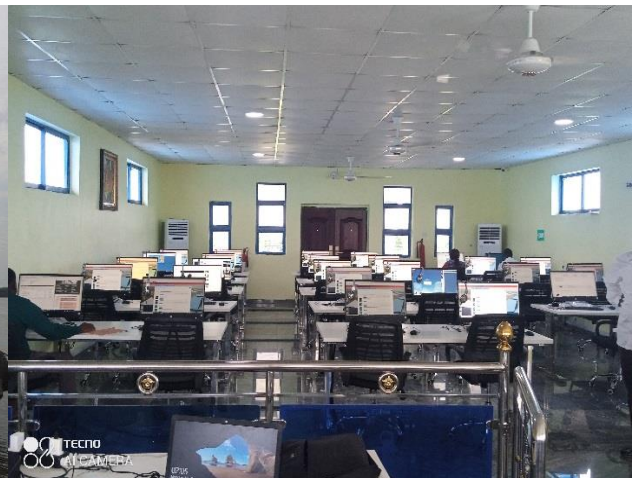




2021 SECOND QUARTER AND HALF YEAR BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION
Ministry of Finance, Budget and National Planning

FOREWORD

It gives me great pleasure to present to you the Second Quarter and Half-Year 2021 Budget Implementation Report (BIR), which provides information on budget performance during the period. The FGN Budget is an important policy instrument for delivering on the objectives of the Government. The 2021 Budget was titled “Budget of Economic Recovery and Resilience”. Its key parameters and assumptions are as set out in the 2021-2023 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) drawn from the Economic Sustainability Plan. This plan is a transit plan between the Economic Recovery and Growth Plan 2017-2020 (ERGP) and the successor Medium-Term National Development Plan (MTNDP). Its principal objective is to reposition the Nigerian economy on the path of recovery, growth and resilience.

This 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 widely 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 numerous 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 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 is one of the in-year reports prepared by the BOF for the assessment of the 2021 Budget performance. In addition to fulfilling the provisions of the FRA 2007, these reports are intended to enhance budget transparency, accountability and credibility as a key component of Nigeria's pledge to the Open Government Partnership (OGP).

The budget preparation, execution, monitoring and evaluation system in Nigeria has continued to evolve. The BOF has continued to implement critical reform initiatives that have increasingly 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 2021 Budget has been very challenging as the macroeconomic environment was adversely affected by the effects of the second wave of the Coronavirus Disease (COVID-19) which started in late 2019. Specifically, it resulted in the downturn of most economic activities and volatility in crude oil demand and price in the international market. Consequently, aggregate revenue for the second quarter and half year 2021 significantly declined when compared to prorated budget estimates, further worsening the fiscal position of the federal government.

In spite of these challenges, Government was able to deliver ₦1,304.51 billion capital expenditure in the first half of 2021 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 pleased by the collaborative efforts of the various Departments of the BOF 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)

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A/C:	<i>Account</i>	MPR:	<i>Monetary Policy Rate</i>
AIE:	<i>Authority to Incur Expenditure</i>	MTFF:	<i>Medium Term Fiscal Framework</i>
AF:	<i>Alternative Funding</i>	N:	<i>Naira</i>
AEs:	<i>Advanced Economies</i>	NBS:	<i>National Bureau of Statistics</i>
B:	<i>Billion</i>	NDDC:	<i>Niger Delta Development Commission</i>
BDC:	<i>Bureau De-Change</i>	NHRC:	<i>National Human Rights Commission</i>
BOF:	<i>Budget Office of the Federation</i>	NJC:	<i>National Judiciary Commission</i>
BREXIT:	<i>British Exit</i>	NNPC:	<i>Nigerian National Petroleum Corporation</i>
CBN:	<i>Central Bank of Nigeria</i>	NTB:	<i>Nigerian Treasury Bills</i>
CIT:	<i>Company Income Tax</i>	OAGF:	<i>Office of the Account General of the Federation</i>
COVID-19:	<i>Corona Virus Disease - 2019</i>	ONSA:	<i>Office of National Security Adviser</i>
DMO:	<i>Debt Management Office</i>	OPEC:	<i>Organization of Petroleum Exporting Countries</i>
ECA:	<i>Excess Crude Account</i>	OTC-FMDQ-OTC:	<i>Over the Counter Financial Market Dealer Quotation</i>
EMDEs:	<i>Emerging Markets and Developing Economies</i>	PCC:	<i>Public Complaint Commission</i>
EMEs:	<i>Emerging Markets Economies</i>	PPT:	<i>Petroleum Profit Tax</i>
FAAC:	<i>Federation Account Allocation Committee</i>	PSC:	<i>Production Sharing Contracts</i>
FGN:	<i>Federal Government of Nigeria</i>	SC:	<i>Service Contracts</i>
FMFBNP:	<i>Federal Ministry of Finance, Budget and National Planning</i>	SITC:	<i>Standard International Trade Classification</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>		
MDAs:	<i>Ministries, Departments and Agencies</i>		

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EXECUTIVE SUMMARY

The Federal Budget is an important instrument for 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 effort to deliver public goods/services to the people. The Federal Budget is not all about expenditure allocations as revenue remains its critical and vital component. The 2021 Appropriation Act, was designed to further deliver on the goals of the Economic Sustainability Plan (ESP) which provides clear road map for our post coronavirus economic recovery. The 2021-2023 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provided the economic framework for the 2021 Budget, along with fiscal policy objectives and spending priorities of the Government over the three-year period.

Nigeria's real Gross Domestic Product (GDP) grew by 5.01 percent (year-on-year) in the second quarter of 2021, marking three consecutive quarters of growth. This follows the negative growth rates recorded in the second and third quarters of 2020. The 2021 second quarter growth rate was higher than the -6.10 percent recorded in second quarter of 2020 and the 0.51 percent recorded in first quarter of 2021. It also indicates the return of business and economic activity near levels witnessed prior to the nationwide implementation of COVID-19 related restrictions.

Sustained moderation in inflation rates was observed in the review period. Headline inflation (year-on-year) declined from 18.17 percent in March to 18.12 percent, 17.93 percent and 17.75 percent in April, May and June 2021 respectively. The decrease was attributed to a marginal decline in both the food components of inflation. Food inflation decreased from 22.95 percent in March to 22.72 percent, 22.28 percent and 21.83 percent in April, May and June 2021 respectively. On the other hand, Core inflation increased from 12.67 percent in March to 12.74 percent and 13.15 percent in April and May 2021 respectively declining afterwards to 13.09 percent in June 2021.

Monetary aggregates increased in the review period relative to the first quarter of 2021. Broad Money Supply (M2) increased by ₦540.31 billion (1.41 percent) from ₦38,218.83 billion in March 2021 to ₦38,759.14 billion in June 2021. The growth in M2 was mainly driven by the expansion in the Net Foreign Assets

(NFA) and Net Domestic Credit (NDC). Net Foreign Assets increased by 8.42 percent (~~₦566.26~~ billion) from ~~₦6,725.99~~ billion in March 2021 to ~~₦7,292.25~~ billion in June 2021. Similarly, Net Domestic Credit (NDC), driven by the expansion of Credit to Private Sector, rose by 2.19 percent (~~₦950.48~~ billion) from ~~₦43,435.08~~ billion in March 2021 to ~~₦44,385.56~~ billion in June 2021.

