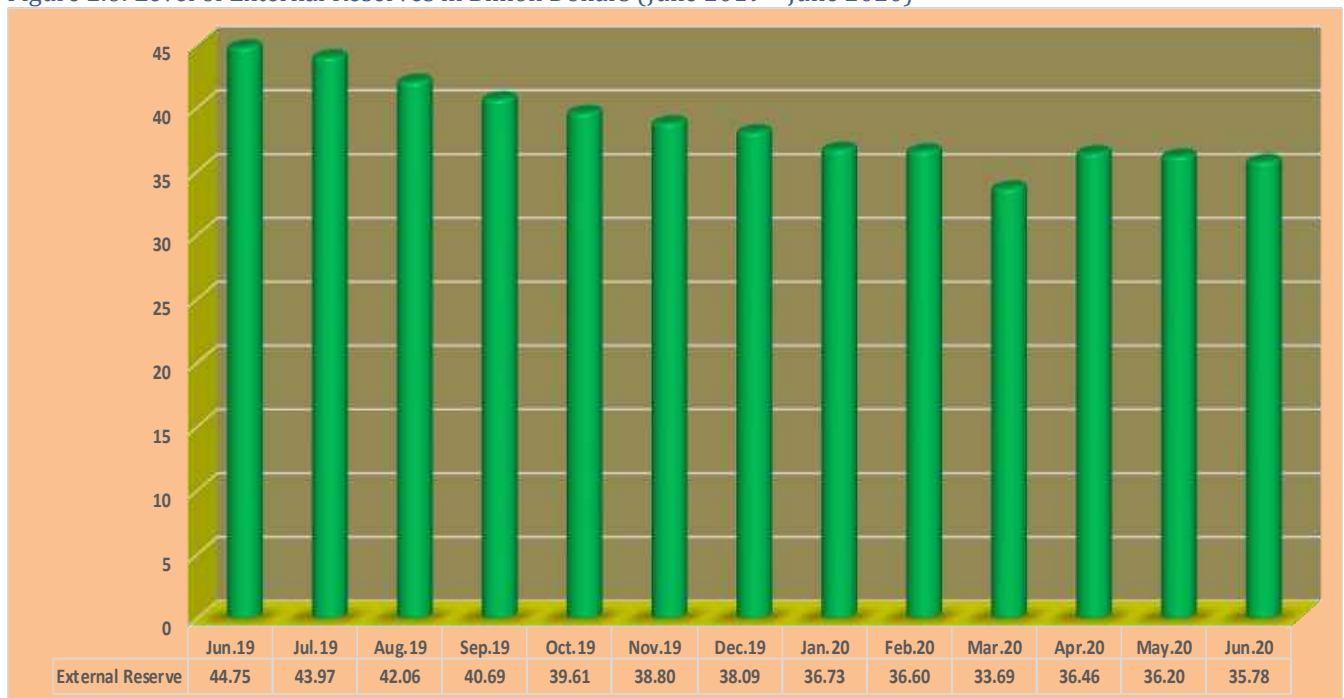
Source: Central Bank of Nigeria, 2020

2.2.4.4 External Reserves

Figures from the CBN showed that Nigeria’s gross official (external) reserve increased at the end of the second quarter of 2020. It improved from US\$33.69 billion in March 2020 to US\$36.46 billion, US\$36.20 billion and US\$35.78 billion in April, May and June 2020 respectively.

The performance at the end of June 2020 represented an increase of US\$2.09 billion (6.20 percent) above the figure reported at the end of March 2020. It however represents a significant fall by US\$8.97 billion (20.04 percent) relative to the end of second quarter of 2019 level of US\$44.75 billion. There are likelihoods of further decrease in the level of external reserves in the near term considering unfavourable crude oil prices due to the continued impact of COVID-19.

Figure 2.6: Level of External Reserves in Billion Dollars (June 2019 – June 2020)



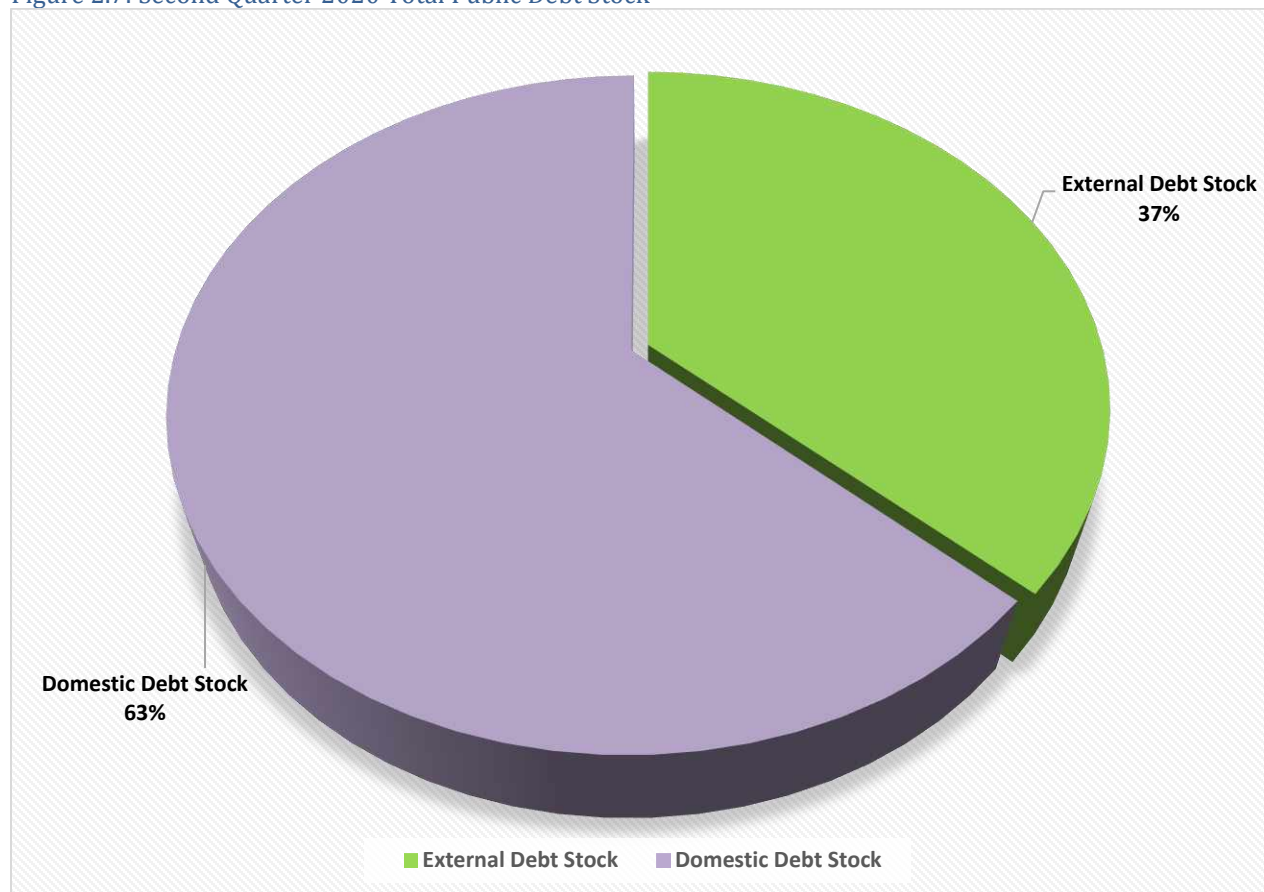
Source: Central Bank of Nigeria, 2020

2.2.5 Debt Stock

2.2.5.1 Total Public Debt Stock

The total public debt stock as at 30th June, 2020 stood at US\$85,896.52 million (₦31,008.64 billion). This represents an increase of ₦3,681.41 billion (14.76 percent) when compared to the US\$79,303.31 million (₦28,628.49 billion) reported at the end of March 2020. The breakdown consisted of US\$31,477.13 million (₦11,363.24 billion) or 36.65 percent for external debt while the balance of US\$54,419.39 million (₦19,645.40 billion) or 63.35 percent was for domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 22.23 percent as at the end of June 2020, and was significantly below the country specific threshold of 25 percent and international threshold for comparator countries of 56 percent.

Figure 2.7: Second Quarter 2020 Total Public Debt Stock



Source: Debt Management Office, 2020

2.2.5.2 Domestic Debt Stock

FGN Domestic debt stock as at 30th June, 2020 stood at ₦15,455.70 billion representing an increase of ₦920.95 billion (6.34 percent) above the ₦14,534.75 billion reported in the first quarter of 2020. The 2020 second quarter domestic debt figure was also ₦2,042.90 billion (15.23 percent) above the ₦13,412.80 billion reported in the same period of 2019. The increase in the stock of domestic debt resulted from increase in the net issuances of Nigeria FGN Bonds, Nigeria Treasury Bills and FGN Sukuk. A breakdown of the domestic debt stock as at 30th June, 2020 showed that ₦11,241.30 billion (72.73 percent) is for FGN Bonds, ₦2,760.44 billion (17.86 percent) is for Nigeria Treasury Bills (NTBs), ₦100.99 billion (0.65 percent) is for Treasury Bonds, ₦12.98 billion (0.08 percent) is for FGN Savings Bonds, ₦362.56 billion (2.35 percent) is for FGN Sukuk, ₦25.69 billion (0.17 percent) is for Green Bond and ₦951.74 billion (6.16 percent) is for Promissory Notes.

2.2.5.3 External Debt Stock

Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 30th June, 2020, stood at US\$31,477.14 million representing an increase of US\$3,811.48 million (13.78 percent) and US\$4,314.50 million (15.88 percent) above US\$27,665.66 million and US\$27,162.64 million recorded in the first quarter of 2020 and second quarter of 2019 respectively. A breakdown of the external debt stock as at 30th June, 2020 revealed that Multilateral Debts amounted to US\$16,360.14 million (51.97 percent), Non-Paris Club Bilateral Debts amounted to US\$3,948.65 million (12.54 percent) while Commercial (Euro-Bond) accounted for the balance of US\$11,168.35 million (35.48 percent).

3.0 FINANCIAL ANALYSIS OF THE 2020 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2020 Budget was anchored on the 2020-2022 Medium Term Fiscal Framework and Fiscal Strategy Paper (MTFF/FSP) which was in line with the Government's ERGP. Table 3.1 presents the key assumptions and targets over the period 2016 - 2020.

Table 3.1: Key Budget Assumptions and Targets, 2016 - 2020

KEY ASSUMPTION & TARGETS	2016	2017	2018	2019	2020
Projected Production (in mbpd)	2.2	2.20	2.30	2.30	1.80
Budget Benchmark Price (per barrel in US)	38	44.50	51	60	28
Technical Cost of JVC Pbl to Oil Companies					
Operating Expenses (T1) in US \$	10.29	10.43	11.24	20.45	11.30
Capital Expenses (T2) in US \$	11.12	10.85	11.97	14.89	13.99
Petroleum Investment Allowance (10%)				0.51	0.34
Technical Cost of PSC Pbl to Oil Companies					
Operating Expenses (T1) in US \$	8.22	8.85	8.7	10.01	10.02
Capital Expenses (T2) in US \$	19.62	17.86	11.01	10.04	8.19
Investment Tax Credit	4.94	2.85	2.13	1.54	2.38
Technical Costs of SC pbl to Oil Company					
Operating Expenses (T1) in US \$	18.62	18.62	22.79	29.49	
Capital Expenses (T2) in US \$	2.44	2.05	2.05	5.49	
Investment Allowances	2.996	0.46	0.46	2.67	
Technical Costs of Independent pbl to Oil Company					
Operating Expenses (T1) in US \$					12.43
Capital Expenses (T2) in US \$					15.39
Investment Allowances					0.37
Weighted Average Rate of PPT - JV Oil	85%	85%	85%	85%	
Weighted Average Rate of PPT - PSC Oil	50.17%	50.2%	50.2%	50.1%	
Weighted Average Rate of PPT - SC Oil	85%	85%	85%	85%	
Weighted Average Rate of PPT - Independent (Indigenous)	85%	85%	85%	85%	
Weighted Average Rate of PPT - Marginal	51.6%	51.6%	85%	85%	
Royalty Rates					
Weighted Average Rate of Royalties - JV Oil	19.1%	19.1%	18.67%	18.67%	
Weighted Average Rate of Royalties - PSC	4.5%	4.5%	2.3%	2.83%	
Weighted Average Rate of Royalties - SC Oil	18.5%	18.5%	18.5%	18.50%	
Weighted Average Rate of Royalties -Independent	19.3%	19.3%	19.31%	19.31%	
Weighted Average Rate of Royalties - Marginal	9.3%	9.3%	9.3%	9.29%	
Average Exchange Rate (NGN/US\$)	197	305	305	305	360
VAT Rate	5%	5%	5%	5%	7.5%
CIT Rate	30%	30%	30%	30%	30%

Source: BOF, NNPC, FIRS and NCS, 2020

3.1.1 Budget Benchmark Oil Price and Production

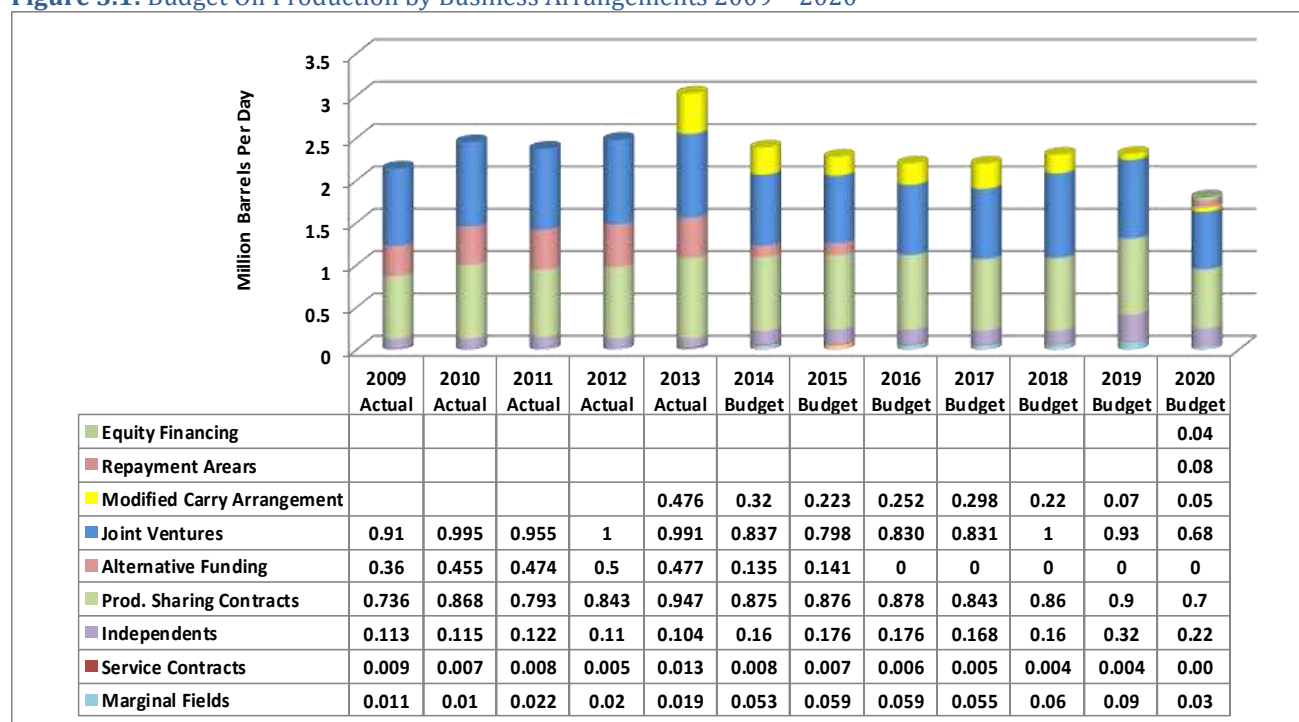
The benchmark price of oil for the 2020 Budget was initially fixed at US\$57.0/barrel while benchmark oil production was pegged at 2.18 million

barrels per day (mbpd). This aligns with Government's continued use of benchmark oil production and prices for its yearly budgets to protect budget expenditures from the instabilities in the price of oil at the global market. However, due to the impact of the COVID-19 on the global economic activities, the benchmark price and production for the 2020 Budget was adjusted to US\$28.0/barrel and 1.80 million barrels per day (mbpd) respectively in the 2020 Appropriation (Amendment) Act.

The productivity and consequently cost outlay in the oil sector was projected to improve significantly in the 2020 fiscal year. The Technical Cost comprising average of operating and capital expenses were adjusted downward in the 2020 fiscal year compared to the rates in 2019 for both the Joint Ventures (JVs) and the Production Sharing Contracts (PSCs). The average expenses [Capital (T1) and Operating (T2)] for the JVs production arrangement was reduced from US\$35.34 per barrel in 2019 to US\$25.63 per barrel in 2020 indicating a reduction of US\$9.71 per barrel over the period. The average expenses for the PSC was also reduced to US\$18.21 per barrel in 2020 from US\$20.05 per barrel in 2019. This was due to reduction in Capital Expenses for PSC.

The share of oil production by business arrangement remained relatively stable with the PSCs and JVs dominating at approximately 39.03 and 37.60 percent respectively. Information on expected contributions of oil production by business arrangement are presented in Figure 3.1 while the analysis of contributions and duties for key oil taxes that are projected to accrue to the Federation are also represented in *Table 3.2*. These rates remained largely unchanged with the rates in the 2019 budget framework.

Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2020



Source: NAPIMS/NNPC, 2020

Table 3.2: Detailed Assumptions for Oil Production and Taxes (2018 - 2020)

	2018 Production Volume	2018 Percentage	2019 Production Volume	2019 Percentage	2020 Production Volume	2020 Percentage
Share of Oil Production						
Joint Ventures	1.00	43.48%	0.93	37.8%	0.68	37.60%
Alternative Funding						
Modified Carry Arrangement	0.22	9.57%	0.07	2.8%	0.05	2.92%
Production Sharing Contracts	0.86	37.39%	0.90	36.7%	0.70	39.03%
Independents	0.16	6.96%	0.32	12.8%	0.22	11.96%
Service Contracts	0.004	0.17%	0.004	0.2%	0.00	0.18%
Marginal	0.06	2.61%	0.09	3.5%	0.03	1.86%
Base Production	2.30	100%	2.3	100%		
Repayment Arrears	0.21	8.37%	0.15	6.2%	0.08	4.26%
Equity Financing					0.04	2.18%
Total Oil Production	2.51	100%	2.45	100%	1.80	100%
PPT Rates						
Weighted Average -JV/AF/Independent/Marginal		85%	85%			85%
Weighted Average -PSC		50.2%	50.10%			50.10%
Weighted Average -SC		85%	85%			85%
Royalties Rates						
Weighted Average-JV		18.67%	18.67%			18.67%
Weighted Average-Independent						19.31%
Weighted Average-Marginal						9.29%
Weighted Average-PSC		2.3%	2.83%			3.15%
Weighted Average-SC Oil		19.31%	19.31%			18.50%

Source: NNPC and BOF, 2020

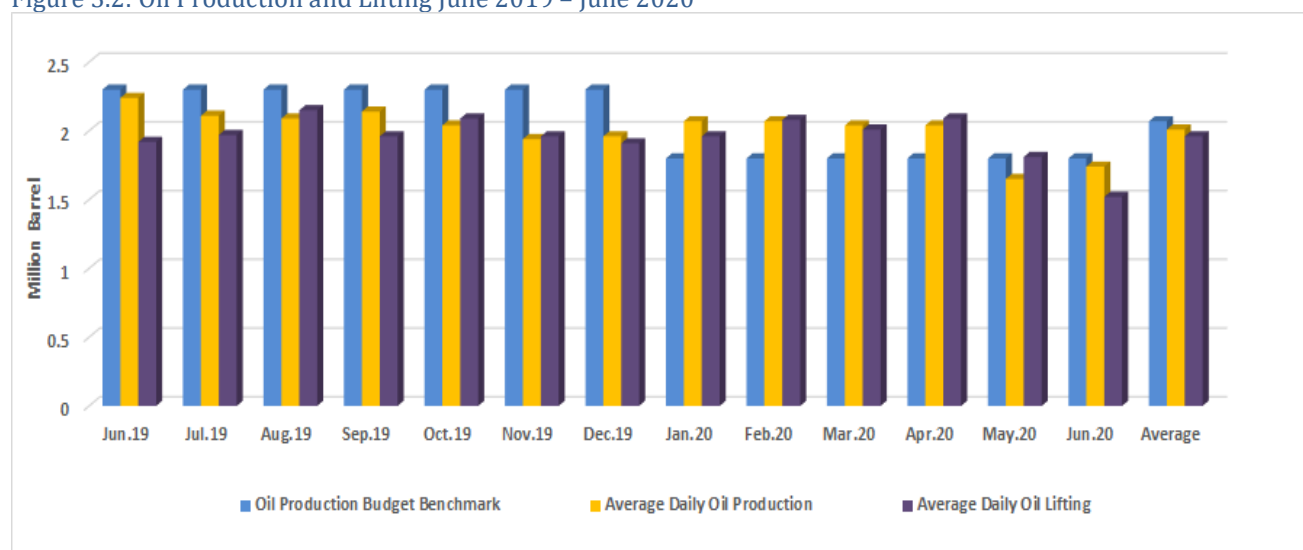
3.2 Analysis of Revenue Performance:

3.2.1 Performance of Key Oil Revenue Parameters:

The price of crude oil in the international market averaged US\$29.20 per barrel in the second quarter of 2020, representing a decrease of US\$21.06 per barrel (41.90 percent) from the US\$50.26 per barrel reported in the first quarter of 2020. This also reflects a decrease of US\$39.62 per barrel (57.57 percent) but an increase of US\$1.20 per barrel (4.29 percent) when compared to US\$68.82 per barrel recorded in the second quarters of 2019 and US\$28.0 amended budget benchmark, respectively. The decline in crude oil price during the period could be ascribed to the collapse in global economic activities due to the impact of COVID-19 which resulted in the reduction of global demand for the product.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) showed that both average oil production and lifting (including Condensates) in the second quarter of 2020 was 1.81mbpd. The oil production figure indicates an increase of 0.01mbpd (0.56 percent) from the 1.80mbpd benchmark for the amended 2020 Budget. The volume of oil production in the period was however 0.25mbpd (12.14 percent) below the 2.06mbpd reported in both first quarter of 2020 and second quarter of 2019.

Figure 3.2: Oil Production and Lifting June 2019 – June 2020



Source: NNPC, 2020

The above translates to an average monthly oil production and lifting of 54.81 million barrels and 54.79 million barrels respectively in the second quarter of 2020. The increase in the quantity of oil production during the quarter as against the projected budget figure could be attributed to lower pipeline vandalization and other legacy issues in the sector.

3.3 Aggregate Revenue of the Federation:

The Amended 2020 Fiscal Framework projected a Gross Federally Collectible Revenue of ₦10,162.02 billion, comprising of ₦3,033.36 billion (29.85 percent) Gross Oil Revenue and ₦7,128.66 billion (70.15 percent) Gross Other Revenue.