Nigeria's foreign trade rose by ~~₦6.86~~ trillion or 45.99 percent to ~~₦21.78~~ trillion in the first half of 2021 as global trade and activity levels recover. This represents significant trade expansion compared to the decline of 11.40 percent recorded in the first half of 2020. This was driven by significant expansion in both imports and exports in the review period. Imports increased by ~~₦5.21~~ trillion or 60.67 percent to ~~₦13.80~~ trillion in the first half of 2021, from ~~₦8.59~~ trillion recorded in the corresponding period of 2020. Exports also increased by ~~₦1.65~~ trillion or 26.18 percent from ~~₦6.33~~ trillion in the first half of 2020, to ~~₦7.99~~ trillion in the review period. This led to further deterioration in Nigerian's trade balance and a deficit of ~~₦5.81~~ trillion, indicating a ~~₦3.56~~ trillion or 157.87 percent decline in net trade from ~~₦-2.25~~ trillion in the first half of 2020.

The Official/Inter-Bank segment of the foreign exchange market remained stable at ~~₦381.0/US\$~~ throughout the second quarter of 2021. The Investors' and Exporters' (I&E) Window and Bureau-de-Change (BDC) segments however witnessed some element of variability in the period. The Naira/Dollar exchange rate at the Investors' and Exporters' (I&E) FX Window segment depreciated slightly from ~~₦409.89/US\$~~ in March 2021 to ~~₦411.30/US\$~~ in June 2021. Similarly, the Naira/US\$ depreciated at the Bureau De-Change (BDC) segment of the market, from ~~₦481.22/US\$~~ in March 2021 to ~~₦496.19/US\$~~ in June 2021. Nigeria's official gross (external) reserves therefore declined marginally to US\$32.99 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, 2021 stood at ~~₦35,465.01~~ billion (US\$86,571.80 million). This represents an increase of ~~₦2,357.76~~ billion (7.12 percent) when compared to the ~~₦33,107.25~~ billion reported at the end of March 2021. The breakdown consisted of US\$53,102.88 million (~~₦21,754.13~~ billion) or

61.34 percent for domestic debt while the balance of US\$33,468.92 million (₦13,710.88 billion) or 38.66 percent was for external domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 24.85 percent as at the end of June 2021, and was below the country specific threshold of 25 percent and significantly below the international threshold for comparator countries of 56 percent.

Revenue shortfalls impacted FGN Budget implementation in the second quarter of 2021. The price of crude oil in the international market averaged US\$68.83 per barrel in the review period, representing an increase of US\$7.93 per barrel (13.12 percent) from the US\$60.90 per barrel reported in the first quarter of 2021. This also reflects an increase of US\$39.63 per barrel (135.72 percent) and US\$28.83 per barrel (72.08 percent) when compared to US\$29.20 per barrel recorded in the second quarters of 2020 and US\$40.0 budget benchmark, respectively.

Average oil production in the second quarter of 2021 however decreased to 1.61mbpd representing a 0.25mbpd (13.44 percent) fall from the 1.86mbpd benchmark for the 2021 Budget. The volume of oil production in the period was also 0.11mbpd (6.40 percent) and 0.20mbpd (11.05 percent) below 1.72mbpd and 1.81mbpd recorded in the first quarter of 2021 and second quarter of 2020 respectively.

Gross Oil Revenue of ₦1,899.79 billion collected in the first half of 2021 therefore fall short of the ₦2,592.78 billion prorated budget projection for the period. This denotes a decrease of ₦693.0 billion (26.73 percent) and ₦398.69 billion (17.35 percent) below the 2021 half year budget estimate and half year actual gross oil revenue recorded in 2020 respectively. The gross non-oil revenue in the first half of the year amounted to ₦2,448.55 billion; an increase of ₦147.43 billion (6.41 percent) above the half year's estimate of ₦2,301.11 billion. This results from the improved performance of some of the non-oil revenue items. The net distributable revenue however stood at ₦3,380.04 billion in the first half of 2021, representing a shortfall of ₦836.60 billion (19.84 percent) on higher oil revenue deductions.

The sum of ₦2,311.36 billion was received to fund the FGN budget in the first

half of 2021. This comprises ₦538.31 billion (23.29 percent) oil revenue and ₦1,773.05 billion (76.71 percent) non-oil revenue. Revenue receipts increased from ₦997.21 billion in the first quarter to ₦1,314.15 in the second quarter. However, total inflow for the first half of the year was ₦1,007.43 billion (30.36 percent) lower than the 2021 half year projection of ₦3,318.79 billion but ₦661.22 billion (40.07 percent) higher than the ₦1,650.14 billion reported during the first half of 2020.

Total expenditure of the Federal Government stood at ₦5,806.99 billion in the first half of 2021 representing ₦42.24 billion (0.73 percent) increase above the ₦5,764.75 billion prorated budget projection for the review period. It is also ₦888.67 billion (18.07 percent) higher than the actual expenditure of ₦4,918.32 billion recorded in the first half of 2020. A total of ₦2,234.05 billion was spent on non-debt recurrent expenditure in the first half of 2021 representing a decrease of ₦586.93 billion (20.81 percent) below the budget estimate of ₦2,820.98 billion for the period. It was however above the non-debt recurrent expenditure of ₦2,165.27 billion spent during the half year of 2020 by ₦68.78 billion (3.18 percent). Statutory Transfers amounted to ₦248.26 billion during the review period.

Total Debt Service in the first half of 2021 stood at ₦2,020.17 billion, higher than the prorated sum of ₦1,662.19 billion by ₦357.98 billion (21.54 percent). Interest on Ways and Means during the period amounted to ₦587.56 billion. The sum of ₦935.46 billion was used for domestic debt servicing, a difference of ₦156.29 billion (14.32 percent) from the prorated half year projection, while ₦497.15 billion was spent on external debt servicing during the period under review.

A total of ₦1,304.51 billion was released for the implementation of capital projects in the 2021 budget during the period. This indicates a shortfall of ₦235.43 billion or 15.29 percent from the prorated budget estimate for the half year. This excludes the ₦618.92 billion capital expenditure released in the period under the 2020 budget and comprises of ₦1,092.35 billion MDAs capital, ₦211.16 billion for Capital Supplementation and ₦1.0 billion for Special Intervention (Capital).

The revenue and expenditure outturn of the Federal Government resulted in a fiscal deficit of ₦3,484.41 billion (4.40 percent of prorated GDP) in the first half of 2021. This was ₦1,038.45 billion (42.46 percent) above the projected half year deficit of ₦2,445.96 billion. It was also, above the ₦2,806.83 billion deficit that was recorded in first half of 2020. The deficit was financed through domestic borrowing of ₦1,250.0 billion thereby reflecting a negative net financing of ₦2,234.41 billion in the period under review.

Overall, the nation's economy grew by 5.01 percent in the second quarter of 2021, a sign that the Nigerian economy is fully recovering from the second recession in four years after posting three consecutive positive quarterly GDP growth. The positive economic performance in the quarter under review was due to the effect of some measures put in place to curtail the negative impact of the COVID-19 pandemic on the economy. Specifically, 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 executed by the Federal Government positively impacted developments in the review period. The trend is also expected to continue in subsequent quarters of 2021 and beyond.