3.4 Oil Revenue Performance:

Gross Oil Revenue stood at ₦1,017.73 billion in the second quarter of 2020. This translate to a ₦259.39 billion (34.20 percent) increase when compared with the 2020 quarterly budget estimate. The performance was however ₦263.03 billion (20.54 percent) and ₦479.18 billion (32.03 percent) below the ₦1,280.76 billion and ₦1,496.18 billion generated in the first quarter of 2020 and corresponding period of 2019 respectively.

A breakdown of the oil revenue performance in the second quarter of 2020 showed that Petroleum Profit and Gas Taxes of ₦518.01 billion, Royalties (Oil & Gas) of ₦247.88 billion and Miscellaneous (Pipeline fees etc.) of ₦2.70 billion exceeded their quarterly estimate of ₦177.65 billion, ₦236.34 billion and ₦1.57 billion by ₦340.36 billion (191.58 percent), ₦11.54 billion (4.88 percent) and ₦1.13 billion (71.59 percent) respectively. On the other hand, Crude Oil and Gas Sales of ₦106.36 billion, Concessional Rentals of ₦0.23 billion, Gas Flared Penalty of ₦18.63 billion and Incidental Oil Revenue (Licenses & Early License Renewal) of ₦53.33 billion fell below their quarterly estimates of ₦164.22 billion, ₦1.51 billion, ₦25.88 billion and ₦151.17 billion by ₦57.85 billion (35.23 percent), ₦1.28 billion (84.93 percent), ₦7.24 billion (27.99 percent) and ₦97.84 billion (64.72 percent) respectively. Exchange Gain (Based on Budget) which had zero projection yielded ₦70.58 billion in the quarter. Please see *Table 3.4*.

3.4.1 Net Oil Revenue:

The actual Net Oil Revenue that accrued into the Federation Account in the second quarter of 2020, was ₦782.34 billion, depicting an increase of ₦259.78 billion (49.71 percent) above the estimated quarterly budget of ₦522.56 billion. The inflow was however lower than the ₦902.75 billion and ₦957.02 billion net oil revenue recorded in the first quarter of 2020 and second quarter of 2019 by ₦120.41 billion (13.34 percent) and ₦174.68 billion (18.25 percent) respectively (Table 3.4). The high Net Oil Revenue performance in the second quarter of 2020 when compared with the quarterly projection could be attributed to the reduction in budget benchmark for oil price and production. These data are presented in *Table 3.3*.

3.4.2 Half Year Oil Revenue Performance:

Gross Oil Revenue of ₦2,298.48 billion was collected in the first half of 2020 as against ₦1,516.68 billion prorated budget projection for the period. This reflects an increase of ₦781.80 billion (51.55 percent) over the 2020 half year budget estimate but ₦535.13 billion (18.89 percent) below the half year actual gross oil revenue recorded in 2019. A breakdown of the revenue by sub-head indicates that only Petroleum Profit and Gas Taxes of ₦1,057.36 billion, Royalties (Oil & Gas) of ₦618.48 billion and Miscellaneous (Pipeline fees etc.) of ₦5.18 billion surpassed their half year projections of ₦355.31 billion, ₦472.69 billion and ₦3.15 billion by ₦702.05 billion (197.59 percent), ₦145.79 billion (30.84 percent) and ₦2.04 billion (64.69 percent) respectively.

Other Oil Revenue items fell below their respective half year projections. Crude Oil and Gas Sales of ₦278.41 billion, Concessional Rentals of ₦0.39 billion, Gas Flared Penalty of ₦49.67 billion and Incidental Oil Revenue (Licenses & Early License Renewal) of ₦120.38 billion fell below their half year projections of ₦328.43 billion, ₦3.02 billion, ₦51.75 billion and ₦302.34 billion by ₦50.02 billion (15.23 percent), ₦2.63 billion (87.23 percent), ₦2.08 billion (4.03 percent) and ₦181.96 billion (60.18 percent) respectively. Exchange Gain (Based on

Budget) which had zero projection yielded ₦168.61 billion in the half year period (Table 3.4).

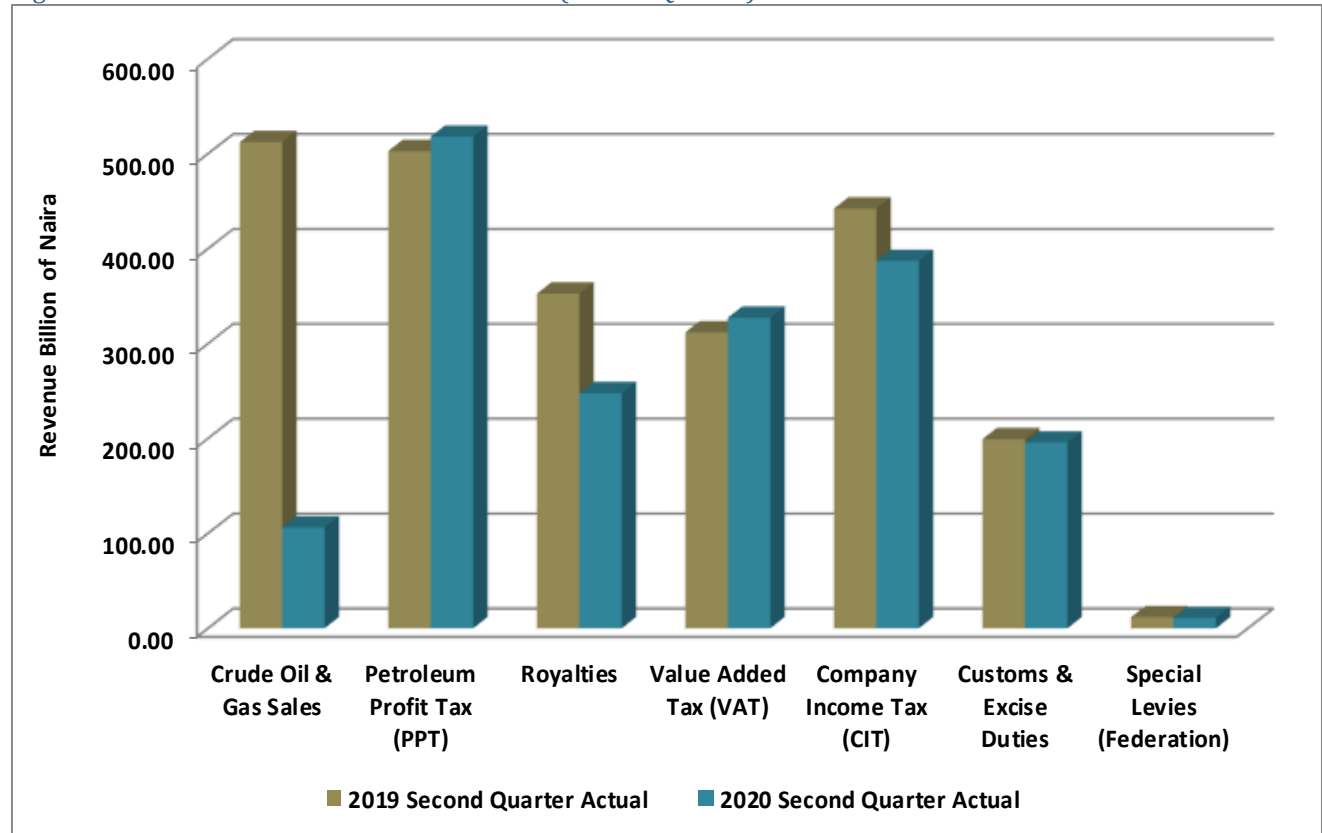
Table 3.3: Performance of Revenue in the Second Quarter of 2020 Vs 2019

Revenue Items	2019	2020	Variance	
	Second Quarter Actual	Second Quarter Actual	2nd Quarter 2020 Vs 2nd Quarter 2019	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil & Gas Sales	512.46	106.36	-406.10	-79.25
Petroleum Profit Tax (PPT)	502.99	518.01	15.02	2.99
Royalties	352.67	247.88	-104.79	-29.71
Gross Oil Revenue	1,496.18	1,017.73	-478.45	-31.98
Net Oil Receipts	957.02	782.34	-174.68	-18.25
Non-Oil Revenue				
Value Added Tax (VAT)	311.94	327.20	15.26	4.89
Company Income Tax (CIT)	442.38	387.52	-54.86	-12.40
Customs & Excise Duties	199.36	195.82	-3.54	-1.78
Special Levies	11.78	10.99	-0.79	-6.71
Gross Non-Oil Revenue	965.46	921.53	-43.93	-4.55
Net Non-Oil Receipts	617.32	860.76	243.44	39.43

Source: OAGF and Budget Office of the Federation, (PRMRC) 2020

Revenue performance decreased when compared to the level in 2019 for most of the oil revenue sources and broad category in the second quarter of 2020 (Figure 3.3). The same flow pattern was applicable to the non-oil revenue categories during the review period. The low performances of the oil and non-oil revenue items within the period can be attributed to the impact of COVID-19 on the global and national economies. It is expected that the situation will improve gradually in the subsequent quarters as the world continue to adjust and mitigate the impact of the virus.

Figure 3.3: 2019 Vs 2020 Revenue Performance (Second Quarter)



Source: OAGF and Budget Office of the Federation, 2020

3.5 Non-Oil Revenue Performance:

Gross non-oil revenue of ₦921.53 billion was received in the second quarter of 2020 signifying a shortfall of ₦364.97 billion (28.37 percent) below the quarterly estimate of ₦1,286.50 billion. A breakdown of the non-oil revenue items showed that all the non-oil revenue items fell below their respective quarterly expectations. Value Added Tax of ₦327.20 billion, Company Income Tax of ₦387.52 billion, Customs & Excise Duties of ₦195.82 billion and Special Levies of ₦10.99 billion were below their quarterly estimates of ₦547.65 billion, ₦449.65 billion, ₦251.06 billion and ₦38.13 billion by ₦220.46 billion (40.26 percent), ₦62.13 billion (13.82 percent), ₦55.24 billion (22.0 percent) and ₦27.15 billion (71.19 percent) respectively. Solid Minerals & Other Mining Revenue also recorded a revenue of ₦0.79 billion depicting a shortfall of ₦0.33 billion (29.64 percent) below the quarterly projection of ₦1.13 billion. On the

other hand, Revenue Dividend by Companies / Investments Funded by FAAC, which had quarterly projection of ₦40.19 billion yielded nothing in the quarter.

When compared with their corresponding first quarter performances, Value Added Tax and Company Income Tax grew by ₦2.62 billion (0.81 percent), ₦103.49 billion (36.44 percent) respectively while Customs & Excise Duties and Special Levies fell by ₦17.08 billion (0.8.02 percent) and ₦1.12 billion (9.22 percent). Solid Minerals & Other Mining Revenue also fell by ₦0.66 billion (45.56 percent). The poor performances of Customs & Excise Duties and Special Levies in the second quarter of 2020 could be credited to the low global economic activities due to the effect of COVID-19. Nevertheless, it is expected that this returns together with the other remaining non-oil revenue item will improve in the remaining quarters of 2020 following the opening up of global economic activities.

3.5.1 Half Year Non-Oil Revenue Performance:

The gross non-oil revenue in the first half of the year amounted to ₦1,755.14 billion depicting a shortfall of ₦817.86 billion (31.79 percent) from the half year's estimate of ₦2,573.0 billion. This results from the underperformance of all the non-oil revenue items compared to their corresponding budget estimates. Value Added Tax of ₦651.77 billion, Company Income Tax of ₦671.56 billion, Customs & Excise Duties of ₦408.73 billion and Special Levies of ₦23.09 billion respectively fell short by ₦443.53 billion (40.49 percent), ₦227.75 billion (25.33 percent), ₦93.39 billion (18.60 percent) and ₦53.18 billion (69.73 percent) when compared with their 2020 projected half year estimates. Solid Minerals & Other Mining Revenue recorded a revenue of ₦2.25 billion indicating a decrease of ₦0.01 billion (0.19 percent) below the half year projection of ₦2.26 billion. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC which had half year projections of ₦80.38 billion yielded nothing in the half year period.

Table 3.4: Net Distributable Revenue as at June, 2020 (Oil Revenue at Benchmark Assumptions)

S/NO	ITEMS	2020 AMENDED BUDGET			2020 ACTUAL			VARIANCE					
		Annual	Quarterly	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget	
		Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
A	OIL REVENUE												
1	Profit Oil from Crude Oil & Gas Sales	656.86	164.22	328.43	172.05	106.36	278.41	-57.85	(35.23)	-65.68	(38.18)	-50.02	(15.23)
2	PPT & Gas Income @ 30% CITA	710.62	177.65	355.31	539.35	518.01	1,057.36	340.36	191.58	-21.33	(3.96)	702.05	197.59
3	Oil & Gas Royalties	945.37	236.34	472.69	370.60	247.88	618.48	11.54	4.88	-122.72	(33.11)	145.79	30.84
4	Concessional Rentals	6.03	1.51	3.02	0.16	0.23	0.39	-1.28	(84.93)	0.07	43.83	-2.63	(87.23)
5	Gas Flared Penalty	103.51	25.88	51.75	31.04	18.63	49.67	-7.24	(27.99)	-12.40	(39.96)	-2.08	(4.03)
6	Incidental Oil Revenue (Royalty Recovery & Marginal Field Licences)	604.67	151.17	302.34	67.05	53.33	120.38	-97.84	(64.72)	-13.72	(20.46)	-181.96	(60.18)
7	Miscellaneous (Pipeline Fees etc)	6.30	1.57	3.15	2.48	2.70	5.18	1.13	71.59	0.22	8.75	2.04	64.69
8	Exchange Gain (Based on Budget)	0.00	0.00	0.00	98.03	70.58	168.61	70.58		-27.46	(28.01)	168.61	
9	Sub-Total	3,033.36	758.34	1,516.68	1,289.75	1,017.73	2,298.48	259.39	34.20	-263.03	(20.54)	781.80	51.55
10	Deductions		0.00	0.00	0.00	0.00	0.00	0.00		0.00		0.00	
11	Fiscal Deductions (Base JV Cash Call + EF + MCA + RA)	0.00	0.00	0.00	376.39	306.21	682.60	306.21		-70.18	(18.64)	682.60	
12	Other Federally Funded Upstream Projects	424.23	106.06	212.12	227.19	106.12	333.31	0.06	0.06	-121.06	(53.29)	121.19	57.13
13	DPR 4% Cost of Collection		0.00	0.00	13.17	7.64	20.82	7.64		-5.53	(41.97)	20.82	
14	FIRS 4% Cost of Collection on Gas Income Tax		0.00	0.00	0.68	3.11	3.79	3.11		2.43	356.37	3.79	
15	Sub-Total	2,609.13	652.28	1,304.57	1,039.71	900.85	1,940.57	248.57	38.11	-138.86	(13.36)	636.00	48.75
16	Special Federation Transfers:												
17	13% Derivation	169.20	42.30	84.60	0.00	0.00	0.00	-42.30	(100.00)	0.00		-84.60	(100.00)
18	NET OIL REVENUE	339.19	84.80	169.59	136.96	118.51	255.47	33.71	39.76	-18.45	(13.47)	85.88	50.64
19	TO FEDERATION ACCOUNT (OIL)	2,100.74	525.19	1,050.37	902.75	782.34	1,685.09	257.16	48.97	-120.40	(13.34)	634.72	60.43
20	DIVIDEND BY COMPANIES/INVESTMENTS												
21	Dividend By Companies/Investments	169.20	42.30	84.60	0.00	0.00	0.00	-42.30	(100.00)	0.00		-84.60	(100.00)
C	SOLID MINERAL & OTHER MINING REVENUES												
22	Total Solid Minerals Revenue	4.52	1.13	2.26	1.46	0.79	2.25	-0.33	(29.64)	-0.66	(45.56)	0.00	(0.19)
23	Less 13% Derivation	0.59	0.15	0.29	0.19	0.10	0.29	-0.04	(29.64)	-0.09	(45.56)	0.00	(0.19)
24	TO FEDERATION ACCOUNT (SOLID MINERALS)	3.93	0.98	1.96	1.27	0.69	1.96	-0.29	(29.64)	-0.58	(45.56)	0.00	(0.19)
D	SIGNATURE BONUS	350.52	87.63	175.26	69.09	0.41	70.30	-87.22	(99.53)	-69.58	(99.42)	-104.87	(59.83)
E	NON-OIL REVENUE												
25	Value-Added Tax (VAT)	2,190.62	547.65	1,095.31	324.58	327.20	651.77	-220.46	(40.26)	2.62	0.81	-443.53	(40.49)
26	Corporate Tax (CIT, Stamp Duties & CGT)	1,798.62	449.65	899.31	264.03	387.52	671.56	-62.13	(13.82)	103.49	36.44	-227.75	(25.33)
27	Customs (Imports, Excise & Fees)	1,004.24	251.06	502.12	212.90	195.82	408.73	-55.24	(22.00)	-17.08	(8.02)	-93.39	(18.60)
28	Special Levies (Federation Account)	152.53	38.13	76.27	12.10	10.99	23.09	-27.15	(71.19)	-1.12	(9.22)	-53.18	(69.73)
29	Sub-Total	5,146.00	1,286.50	2,573.00	833.62	921.53	1,755.14	-364.97	(28.37)	87.91	10.55	-817.86	(31.79)
30	4% Collection of Cost (Value Added Tax)	87.62	21.91	43.81	12.98	13.09	26.07	-8.82	(40.26)	0.10	0.81	-17.74	(40.49)
31	3% Transfer to North East Development Commission (NEDC) from VAT	63.09	15.77	31.54	9.74	9.82	19.55	-5.96	(37.77)	0.08	0.81	-11.99	(38.01)
32	0.5% Transfer to Nigerian Police Trust Fund from VAT	10.51	2.63	5.26	8.27	6.99	15.26	4.36	165.81	-1.28	(15.50)	10.00	190.18
33	Value-Added Tax Net of Cost of Collection, and Transfers to NEDC and Police Trust Fund	2,029.39	507.35	1,014.69	301.86	308.16	610.01	-199.19	(39.26)	6.30	2.09	-404.68	(39.88)
34	4% Collection Cost (CIT, Stamp Duties & Capital Gains)	70.94	17.74	35.47	11.56	18.25	29.81	0.51	2.89	6.69	57.83	-5.66	(15.96)
35	7% Cost of Collection (Duty, Excise & Fees)	70.30	17.57	35.15	14.90	13.71	28.61	-3.87	(22.00)	-1.20	(8.02)	-6.54	(18.60)
36	7% Cost of Collection (Spec. Levies -Fed. Acct.)	10.68	2.67	5.34	0.85	0.77	1.62	-1.90	(71.19)	-0.08	(9.22)	-3.72	(69.73)
37	FIRS Tax Refunds	25.00	6.25	12.50	12.00	9.00	21.00	2.75	44.00	-3.00	(25.00)	8.50	68.00
38	TO FEDERATION ACCOUNT (NON-OIL)	2,778.47	694.62	1,389.24	469.72	552.61	1,022.33	-142.01	(20.44)	82.88	17.64	-366.91	(26.41)
39	Total VAT Pool	2,029.39	507.35	1,014.69	301.86	308.16	610.01	-199.19	(39.26)	6.30	2.09	-404.68	(39.88)
40	Net Non-Oil	4,807.86	1,201.96	2,403.93	771.58	860.76	1,632.35	-341.20	(28.39)	89.18	11.56	-771.58	(32.10)
41	Sub-Total: FEDERATION ACCOUNT	4,883.14	1,220.79	2,441.57	1,373.74	1,335.64	2,709.38	114.86	9.41	-38.10	(2.77)	267.81	10.97
42	Actual Balances in Special Accounts	10.68	2.67	5.34	0.00	0.00	0.00	-2.67	(100.00)	0.00		-5.34	(100.00)
43	TO FEDERATION ACCOUNT	4,893.82	1,223.45	2,446.91	1,373.74	1,335.64	2,709.38	112.19	9.17	-38.10	(2.77)	262.47	10.73
44	Transfer to Police Trust Fund (0.5% of Fed. Acct.)	24.47	6.12	12.23	0.00	0.00	0.00	-6.12	(100.00)	0.00		-12.23	(100.00)
F	TOTAL DISTRIBUTION												
1	Federation Account	4,869.35	1,217.34	2,434.67	1,373.74	1,335.64	2,709.38	118.30	9.72	-38.10	(2.77)	274.71	11.28
2	VAT Pool Account	2,029.39	507.35	1,014.69	301.86	308.16	610.01	-199.19	(39.26)	6.30	2.09	-404.68	(39.88)
G	GRAND TOTAL	6,898.74	1,724.69	3,449.36	1,675.60	1,643.80	3,319.40	-60.58	(4.99)	-31.60	(1.90)	129.03	3.72

Source: OAGF and Budget Office of the Federation, 2020 (PRMRC)

Table 3.5: Actual Performance of Non-Oil Revenue Categories (Second Quarter) 2010 – 2019

Description	SECOND QUARTER (ACTUAL)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	10 - Year Average
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn
Customs & Excise Duties	30.99	46.42	53.09	43.87	61.47	55.87	46.09	139.59	157.62	199.36	66.40
Company Income Tax	60.19	62.14	73.29	85.22	110.75	74.20	79.93	206.38	315.13	442.38	111.49
Value Added Tax	19.24	21.46	24.43	26.03	26.09	27.31	26.16	243.31	264.00	311.94	69.27
FGN Independent Revenue	49.25	59.48	28.78	17.19	12.88	10.31	59.10	97.49	147.58	125.26	50.72

Source: OAGF and BOF, 2020

Further analysis of second quarter non-oil revenue performance revealed that the key non-oil revenue sub-heads, had shown some trend of improvement especially from 2017, notwithstanding some few years of fluctuations. Table 3.5 and 3.6.