1.0 INTRODUCTION

The Federal Budget is an important instrument used in achieving Government's strategic objectives and plans for the socio-economic development of the nation. It is thus a report of the allocation of resources to different sectors/agencies by the Government in its effort to deliver public goods/services to the people. The Federal Budget is not all about expenditure allocations as it is often assumed by many. Revenue remains a critical and vital component of the FGN budget. In recent times, though significant progress has been made, revenue generation has been a major challenge affecting effective implementation of FGN budgets.

The 2021 Appropriation Act, was designed to further deliver on the goals of the ESP. The Plan provides a clear road map for our post coronavirus economic recovery as a transitory plan from the Economic Recovery and Growth Plan (2017–2020) to the successor Medium Term National Development Plan (2021–2025). In view of the many challenges confronting the Nation, the Budget is expected to accelerate our economic recovery process, promote economic diversification, enhance competitiveness, ensure social inclusion and strengthen the resilience of the economy. The 2021 Appropriation was therefore, themed the 'Budget of Economic Recovery and Resilience'.

The 2021-2023 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provided the economic framework for the 2021 Budget, along with fiscal policy objectives and spending priorities of the Government over the three-year period. It also provides the plans for achieving Government's defined objectives, and highlights the key assumptions behind revenue estimates 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 foundation for the preparation of revenue and expenditure estimates of the annual federal budget. Hence, the MTEF represents efforts towards multi-year perspective in budgeting.

In line with the tradition established last year, the Finance Act of 2020 was prepared and approved to support the 2021 Budget and it came into effect together with the 2021 Appropriation Act, on the 1st of January, 2021. Key guiding principles of the Finance Act 2020 were to implement macroeconomic strategies to attract investment, grow the economy, create jobs as well as provide immediate fiscal strategies for accelerated Domestic Revenue Mobilization, in response to the COVID-19 Pandemic and the domestic/global downturn. As such, emphasis was placed on minimizing unproductive fiscal incentives while keeping tax rates unchanged. Specifically, the Finance Bill 2020 Adopts counter-cyclical fiscal policies in response to the COVID-19 Pandemic by providing fiscal relief for tax payers; reforming fiscal incentive policies to prioritise job creation and accelerating economic recovery and growth; as well as fostering closer coordination of monetary, trade and fiscal policies.

Investing in critical infrastructure is a key component of the fiscal strategy under the 2021 Budget. Accordingly, an aggregate sum of N4.13 trillion (exclusive of N249.95 billion in statutory transfers) was approved for capital projects in 2021. 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 completed in the 2020 fiscal year were rolled over into the 2021 Budget. Some of the key sectors for capital spending allocations in the 2021 Budget included: Works and Housing; Power; Transportation; Defence; Agriculture and Rural Development; Water Resources; Education; Health; and Science & Technology. This underscores government's commitment to increase investments in national security and human capital development.

Government revenue needed to fund the annual budgets remains the most critical fiscal issue over the medium term. Several measures are however being instituted to improve government revenue and entrench a regime of prudence and increased productivity. Improving the tax administration framework to optimize government revenue is therefore a major thrust of the Administration's Strategic Revenue Growth Initiatives (SRGI). A section on Tax Expenditure Statement (TES) was added to the 2021-2023 MTEF/FSP,

and seeks to dimension the cost of tax waivers/concessions, and evaluate their policy effectiveness. Tax Expenditures (TEs) are currently estimated to be: Company Income Tax (CIT) N1.18 trillion; Value Added Tax (VAT) N3.10 trillion; Customs Duties N347.0 billion; and VAT on Imports N64.0 billion. Going forward, proposed annual ceilings will be set on TEs to better manage their impact on already constrained government revenues.

To enhance Independent Revenue collection, Government is aiming to optimize the operational and collection efficiencies of Government Owned Enterprises (GOEs) with a view to ensuring they generate significantly higher revenues and control their expenditures more tightly. Current sub-optimal revenue performance of most GOEs will be addressed through the effective implementation of the enhanced Performance Management Framework, including possible sanctions should they default on their targets. The cost-to-revenue ratio of GOEs has by Finance Act, 2020 been limited to a maximum of 50 percent, while regular monitoring and reporting of revenue and expenditure performance of GOEs will be undertaken by both the Budget Office of the Federation and the Office of the Accountant General of the Federation (OAGF). The Finance ACT, 2020, assented to by Mr. President contain other measures to advance the SRGI.

This Report gives a detailed information on the 2021 Second Quarter 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 Economic Developments

The performance of the global economy in the first two quarters of the year had been favourable and is expected to continue for the rest of the year. There have been reasonable gains in subduing the COVID-19 Pandemic through lowering of restrictions and reopening of several economies. The fast pace of mutation of new and deadlier strains of the virus is however posing a downside risk to the full recovery of the global economy. In addition, the uneven access of vaccines across several countries is a major risk to the attainment of global herd immunity and a key source of growth divergence among nations and economic groupings.

Despite the above challenges, governments all over the world have continued to ease restrictions to enable the recovery of supply chain networks and enhance aggregate demand. The expected rebound in global output growth is dependent, therefore, on the efficient deployment of COVID-19 vaccines with the expectations that the evolving deadlier strains would be subdued. Even with the current outlook, the International Monetary Fund (IMF) projects global growth at 6.0 percent in 2021, compared with the last projection of 5.5 percent. In line with this, the Advanced Economies are projected to grow at 5.1 percent while the Emerging Markets and Developing Economies are projected to grow at 6.7 percent.

Price development across several economies is expected to remain moderate in the short to medium term with some prospects of a slight uptick. The further rise in inflation above the long run objectives of some key Advanced Economies, is seen as momentary and therefore not expected to lead to an adjustment of the stance of monetary policy. However, there remains the persistent risk of an early return to monetary policy normalization, should price development continue to trend upwards. Across several Emerging Market and Developing Economies, inflationary trend was on average mixed, with some of the economies recording higher rates, compared with their peers. This was largely due to exchange rate pressures, capital flow reversals, high energy

costs, weak supply chains and poor response to policy stimulus to combat the macroeconomic slowdown associated with the Pandemic.