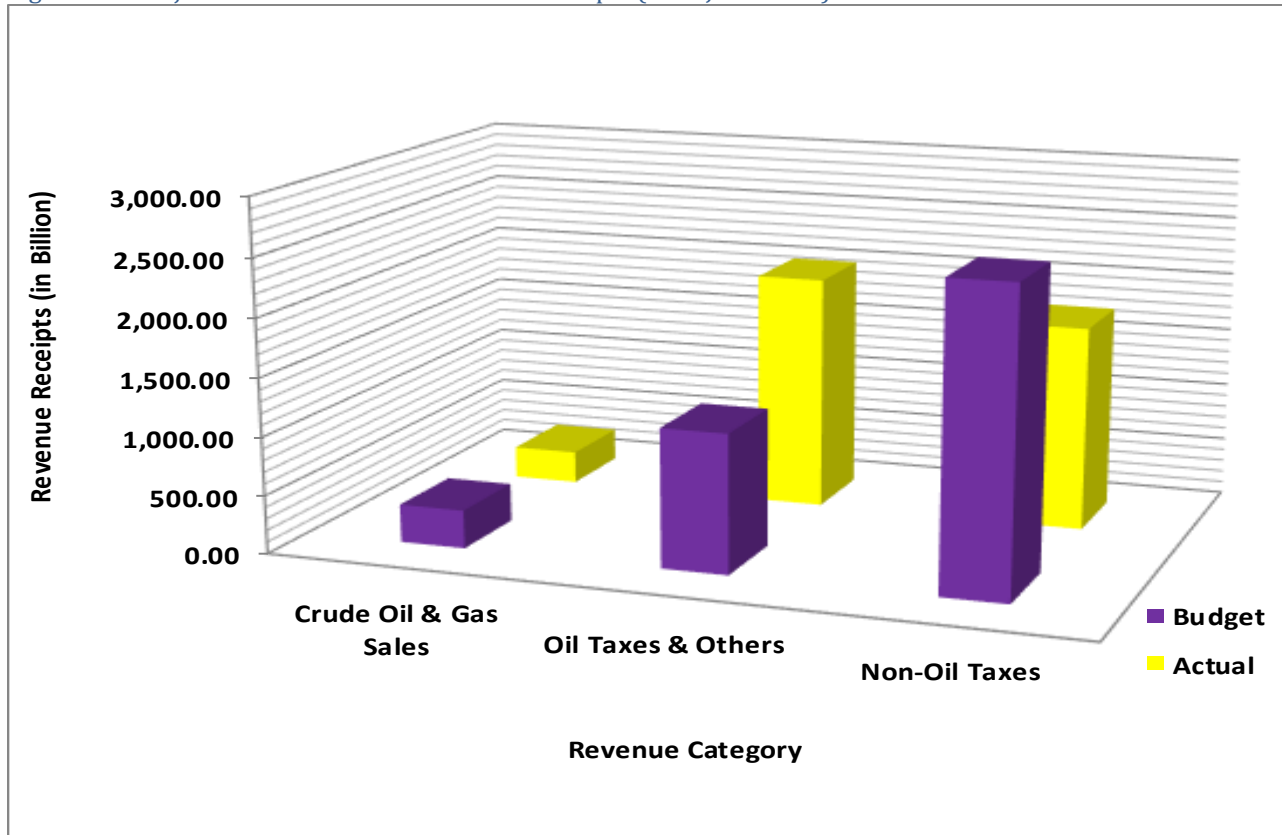
Table 3.6: Percentage Growth in Non-Oil Revenue Performances (Second Quarter) 2011– 2019

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	9 - Year Average
Customs & Excise Duties	49.79%	14.37%	-17.37%	40.12%	-9.11%	-17.50%	202.86%	12.92%	26.48%	33.62%
Company Income Tax	3.24%	17.94%	16.28%	29.96%	-33%	7.72%	158.20%	52.69%	40.38%	32.60%
Value Added Tax	11.54%	13.84%	6.55%	0.23%	4.68%	-4.21%	830.08%	8.50%	18.16%	98.82%
FGN Independent Revenue	20.77%	-51.61%	-40.27%	-25.07%	-19.95%	473.23%	64.96%	51.38%	-15.12%	50.92%

Source: OAGF and BOF, 2020

Overall, with the exception of Petroleum Profit and Gas Taxes, Royalties (Oil & Gas) and Miscellaneous (Pipeline fees etc.), the actual performances of other revenue categories were below their 2020 half year budgeted figures. The underperformance was however, more severe for Non-Oil Taxes (Figure 3.4).

Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at June 2020)

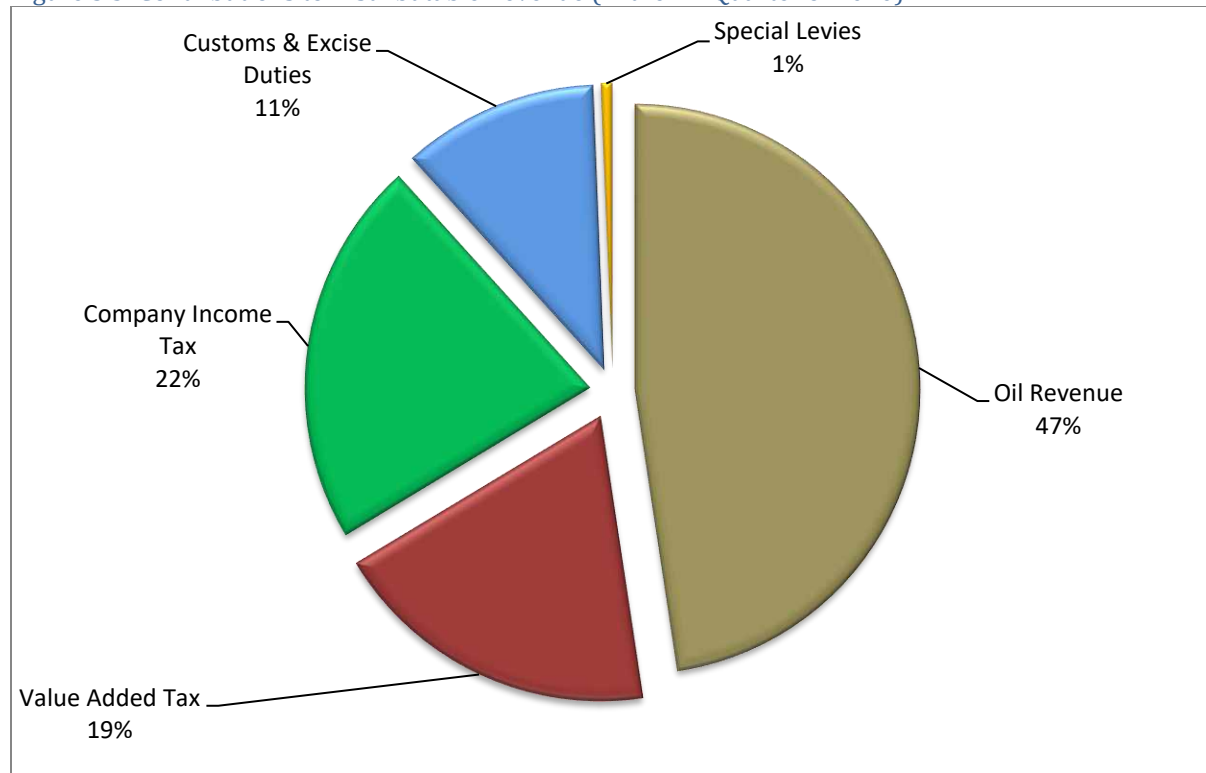


Source: Budget Office of the Federation, 2020

3.6 Distributable Revenue:

The net revenue available for sharing among the three tiers of government (after the deduction of all costs) stood at ₦1,643.80 billion in the second quarter of 2019. This represent a shortfall of ₦80.89 billion (4.69 percent) when compared with the quarterly projection of ₦1,724.68 billion. A breakdown by source indicate that oil revenue accounted for 47.59 percent of the distributable revenue (see Figure 3.5).

Figure 3.5: Contributions to Distributable Revenue (in the 2nd Quarter of 2020)



Source: Budget Office of the Federation, 2020

3.7 Excess Crude Account

Analysis of the reports of the Excess Crude Account (ECA) reveal an opening balance of US\$72.22 million as at 1st April, 2020. The sum of US\$0.19 million being accrued interest on fund investment (April – June 2020) was received into the account in the second quarter of 2020. No withdrawal was made from the account within the period under review. This resulted to a closing balance of US\$72.41 million as at 30th June, 2020 (Table 3.7).

Table 3.7: Net Excess Crude Account

Description	2019 Actual			2020 Actual		
	First Quarter	Second Quarter	Half Year	First Quarter	Second Quarter	Half Year
Inflows						
Transfer to Excess Crude Oil Account	0	US\$105.55 million	US\$105.55 million	0	0	0
Accrued Interest on Fund Investment	US\$2.25 million	US\$0.21 million	US\$2.46 million	US\$1.25 million	US\$0.19 million	US\$1.44 million
Reconciliation of Inflow and Outflow	0	0	0		0	0
Total Inflow	US\$2.25 million	US\$105.76 million	US\$108.01 million	US\$1.25 million	US\$0.19 million	US\$1.44 million
Outflows						
Consultancy Fee & Litigation Expenses	US\$350.0 million	0	US\$350.0 million	US\$4.0 million	0	US\$4.0 million
NSIA Payment for Fertilizer Purchase	US\$14.55 million	0	US\$14.55 million	0	0	0
Payment of Commission/Exchange Rate Loss on Transfers	US\$1.28 million	0	US\$1.28 million	-	0	0
Amount approved by Mr. President as advance payment for the purchase of Super Tucano Aircraft	0	0	0	0	0	0
Amount approved by Mr. President for the first batch of procurement of critical equipment for the Nigerian Army, Navy and Defence Intelligence Agency	0	0	0	0	0	0
Paris Club Refund to States & FCT	US\$68.28 million	US\$225.22 million	US\$293.50 million	0	0	0
Bank Charges	0	0	0	0	0	0
Charges for Breaking Investment	0	US\$0.30 million	US\$0.30 million	0	0	0
States Matching Grants to UBEC	US\$16.80 million	0	US\$16.80 million	0	0	0
Transfers to Nigerian Sovereign Investment Authority for Investment	0	0	0	US\$250.0 million	0	US\$250.0 million
Total Outflow	US\$450.92 million	US\$225.52 million	US\$676.44 million	US\$254.0 million	0	US\$254.0 million
Net Excess Crude Account	(US\$448.67) million	(US\$119.76 million)	(US\$568.43 million)	(US\$252.75 million)	US\$0.19 million	(US\$252.56 million)

Source: Office of the Accountant General of the Federation, 2020

3.8 FGN Budget Revenue

Based on the amended 2020 Budget Framework, the sum of ₦5,365.67 billion was projected to fund the Federal Budget, indicating a quarterly estimate of ₦1,341.42 billion. A total of ₦777.08 billion, excluding other funding sources, was received in the second quarter of 2020. This amount was ₦564.34 billion (42.07 percent) and ₦273.30 billion (26.02 percent) lower than the quarterly projection of ₦1,341.42 billion and ₦1,050.38 billion recorded in the second quarter of 2020. The performance was also ₦95.98 billion (10.99 percent) lower than the ₦873.06 billion reported in the preceding quarter of 2020. The total inflow available to fund the budget stood at ₦777.08 billion for the period.

The sum of ₦382.10 billion that was received from oil sources in the second quarter of 2020 was higher than the quarterly estimate of ₦253.44 billion by ₦128.66 billion (50.76 percent). FGN's share of Solid Minerals revenue stood at ₦0.34 billion indicating a shortfall of ₦0.14 billion (29.29 percent). All the non-oil revenue items equally fell below their quarterly budget projections. FGN's share of VAT of ₦43.14 billion, Company Income Tax of ₦174.73 billion, Customs of ₦88.33 billion, Special Levies (Federation Account) of ₦4.96 billion and Independent Revenue of ₦83.49 billion were below their corresponding quarterly budget estimates of ₦71.03 billion, ₦205.42 billion, ₦112.67 billion, ₦17.11 billion and ₦233.21 billion by ₦27.89 billion (39.26 percent), ₦30.68 billion (14.94 percent), ₦24.35 billion (21.61 percent), ₦12.16 billion (71.04 percent) and ₦149.72 billion (64.20 percent) respectively.

On the other hand, FGN's share of Company Investment by FAAC, Transfers from Special Accounts, Transfers from Special Levies Accounts, Share of Signature Bonus/Renewal, Domestic Recoveries, Stamp Duties, Grants & Donor Funding, Transfers from Special Accounts for COVID-19 Intervention Across the Federation and Grants and Donations for COVID-19 Crisis Intervention Fund yielded nothing in the quarter. This followed similar pattern of their respective performances in the Federation Account level (*Table 3.8*).

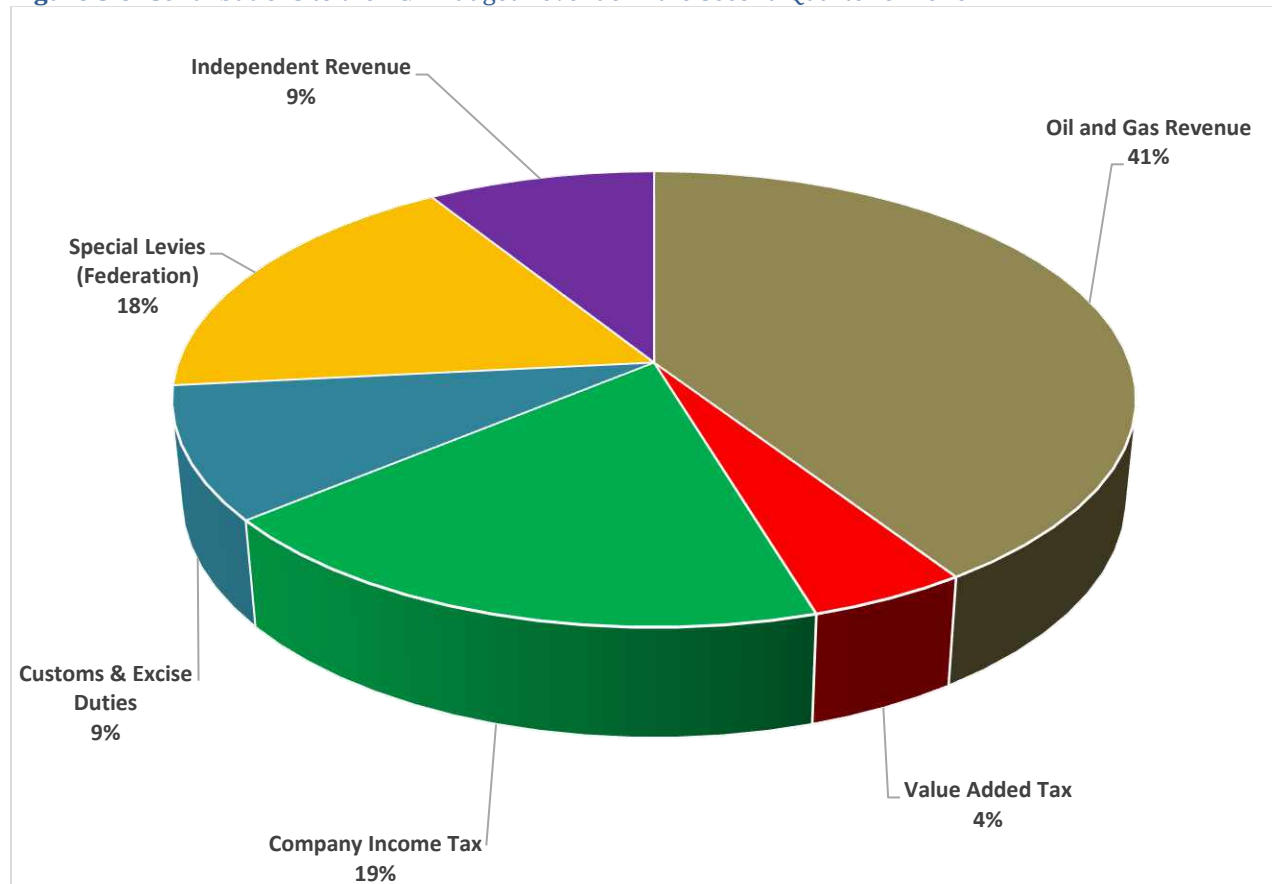
Table 3.8: Inflows to the 2020 Federal Budget as at June 2020

S/NO	ITEMS	2020 AMENDED BUDGET			ACTUAL			VARAIANCE					
		Annual	Quarterly	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget	
1	Inflow to the Federal Budget (CRF)	Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
2	FGN Share of Oil Revenue	1,013.77	253.44	506.88	437.83	382.10	819.93	128.66	50.76	-55.73	(12.73)	313.05	61.76
3	FGN Share of Dividend (NLNG)	80.38	20.09	40.19	0.00	0.00	0.00	-20.09	(100.00)	0.00		-40.19	(100.00)
4	FGN Share of Minerals & Mining	1.90	0.47	0.95	0.62	0.34	0.95	-0.14	(29.29)	-0.28	(45.56)	0.00	0.31
5	FGN Share of Non-Oil	1,624.93	406.23	812.47	270.08	311.16	581.23	-95.08	(23.40)	41.08	15.21	-231.23	(28.46)
6	FGN Share of Value Added Tax (VAT)	284.11	71.03	142.06	42.26	43.14	85.40	-27.89	(39.26)	0.88	2.09	-56.65	(39.88)
7	FGN Share of Company Income Tax (CIT)	821.67	205.42	410.83	126.33	174.73	301.06	-30.68	(14.94)	48.40	38.32	-109.77	(26.72)
8	FGN Share of Customs	450.70	112.67	225.35	96.03	88.33	184.36	-24.35	(21.61)	-7.70	(8.02)	-40.99	(18.19)
9	Share of Special Levies (Federation Account)	68.46	17.11	34.23	5.46	4.96	10.41	-12.16	(71.04)	-0.50	(9.22)	-23.81	(69.58)
10	Revenue from GOEs (Top 9 excluding NNPC)	990.11	247.53	495.06	0.00	0.00	0.00	-247.53	(100.00)	0.00		-495.06	(100.00)
11	Top 10 GOEs Operating Surplus (80% of which is captured in Independent Revenue)	-520.53	-130.13	-260.27	0.00	0.00	0.00	130.13	(100.00)	0.00		260.27	(100.00)
12	Independent Revenue	932.84	233.21	466.42	94.55	83.49	178.04	-149.72	(64.20)	-11.05	(11.69)	-288.38	(61.83)
13	Transfers from Special Accounts	345.00	86.25	172.50	0.00	0.00	0.00	-86.25	(100.00)	0.00		-172.50	(100.00)
14	Transfers from Special Levies Accounts	300.00	75.00	150.00	0.00	0.00	0.00	-75.00	(100.00)	0.00		-150.00	(100.00)
15	FGN's Share of Signature Bonus/Renewals/Early Renewals	350.52	87.63	175.26	69.99	0.00	69.99	-87.63	(100.00)	-69.99	(100.00)	-105.27	(60.07)
16	Domestic Recoveries + Assets + Fines	237.01	59.25	118.51	0.00	0.00	0.00	-59.25	(100.00)	0.00		-118.51	(100.00)
17	Stamp Duty	200.00	50.00	100.00	0.00	0.00	0.00	-50.00	(100.00)	0.00		-100.00	(100.00)
18	Grants and Donor Funding	42.96	10.74	21.48	0.00	0.00	0.00	-10.74	(100.00)	0.00		-21.48	(100.00)
19	Transfers from Special accounts for COVID-19 Intervention Across the Federation	186.37	46.59	93.19	0.00	0.00	0.00	-46.59	(100.00)	0.00		-93.19	(100.00)
20	Grants and Donations for COVID-19 Crisis Intervention Fund	50.00	12.50	25.00	0.00	0.00	0.00	-12.50	(100.00)	0.00		-25.00	(100.00)
21	AMOUNT AVAILABLE TO FUND THE BUDGET (Excluding GOEs Budget & Project-tied Loans)	5,365.67	1,341.42	2,682.84	873.06	777.08	1,650.14	-564.34	(42.07)	-95.98	(10.99)	-1,032.70	(38.49)
22	AMOUNT AVAILABLE TO FUND THE BUDGET (Including GOEs Budget & Project-tied Loans)	5,835.26	1,458.81	2,917.63	873.06	777.08	1,650.14	-681.73	(46.73)	-95.98	(10.99)	-1,267.49	(43.44)

Source: OAGF and Budget Office of the Federation, 2020 (PRMRC)

Oil and Gas revenue accounted for 41 percent of total revenue in the review period. Other revenue sources are as depicted in Figure 3.6.

Figure 3.6: Contributions to the FGN Budget Revenue in the Second Quarter of 2020

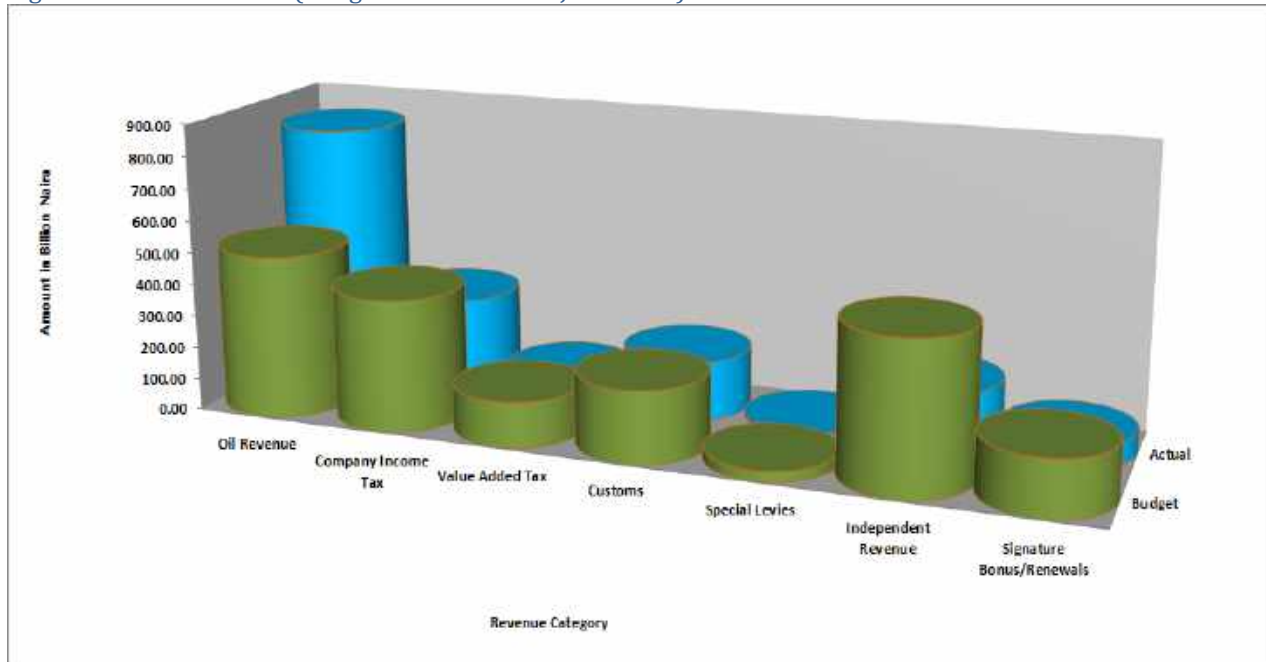


Source: The OAGF and Budget Office of the Federation, 2020

Note: This excludes FGN's Unspent Balances and FGN's Balances in Special Accounts and Other Funding Sources

The Non-Oil and Independent revenue contributed largely to the revenue shortfall experienced by FGN in the quarter under review accounting for ₦244.80 billion (43.38 percent) of the entire revenue shortfall. Other major contributors included FGN's Share of Signature Bonus/Renewals/Early Renewal and Transfers from Special Accounts which accounted for ₦87.63 billion (15.53 percent) and ₦86.25 billion (15.28 percent) respectively.