2.2 Domestic Macroeconomic Performance

2.2.1 Developments in Real Sector

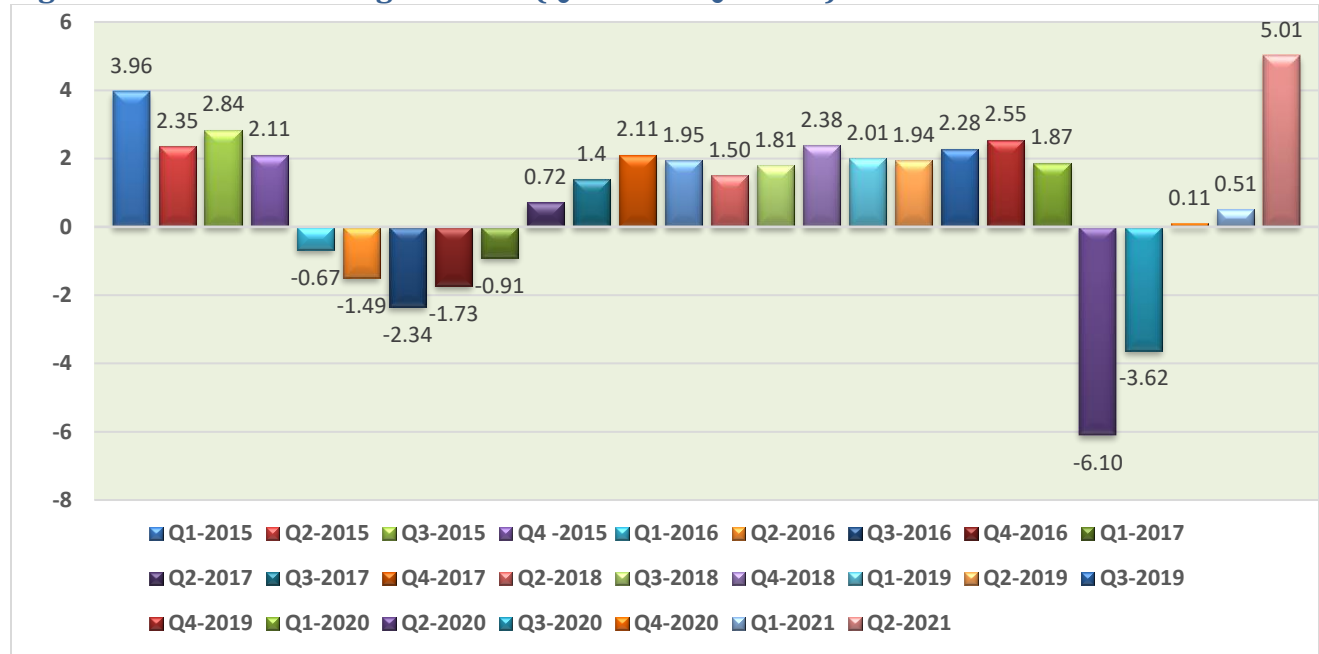
2.2.1.1 GDP Growth:

Nigeria's Gross Domestic Product (GDP) grew by 5.01 percent (year-on-year) in real terms in the second quarter of 2021, marking three consecutive quarters of growth following the negative growth rates recorded in the second and third quarters of 2020. The 2021 second quarter growth rate was higher than the -6.10 percent growth rate recorded in second quarter of 2020 and 0.51 percent recorded in first quarter of 2021. Indicating the return of business and economic activity near levels witnessed prior to the nationwide implementation of COVID-19 related restrictions.

The steady recovery observed since the end of 2020, with the gradual return of commercial activity as well as local and international travel, accounted for the significant increase in growth performance relative to the second quarter of 2020 when nationwide restrictions took effect. Year to date, real GDP grew by 2.70 percent in 2021 compared to -2.18 percent performance reported for the first half of 2020. Nonetheless, quarter on quarter, real GDP grew at -0.79 percent in the second quarter of 2021 when compared to first quarter of 2021, reflecting slightly slower economic activity than the preceding quarter due largely to seasonality.

In the quarter under review, aggregate GDP stood at N39,123.71 billion in nominal terms, this was higher than the aggregate GDP of N34,023.20 billion recorded in the second quarter of 2020, indicating a year-on-year nominal growth rate of 14.99 percent. The nominal GDP growth rate in the second quarter of 2021 was higher than the -2.80 percent growth recorded in the second quarter of 2020 when economic activities slowed down sharply at the outset of the pandemic. The 2021 second quarter nominal growth rate was also higher than 12.25 percent growth recorded in first quarter of 2021.

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q2 2021)



Source: National Bureau of Statistics, 2021

2.2.1.2 Oil Sector:

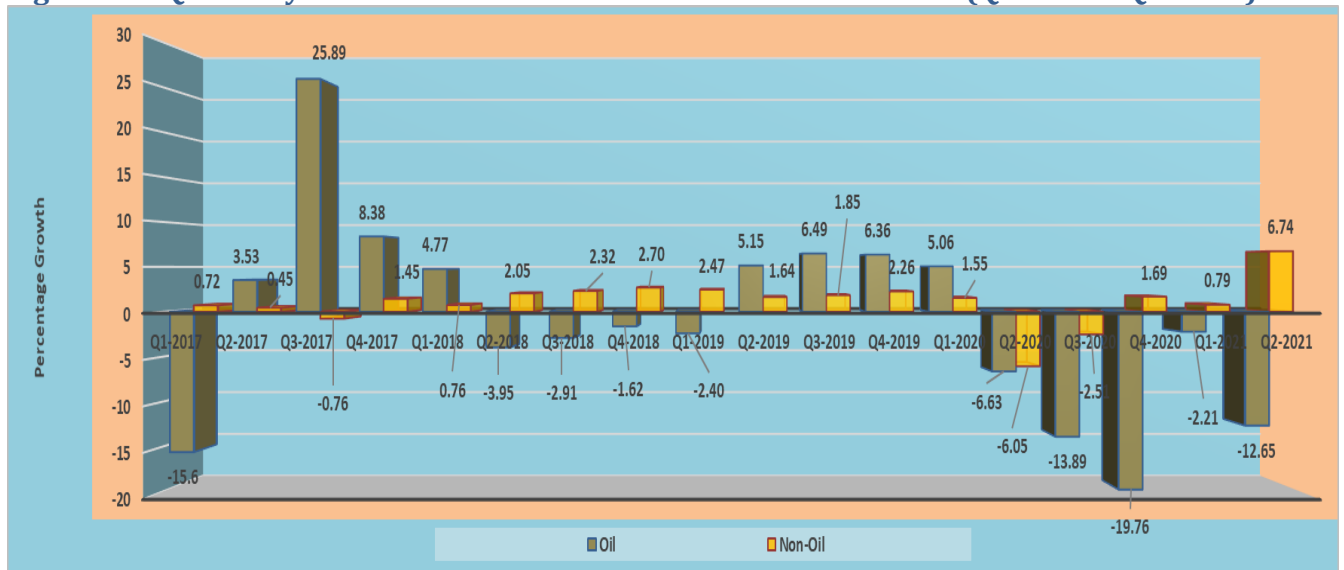
An average daily oil production of 1.61 million barrels per day (mbpd) was recorded in the second quarter of 2021. This implies a decline of 0.20mbpd and 0.11mbpd when compared to the average daily production of 1.81mbpd and 1.72mbpd reported in the same period of 2020 and the first quarter of 2021 respectively.

Real growth of the oil sector was therefore –12.65 percent (year-on-year) in the second quarter of 2021, indicating a decrease of 6.02 percentage and 10.44 percentage points relative to the growth rate of -6.63 percent and -2.21 percent recorded in the corresponding quarter of 2020 and first quarter of 2021 respectively. For the first half of 2021, the oil sector recorded -7.13 percent real growth as against -0.80 percent growth reported in the first half of 2020, indicating a lower oil output. Quarter-on-quarter, the oil sector recorded a growth rate of -20.35 percent in second quarter of 2021. The Oil sector contribution to total real GDP declined to 7.42% in the second quarter of 2021 from the 8.93 percent and 9.25 percent reported in the corresponding period of 2020 and preceding quarter of 2021 respectively.

2.2.1.3 Non-Oil Sector:

The non-oil sector grew by 6.74 percent in real terms during the quarter under review. The 2021 second quarter performance was 12.80 percent and 5.95 percent higher than -6.05 percent and 0.79 percent recorded in the second quarter of 2020 and first quarter of 2021 respectively. The performance of the non-oil sector in the quarter was driven mainly by growth in Trade, Information & Communication (Telecommunication), Transportation (Road Transport), Electricity, Agriculture (Crop Production) and Manufacturing (Food, Beverage & Tobacco). This positive performance reflected the easing of movement, business and economic activity across the country relative to the same period of 2020.

Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate Percent (Q1 2017 - Q2 2021)



Source: National Bureau of Statistics, 2021

In real terms, the non-oil sector contributed 92.58 percent to the nation's GDP in the second quarter of 2021. This share was higher than the 91.07 percent and 90.75 percent shares recorded in the second quarter of 2020 and the first quarter of 2021 respectively.

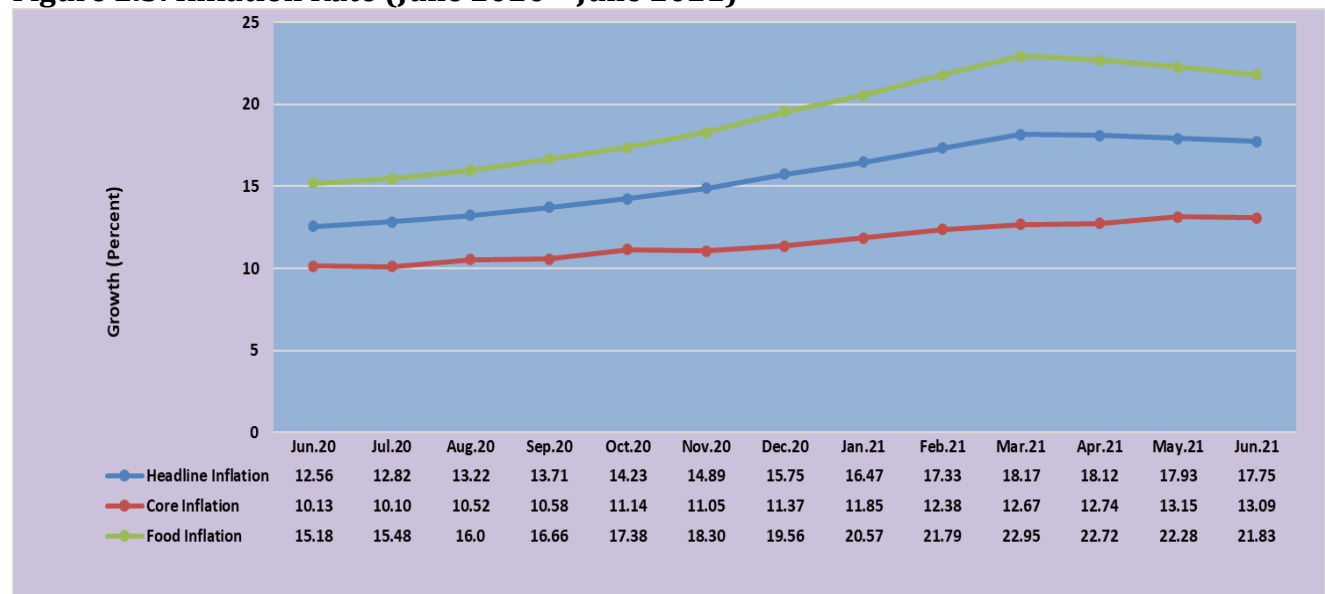
2.2.2 Developments in Prices

The continued moderation in inflation trend was noted, marking the third consecutive months of decline. Headline inflation (year-on-year) declined

from 18.17 percent in March to 18.12 percent, 17.93 percent and 17.75 percent in April, May and June 2021 respectively. The moderation was attributed to a marginal decline in both the food and core components of inflation. Food inflation decreased from 22.95 percent in March to 22.72 percent, 22.28 percent and 21.83 percent in April, May and June 2021 respectively. On the other hand, Core inflation increased from 12.67 percent in March to 12.74 percent and 13.15 percent in April and May 2021 respectively before dropping to 13.09 percent in June 2021.

Despite the decrease in inflationary rate in the quarter, the reported figure was still on the high side. The high rate of inflationary pressure can largely be attributed to a combination of factors including; the heightened security tensions across the country especially in key commodity producing areas as well as deteriorating public infrastructure impacting on the logistics of producing and moving food and other items across places such as poor road networks, unstable power supply and a host of other infrastructural deficits. Other influences included the impact of the second wave of coronavirus-induced supply disruptions, increases in the price of energy products (PMS and electricity), build up in monetary aggregates and exchange rate pass through.

Figure 2.3: Inflation Rate (June 2020 – June 2021)



Source: National Bureau of Statistics, 2021

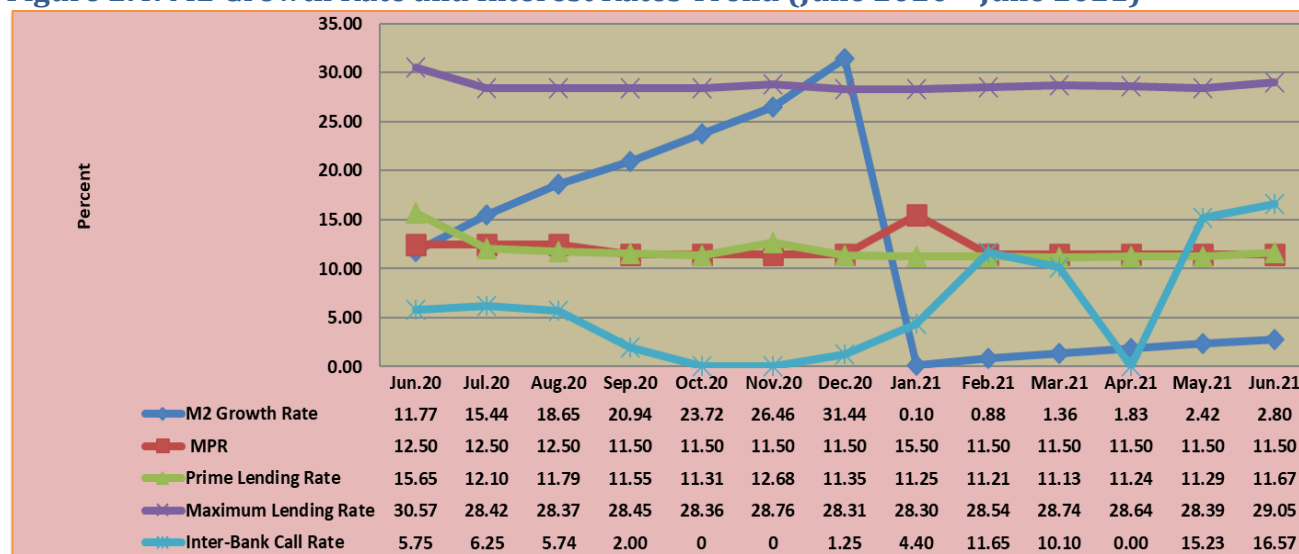
The above indicates that both the inflation and output trajectory remains positive in the review period. However, there is the need to continue to put in place policy measures that will further and faster drive down inflation, while at the same time accelerate output growth to, at least, levels above population growth rate. Inflation outlook suggests optimism about the likely moderating impact of the forthcoming harvests on food prices, however a likely uptick in energy prices remains a downside risk.