Figure 3.7: FGN Revenue (Budget Vs Actual as at June 2020)



Source: The OAGF and Budget Office of the Federation, 2020

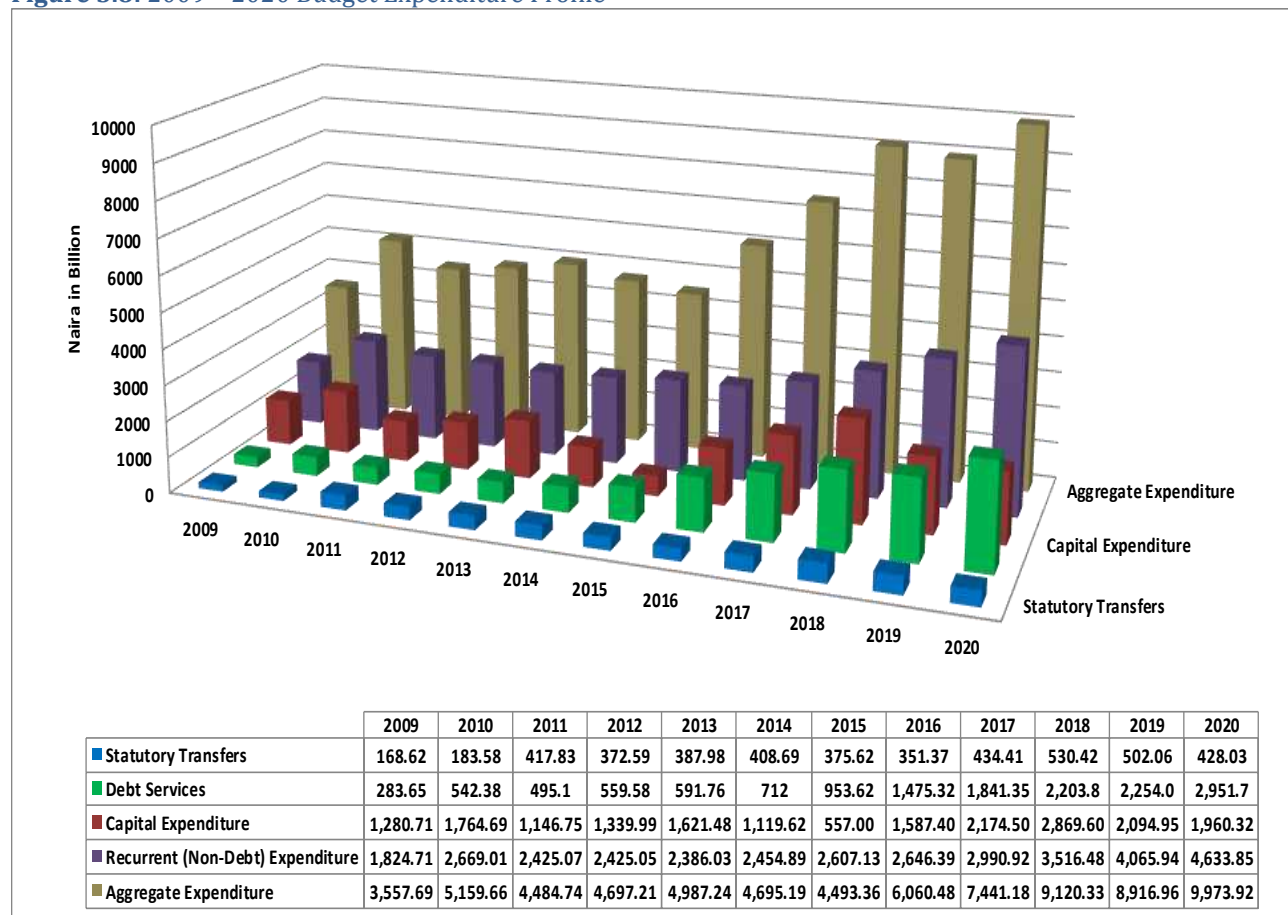
3.8.1 Total Inflow of the Federal Government

Total Retained Revenue of the Federal Government stood at ₦1,650.14 billion in the first half of 2020. This represents a ₦1,032.70 billion (38.49 percent) shortfall from 2020 half year budget estimate.

3.9 Expenditure Developments:

A total of ₦9,973.92 billion (excluding GOEs Budget & Project-tied Loans) was appropriated for expenditure in the 2020 Amended Budget. This comprises of ₦4,633.85 billion (46.46 percent) for Recurrent (Non-Debt), ₦2,951.71 billion (29.59 percent) for Debt Service, ₦428.03 billion (4.29 percent) for Statutory Transfers and ₦1,960.32 billion (19.65 percent) for Capital Expenditure. This translates to prorated quarterly expenditure outlay of ₦2,493.48 billion in 2020. Actual expenditure amounts to ₦2,328.71 billion in the second quarter of 2020, translating to a ₦164.77 billion (6.61 percent) expenditure below the quarterly budget projection for the year. The detailed breakdown is presented below.

Figure 3.8: 2009 – 2020 Budget Expenditure Profile



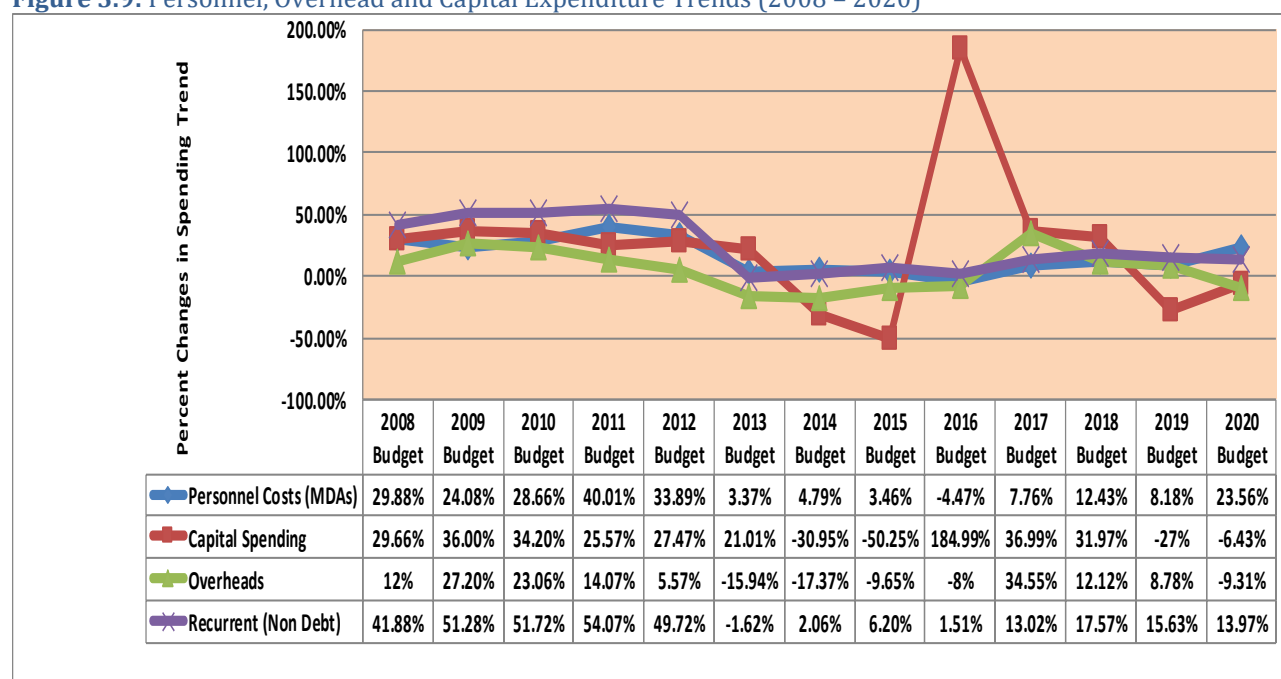
Source: Budget Office of the Federation, 2020

3.9.1 Non-Debt Recurrent Expenditure

The FGN continued to pursue its goal of reducing the share of recurrent to total expenditure in its annual budgets as stated in the 2020-2022 Amended Fiscal Framework and Fiscal Strategy Paper. Key initiatives aimed at cutting down recurrent costs were therefore pursued vigorously during the period. This include the roll-out of the Integrated Payroll and Personnel Information System (IPPIIS) to higher institutions of learning and the introduction of the Bottom-up Cash Plan Module. The effects of these efforts have however been moderated by the growing personnel cost as well as the lower revenue generation which necessitated higher borrowing and therefore high recurrent debt expenditure.

Total non-debt recurrent expenditure of ₦1,017.97 billion was spent in the second quarter of 2020. This implies a shortfall of ₦217.60 billion (17.61 percent) from the quarterly estimate of ₦1,235.57 billion. It was also ₦129.33 billion (11.27 percent) below ₦1,147.30 billion but ₦56.56 billion (5.88 percent) above ₦961.41 billion levels of expenditure reported in the first quarter of 2020 and second quarter of 2019 respectively.

Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2020)



Source: BOF and OAGF, 2020

3.9.2 Debt Service:

Total Debt Service in the second quarter of 2020 stood at ₦623.60 billion indicating a shortfall of ₦114.33 billion (15.49 percent) below the ₦737.93 billion projected for the quarter. A total of ₦468.34 billion was proposed for domestic debt service in the quarter under review but ₦259.38 billion was actually used for the service of the FGN debt. This indicates a difference of ₦208.95 billion (44.62 percent) below the quarterly estimate.

The sum of ₦201.37 billion was proposed for the service of external debt in the

quarter under review. Actual external debt service payment however amounted to ₦122.25 billion (US\$287.04 million) indicating a difference of ₦79.12 billion (39.29 percent) below the quarterly projection.