2.2.3 Developments in Money Market

Monetary aggregates increased in the review period relative to the first quarter of 2021. Broad Money Supply (M2) increased by ₦540.31 billion (1.41 percent) from ₦38,218.83 billion in March 2021 to ₦38,759.14 billion in June 2021. The growth in M2 was mainly driven by the expansion in the Net Foreign Assets (NFA) and Net Domestic Credit (NDC). Net Foreign Assets increased by 8.42 percent (₦566.26 billion) from ₦6,725.99 billion in March 2021 to ₦7,292.25 billion in June 2021. Similarly, Net Domestic Credit (NDC) rose by 2.19 percent (₦950.48 billion) from ₦43,435.08 billion in March 2021 to ₦44,385.56 billion in June 2021.

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 3.81 percent (₦1,197.27 billion) from ₦31,440.91 billion in March 2021 to ₦32,638.18 billion in June 2021. Net Credit to Government on the other hand decreased by 2.06 percent (₦246.80 billion) from ₦11,994.17 billion in March 2021 to ₦11,747.37 billion in June 2021. When compared to the level at the end of second quarter of 2020, broad money supply expanded by ₦6,307.74 billion (19.44 percent) in June 2021.

Figure 2.4: M2 Growth Rate and Interest Rates Trend (June 2020 – June 2021)



Source: Central Bank of Nigeria, 2021

The Central Bank of Nigeria retained the Monetary Policy Rate (MPR) at 11.5 percent in the review period. The asymmetric corridor around the MPR was also retained at +100/-700 basis points. Other key monetary policy instruments remained the same during the period under review as the Cash Reserve Ratio (CRR) and the Liquidity Ratio were left at 27.5 percent and 30.0 percent respectively.

There were however across board changes in the deposit and lending rates in the economy. The average interbank call rate decreased considerably from 10.10 percent in March 2021 to zero percent in April 2021 before rising again to 15.23 percent and 16.57 percent in May and June 2021 respectively. On the other hand, the average prime lending rate increased slightly from 11.13 percent in March 2021 to 11.24 percent, 11.29 percent and 11.67 percent in April, May and June 2021 respectively. Similarly, the average maximum lending rate decreased from 28.74 percent in March 2021 to 28.64 percent and 28.39 percent in April and May 2021 respectively before rising to 29.05 percent in June 2021 (Figure 2.4).

2.2.4 Developments in the External Sector

2.2.4.1 External Trade

Nigeria's foreign trade rose by ~~₦6.86~~ trillion or 45.99 percent to ~~₦21.78~~ trillion in the first half of 2021, from ~~₦14.92~~ trillion in the first half of 2020. This represents a significant trade expansion from a decline of 11.40 percent growth recorded in the first half of 2020. The rebound in trade follows the recovery in the global economic activities including foreign trade and travels from the lockdown of 2020 occasioned by the advent of COVID-19. The development in total trade was driven by significant expansion in imports as well as in exports in the review period. Imports galloped by ~~₦5.21~~ trillion or 60.67 percent to ~~₦13.80~~ trillion in the first half of 2021, from ~~₦8.59~~ trillion recorded in the corresponding period of 2020. Exports also expanded albeit by a lower figure of ~~₦1.65~~ trillion or 26.18 percent from ~~₦6.33~~ trillion in the first half of 2020, to ~~₦7.99~~ trillion in the review period.

The above developments led to further deterioration in the Nigerian trade balance, with deficit trade recorded for six consecutive quarters. The Nigerian trade balance remained in deficit of ~~₦5.81~~ trillion indicating a ~~₦3.56~~ trillion or 157.87 percent decline in net trade from ~~₦-2.25~~ trillion in the first half of 2020. The deterioration in trade balance was driven by the sharp increase in imports even as Crude Exports and Non-Crude Exports recovers.

Analysis by export components indicates that the nation's exports continued to be dominated by crude oil at 75.23 percent of total exports. Non-crude and crude oil exports sub-components recovered in the review period rising by ~~₦1.51~~ trillion or 33.56 percent and ~~₦0.14~~ trillion or 7.76 percent to ~~₦6.01~~ trillion and ~~₦1.98~~ trillion respectively during the review period. They both stood at ~~₦4.50~~ trillion and ~~₦1.84~~ trillion respectively in the first half of 2020. The non-oil exports however declined in the review period by ~~₦0.08~~ trillion or 8.05 percent to ~~₦0.90~~ trillion in first half of 2021, from ~~₦0.98~~ trillion in first half of 2020. This indicates a loss of momentum after quarters of sustained and significant recovery, since the drop of ~~₦0.57~~ trillion or 80.58 percent in the first half of 2017 and could be traced to the impact and aftershocks of the COVID-19.

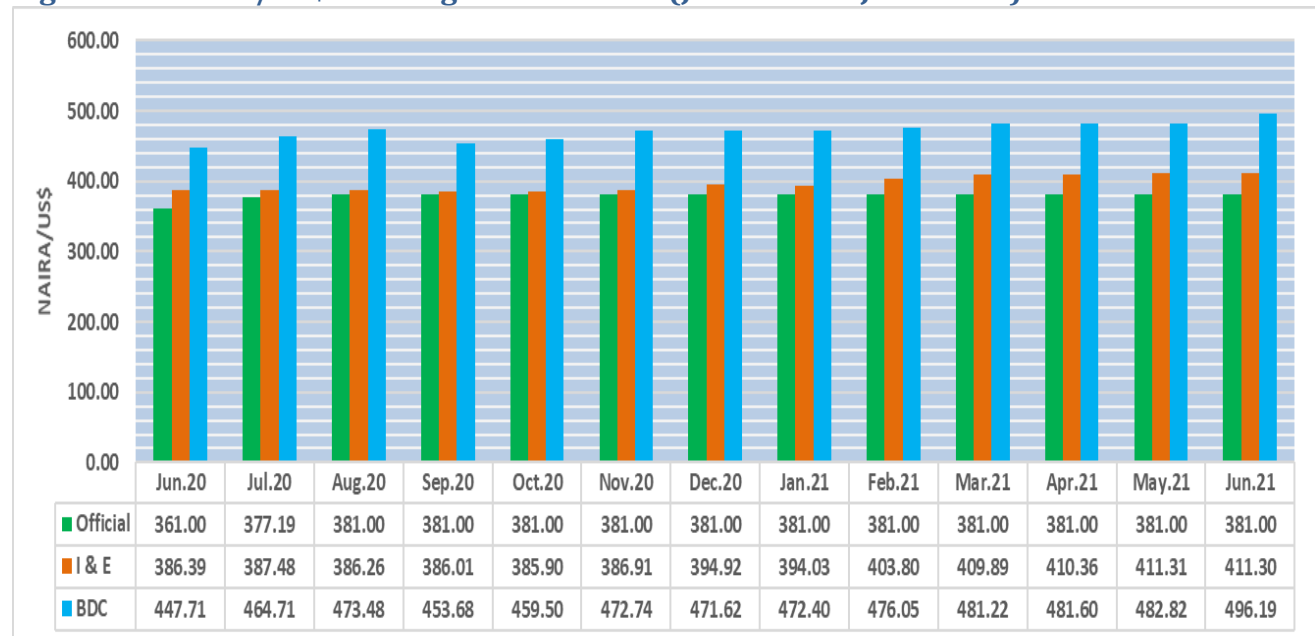
2.2.4.2 Balance of Payment

Overall, the Balance of Payments (BOP) recorded a deficit of US\$1.30 billion during the first quarter of 2021, lower than the deficit of US\$4.39 billion in the corresponding period of 2020. The reduction in the deficit may be attributed to the lower deficit recorded in the current account component of the BOP. Specifically, the current account recorded a deficit of US\$1.75 billion in the first quarter of 2021, compared to a deficit of US\$4.82 billion in the corresponding period of 2020. The deficit in the current account was mainly attributed to performance in trade account. The deficit in the trade account expanded significantly to US\$4.23 billion during the first quarter of 2021, compared to US\$0.95 billion deficit recorded in the corresponding period of 2020. The deficit in Services (net) and Income (net) however moderated to US\$2.90 billion and US\$0.68 billion in Q1 2021, from US\$7.89 billion and US\$2.16 billion respectively during the same period in 2020. Current Transfers (net) however remained in surplus but moderated slightly to US\$6.07 billion in Q1 2021 from US\$6.18 billion in Q1 of 2020.

2.2.4.3 Exchange Rates

Similar to developments in the first quarter of 2021, the Official/Inter-Bank segment of the foreign exchange market remained stable at ₦381.0/US\$ throughout the second quarter of 2021. On the other hand, the Investors' and Exporters' (I&E) Window and Bureau-de-Change (BDC) segments of the foreign exchange market witnessed some element of variability in the second quarter of 2021. This fluctuation could be attributed to the heavy burden on the market and the uncertainty in global economic prospect as a result of the impact of the second wave of COVID-19. The Naira/Dollar exchange rate at the Investors' and Exporters' (I&E) FX Window depreciated slightly from ₦409.89/US\$ in March 2021 to ₦410.36/US\$ and ₦411.31/US\$ in April and May 2021 respectively before appreciating slightly to ₦411.30/US\$ in June 2021. Similarly, the Naira/US\$ depreciated at the Bureau De-Change (BDC) segment of the market, from ₦481.22/US\$ in March 2021 to ₦481.60/US\$, ₦482.82/US\$ and ₦496.19/US\$ in April, May and June 2021 respectively.

Figure 2.5: Naira/US\$ Exchange Rates Trend (June 2020 – June 2021)

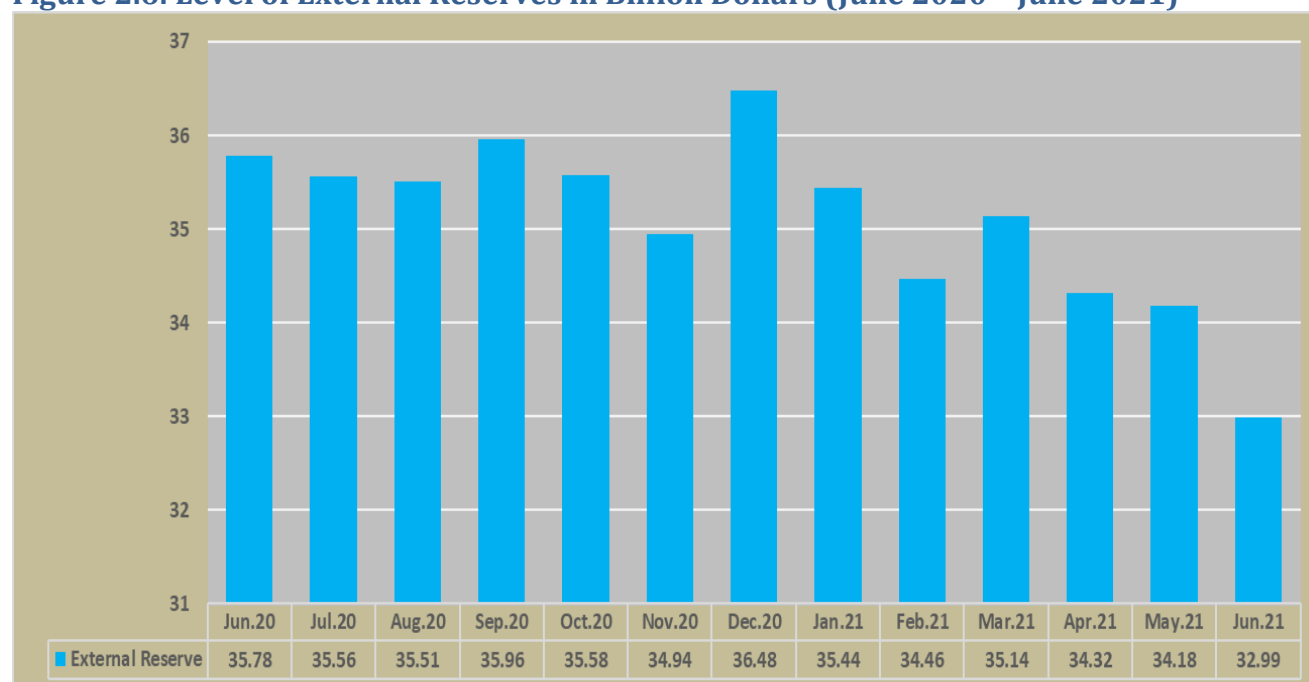


Source: Central Bank of Nigeria, 2021

2.2.4.4 External Reserves

Figures from the CBN showed that Nigeria’s gross official (external) reserves decreased at the end of the second quarter of 2021. It fell from US\$35.14 billion in March 2021 to US\$32.99 billion in June 2021. This indicates a decline of US\$2.15 billion (6.12 percent) below the figure reported at the end of March 2021. This also represents a significant drop by US\$2.79 billion (7.80 percent) relative to the end of second quarter of 2020 level of US\$35.78 billion. There are however, prospects of an increase in the level of external reserves in the subsequent quarters. This expectation is due to the improvement in the prices of crude oil at the international market following the improvement in economic activities after the gradual easing of the third wave of the COVID-19 variant and the full roll-out of COVID-19 vaccines by some countries.

Figure 2.6: Level of External Reserves in Billion Dollars (June 2020 – June 2021)



Source: Central Bank of Nigeria, 2021

2.2.5 Debt Stock

2.2.5.1 Total Public Debt Stock

The total public debt stock as at 30th June, 2021 stood at ₦35,465.01 billion (US\$86,571.80 million). This represents an increase of ₦2,357.76 billion (7.12 percent) when compared to the ₦33,107.25 billion reported at the end of March 2021. The breakdown consisted of US\$53,102.88 million (₦21,754.13 billion) or 61.34 percent for domestic debt while the balance of US\$33,468.92 million (₦13,710.88 billion) or 38.66 percent was for external domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 24.85 percent as at the end of June 2021, and was below the country specific threshold of 25 percent and significantly below the international threshold for comparator countries of 56 percent.