Table 3.9: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at June 2020

S/NO	ITEMS	2020 AMENDED BUDGET			2020 ACTUAL			VARIANCE							
		Annual	Quarterly	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget			
		Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%		
A	RETAINED REVENUE														
B	AMOUNT AVAILABLE FOR FGN BUDGET (excluding GOEs Budget & Project-tied Loans)	5,365.67	1,341.42	2,682.84	873.06	777.08	1,650.14	(584.34)	(42.07)	(95.98)	(10.99)	(1,032.70)	(38.49)		
C	AMOUNT AVAILABLE FOR FGN BUDGET (including GOEs Budget & Project-tied Loans)	5,835.26	1,458.82	2,917.63	873.06	777.08	1,650.14	(661.74)	(46.73)	(95.98)	(10.99)	(1,207.49)	(43.44)		
D	EXPENDITURE														
1	RECURRENT NON-DEBT:														
2	Personnel Cost (MDAs)	2,827.65	706.91	1,413.82	729.56	697.00	1,426.56	(9.91)	(1.40)	(32.55)	(4.46)	12.73	0.90		
3	Personnel Costs (GOEs)	218.81	54.70	109.41	0.00	0.00	0.00	(54.70)	(100.00)	0.00	0.00	(109.41)	(100.00)		
4	CRF Pensions, Gratuities & Retirees Benefits	536.72	134.18	268.36	90.54	89.68	180.23	(44.50)	(33.16)	(0.86)	(0.95)	(88.13)	(32.84)		
5	Overhead Costs (MDAs)	243.18	60.79	123.51	79.67	123.15	202.82	62.35	102.56	43.48	54.57	81.23	66.81		
6	Overhead Costs (GOEs)	89.61	22.40	44.80	0.00	0.00	0.00	(22.40)	(100.00)	0.00	0.00	(44.80)	(100.00)		
7	Other Service Wide Votes (including GAV/immunization)	397.33	99.33	198.67	80.32	67.73	148.04	(31.61)	(31.82)	(12.59)	(15.68)	(50.62)	(25.48)		
8	Other Service Wide Votes (COVID-19 Crisis Intervention Fund - Recurrent)	213.98	53.49	106.99	0.00	0.00	0.00	(53.49)	(100.00)	0.00	0.00	(106.99)	(100.00)		
9	Presidential Amnesty Programme	65.00	16.25	32.50	10.83	16.25	27.08	0.00	0.00	5.42	50.00	(5.42)	(16.67)		
10	Special Intervention (Recurrent)	350.00	87.50	175.00	0.00	0.00	0.00	(87.50)	(100.00)	0.00	0.00	(175.00)	(100.00)		
11	Payments from Special Accounts	0.00	0.00	0.00	156.38	24.16	180.54	24.16		(132.22)	(84.55)	180.54			
12	Sub-Total (Non-Debt)	4,942.27	1,233.57	2,471.14	1,147.30	1,017.97	2,165.27	(217.80)	(17.83)	(129.33)	(11.27)	(302.87)	(12.28)		
13	Service on Domestic Debt	1,873.34	468.34	936.67	594.23	259.38	853.61	(208.95)	(44.62)	(334.85)	(56.35)	(83.06)	(8.87)		
14	Service on Foreign Debt	805.47	201.37	402.74	128.51	122.25	251.76	(79.12)	(39.29)	(7.27)	(5.61)	(150.98)	(37.49)		
15	Total Debt Service	2,678.81	669.70	1,339.41	722.74	381.63	1,105.37	(288.07)	(43.02)	(342.11)	(47.27)	(234.04)	(17.47)		
16	Interest on Ways & Means	0.00	0.00	0.00	219.38	241.97	461.35	241.97		22.60	10.30	461.35			
17	Sinking Fund to Retire Maturing Loans	272.90	68.23	136.45	0.00	0.00	0.00	(68.23)	(100.00)	0.00	0.00	(136.45)	(100.00)		
18	Sub-Total (Debt)	2,951.71	737.93	1,475.86	943.12	623.60	1,566.72	(114.33)	(15.49)	(119.52)	(13.86)	90.86	6.16		
19	Total Recurrent Expenditure	7,893.98	1,973.50	3,946.99	2,090.42	1,641.57	3,731.98	(111.93)	(19.02)	(448.05)	(21.47)	(215.01)	(5.45)		
20	CAPITAL EXPENDITURE														
21	Amount Available for MDA Capital Expenditure (including N100bn reallocation of existing capital for COVID-19)	1,349.99	337.50	674.99	98.14	255.10	353.24	(82.40)	(24.42)	156.95	159.93	(321.76)	(47.67)		
22	Capital Supplementation	261.35	65.34	130.68	41.56	49.96	91.52	(15.38)	(23.54)	8.40	20.22	(39.16)	(29.97)		
23	Special Intervention (Capital)	20.00	5.00	10.00	0.00	0.00	0.00	(5.00)	(100.00)	0.00	0.00	(10.00)	(100.00)		
24	Capital Expenditure in Statutory Transfers	196.77	49.19	98.39	0.00	0.00	0.00	(49.19)	(100.00)	0.00	0.00	(98.39)	(100.00)		
25	COVID-19 Crisis Intervention Fund - Incremental Capital	99.65	24.91	49.83	0.00	0.00	0.00	(24.91)	(100.00)	0.00	0.00	(49.83)	(100.00)		
26	COVID-19 Intervention Across the Federation	186.37	46.59	93.19	0.00	0.00	0.00	(46.59)	(100.00)	0.00	0.00	(93.19)	(100.00)		
27	Top 10 GOEs Capital Expenditure	141.17	35.29	70.59	0.00	0.00	0.00	(35.29)	(100.00)	0.00	0.00	(70.59)	(100.00)		
28	Grants and Donor Funded Projects	42.96	10.74	21.48	0.00	0.00	0.00	(10.74)	(100.00)	0.00	0.00	(21.48)	(100.00)		
29	Multi-Lateral / Bi-Lateral Project-tied Loans	387.30	96.82	193.65	0.00	0.00	0.00	(96.82)	(100.00)	0.00	0.00	(193.65)	(100.00)		
30	Total Capital Expenditure	2,685.56	671.39	1,342.78	139.70	305.06	444.75	(366.33)	(54.56)	165.36	118.37	(898.03)	(66.88)		
31	Capital Expenditure (Exclusive of Transfers)	2,488.79	622.20	1,244.39	139.70	305.06	444.75	(317.14)	(50.97)	165.36	118.37	(799.64)	(64.26)		
32	TRANSFERS														
33	Statutory Transfers	428.03	107.01	214.02	140.12	140.12	280.24	33.11	30.94	0.00	0.00	66.22	30.94		
34	TOTAL FGN BUDGET (excluding GOEs Budget & Project-tied Loans)	9,973.92	2,493.48	4,986.96	2,370.23	2,086.74	4,456.97	(406.74)	(16.31)	(263.49)	(11.96)	(529.99)	(10.83)		
35	TOTAL FGN BUDGET (including GOEs Budget & Project-tied Loans)	10,810.81	2,702.70	5,405.40	2,370.23	2,086.74	4,456.97	(615.90)	(22.73)	(201.48)	(11.96)	(544.40)	(12.53)		
36	Fiscal Deficit (excluding GOEs Budget & Project-tied Loans)	(4,608.25)	(1,152.06)	(2,304.12)	(1,487.17)	(1,309.66)	(2,806.83)	(157.60)	13.68	187.51	(12.52)	(502.71)	21.82		
37	Fiscal Deficit (including GOEs Budget & Project-tied Loans)	(4,975.55)	(1,243.89)	(2,487.77)	(1,487.17)	(1,309.66)	(2,806.83)	(65.77)	5.29	187.51	(12.52)	(319.06)	12.83		
E	FINANCING ITEMS														
1	Privatization Proceeds	126.04	31.51	63.02	0.00	0.00	0.00	(31.51)	(100.00)	0.00	0.00	(63.02)	(100.00)		
2	Multi-lateral / Bi-lateral Project-tied Loans	387.30	96.82	193.65	0.00	0.00	0.00	(96.82)	(100.00)	0.00	0.00	(193.65)	(100.00)		
3	Borrowing from Special Accounts	263.63	65.91	131.82	0.00	0.00	0.00	(65.91)	(100.00)	0.00	0.00	(131.82)	(100.00)		
4	Foreign Borrowing	1,984.68	496.17	992.34	0.00	0.00	0.00	(496.17)	(100.00)	0.00	0.00	(992.34)	(100.00)		
5	Domestic Borrowing	2,213.89	553.47	1,106.95	560.00	859.99	1,419.99	306.51	55.38	299.99	53.57	313.04	28.28		
6	Sub-Total	4,975.54	1,243.89	2,487.77	560.00	859.99	1,419.99	(383.90)	(30.86)	299.99	53.57	(1,067.79)	(42.92)		
7	Sub-Total (exclusive of Project-tied Loans)	4,588.24	1,147.06	2,294.12	560.00	859.99	1,419.99	(287.08)	(25.03)	299.99	53.57	(874.14)	(38.10)		
8	Net Deficit/Surplus (excluding GOEs Budget & Project-tied Loans)	(56.03)	(1.89)	(3.00)	(937.17)	(449.68)	(1,386.85)	(449.67)	8,891.25	487.50	(52.02)	(1,178.89)	13,764.99		
9	Net Deficit/Surplus (including GOEs Budget & Project-tied Loans)	(0.00)	(0.00)	(0.00)	(937.17)	(449.68)	(1,386.85)	(449.67)		487.50	(52.02)	(1,386.85)			
10	Grand-Total (Revenue + Financing)	10,810.80	2,702.70	5,405.40	1,433.06	1,637.07	3,070.13	(1,065.63)	(39.43)	204.01	14.24	(2,335.28)	(43.20)		

Note 1. The total Expenditure and the Financing items does not includes Multi/Bi-lateral Projected Loans
 2. The figures for Domestic Debts Service and Independent revenue are yet to be reconciled

Source: OAGF and Budget Office of the Federation, 2020

3.9.3 Statutory Transfers:

Statutory Transfers stood at ₦140.12 billion in the second quarter of 2020, same amount released in the first quarter of the year. The amount translates to ₦33.11 billion (30.94 percent) increase above the quarterly estimate of ₦107.01 billion in the 2020 budget.

3.9.4 Capital Expenditure Performance:

Greater portion of Government's available financial resources were directed to structural reform of the economy and the provision of critical infrastructure in the roads, power, housing, rail and aviation sectors as well as the provision of physical and food security. In view of this, a total of ₦1,960.32 billion (excluding capital expenditure of statutory transfers, top 10 GOEs and project tied loans) was allocated to capital spending in the 2020 Budget.

MDAs' Capital Vote Utilization:

The release of funds to MDAs for capital expenditure in the second quarter of 2020 was done in batches based on the availability of resources and government priorities. Data from the Office of the Accountant General of the Federation on 2020 capital performance for MDAs as at 30th June, 2020 showed that a total of ₦460.98 billion was released to MDAs and cash backed for their 2020 capital projects and programmes. The sum of ₦363.69 billion was released as First Releases or Warrant, ₦67.29 billion as Online AIEs and ₦30.0 billion as Manual AIEs.

Performance as at 30th June, 2020:

The data also revealed that ₦242.99 billion (52.71 percent) of the total amount released and cash-backed was utilized by MDAs as at 30th June, 2020. *Appendix 1* to this Report shows the funds released to and utilized by MDAs in the period. A breakdown of the forty (45) MDAs included in the report of the

Office of the Accountant-General of the Federation (OAGF) indicates different levels of utilization. Twelve (26.67 percent) of the MDAs had utilized more than the overall average utilization rate of 52.71 percent of the amount cash-backed. Only nine out of them had above 80 percent utilization of their cash-backed funds while fourteen (31.11 percent) had above fifty percent utilization rate. The utilization report also revealed that only two (4.44 percent) of the MDAs had 100 percent utilization rate while six (13.33 percent) utilized below 10 percent of their cash-backed funds. On the other hand, 20 MDAs (44.44 percent) were yet to get their funds.

The utilization rate as at 30th June, 2020 was low due to the COVID-19 lock down. It is expected that the utilization rate as well as releases will increase in subsequent quarters of the year.

3.9.5 Budget Deficit and Performance of the Financing Items:

The 2020 Fiscal Framework estimated a quarterly fiscal deficit of ₦1,152.06 billion (exclusive of Multi-lateral/Bi-lateral Project-tied Loan of ₦96.82 billion) to be financed through earnings from Privatization Proceeds of ₦31.51 billion, Borrowing from Special Accounts of ₦65.91 billion, Foreign Borrowing of ₦496.17 billion and Domestic Borrowing (FGN Bond) of ₦553.47 billion.

The inflow and outflow of fund for the Federal Government resulted in a fiscal deficit of ₦1,309.66 billion (3.75 percent of prorated GDP) in the second quarter of 2020. This represents a significant increase in deficit to the tune of ₦157.60 billion (13.68 percent) of the projected deficit for the period. However, only ₦859.99 billion was realized from Domestic Borrowing (FGN Bond) while other sources of financing items did not materialize. This resulted in a ₦449.68 billion net deficit financing for the review period.

4.0 CONCLUSION

The macroeconomic setting in the review period was redefined by the impact of the unexpected health and economic crisis as a result of the COVID-19 pandemic. The economy contracted by 6.10 percent in the second quarter of 2020 with the oil and non-oil sectors recording a real growth of -6.63 percent -6.05 percent (year-on-year) respectively. The non-oil sub-sector output which moderated the economy-wide decline were mainly the Financial & Insurance (Financial Institutions), Information & Communication (Telecommunications), Agriculture (Crop Production) and Public Administration. On the other hand, the Transport & Storage, Accommodation & Food Services, Construction, Education, Real Estate and Trade among others sub-sectors dragged growth during the period.

The Federal Government continued to meet its non-discretionary expenditures even as budget implementation continued to be adversely affected by poor revenue outcome. The economic performance in the quarter calls for serious concern and measures to bring back the economy to its path of growth and increased revenue. Enhancing revenue in the remaining quarters of the year is therefore key for the successful implementation of the 2020 budget. Efforts to moderate the growth in recurrent expenditure and particularly personnel and recurrent debt is critical even as concerted efforts to contain the COVID-19 pandemic continues to be paramount.

The Federal Government remains committed to improved openness, transparency and accountability in budget preparation, implementation, monitoring & evaluation and feedback. In view of this, strict adherence to budget implementation guidelines and the governance framework on monitoring of capital budget implementation will continue to be followed. Efforts would also be directed at enhancing efficiency in budget implementation, while engendering effective and efficient project management planning geared towards improving the level of capital budget implementation in 2020.