2.2.5.2 Domestic Debt Stock

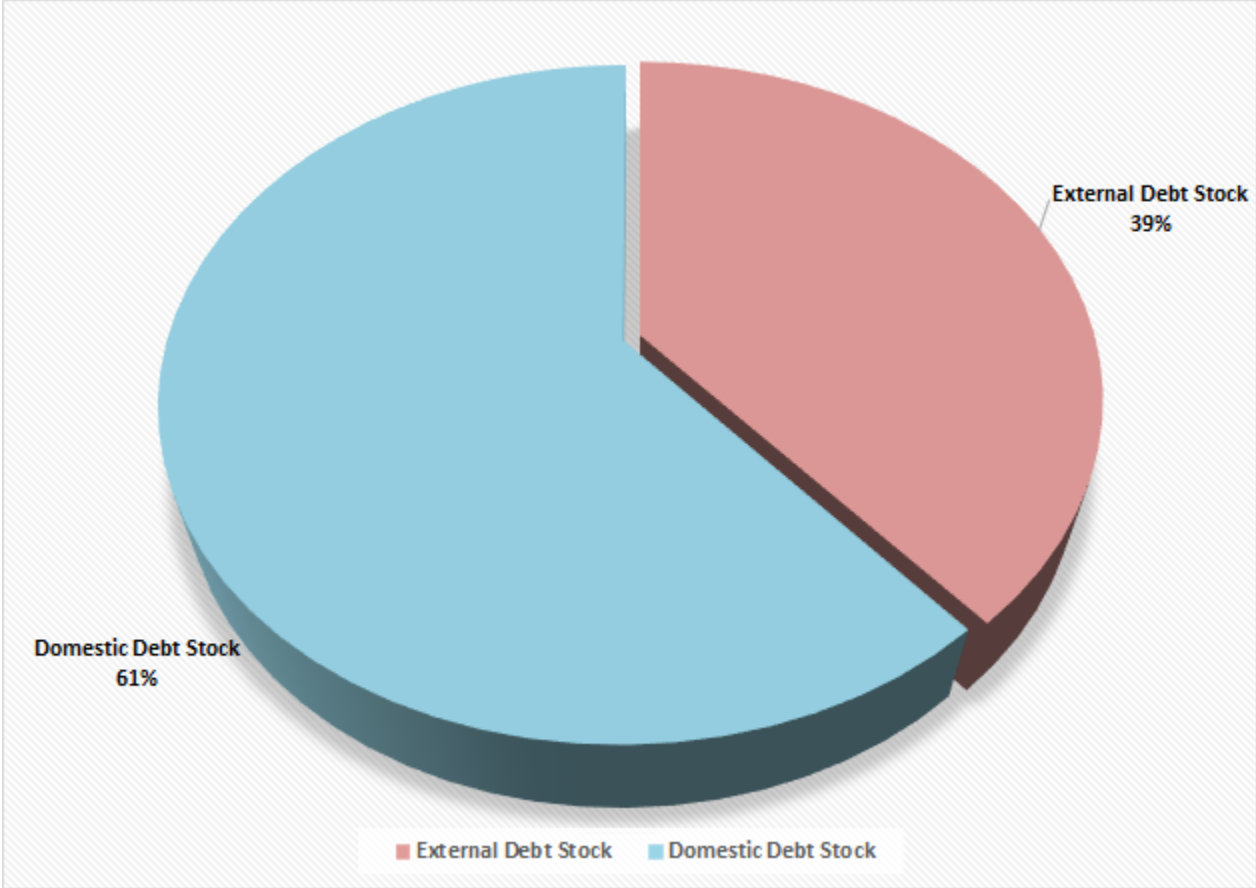
The Federal Government's domestic debt stock stood at ₦17,631.80 billion as at end of June 2021 representing an increase of ₦1,117.87 billion (6.77 percent)

above the ₦16,513.93 billion recorded in the first quarter of 2021. It was also ₦2,176.10 billion (14.08 percent) above the ₦15,455.70 billion reported in the same period of 2020. The increase in domestic debt relative to the first quarter of 2021 was due to the new issues of FGN bonds and FGN Savings Bond during the period. A breakdown of the domestic debt stock as at 30th June, 2021 revealed that ₦13,245.27 billion (75.12 percent) is for FGN Bonds, ₦2,991.87 billion (16.97 percent) is for Nigerian Treasury Bills (NTBs), ₦100.99 billion (0.57 percent) is for Treasury Bonds, ₦15,540.88 billion (0.09 percent) is for FGN Savings Bond, ₦362.56 billion (2.06 percent) is for FGN Sukuk, ₦25.69 billion (0.15 percent) is for Green Bond and ₦889.88 billion (5.05 percent) is for Promissory Notes.

2.2.5.3 External Debt Stock

Nigeria's external debt stock as at 30th June 2021, stood at US\$33,468.93 million indicating a decrease of US\$608.94 million (1.85 percent) from the US\$32,859.99 million reported in the first quarter of 2021 but US\$1,991.79 million (6.33 percent) increase above US\$31,477.14 million recorded in the second quarter of 2020. A breakdown of the external debt stock as at 30th June, 2021 revealed that Multilateral Debts amounted to US\$18,368.41 million (54.88 percent), Non-Paris Club Bilateral Debts amounted to US\$4,250.46 million (12.70 percent), Commercial (Euro-Bond) amounted to US\$10,668.35 million (31.88 percent) while Promissory Notes accounted for the balance of US\$181.71 million (0.54 percent).

Figure 2.7: Second Quarter 2021 Total Public Debt Stock



Source: Debt Management Office, 2021

3.0 FINANCIAL ANALYSIS OF THE 2021 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2021 Budget was based on the 2021-2023 Medium Term Fiscal Framework and Fiscal Strategy Paper (MTFF/FSP) which was in line with the Government's Economic Sustainability Plan. Table 3.1 presents the key assumptions and targets over the period 2016 - 2021.

Table 3.1: Key Budget Assumptions and Targets, 2016 - 2021

KEY ASSUMPTION & TARGETS	2016	2017	2018	2019	2020	2021
Projected Production (in mbpd)	2.2	2.20	2.30	2.30	1.80	1.86
Budget Benchmark Price (per barrel in US)	38	44.50	51	60	28	40
Technical Cost of JVC Pbl to Oil Companies						
Operating Expenses (T1) in US \$	10.29	10.43	11.24	20.45	11.30	10.68
Capital Expenses (T2) in US \$	11.12	10.85	11.97	14.89	13.99	13.16
Petroleum Investment Allowance (10%)				0.51	0.34	0.25
Technical Cost of PSC Pbl to Oil Companies						
Operating Expenses (T1) in US \$	8.22	8.85	8.7	10.01	10.02	15.02
Capital Expenses (T2) in US \$	19.62	17.86	11.01	10.04	8.19	8.27
Investment Tax Credit	4.94	2.85	2.13	1.54	2.38	2.26
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	11.74
Capital Expenses (T2) in US \$					15.39	14.48
Investment Allowances					0.37	0.27
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	379
VAT Rate	5%	5%	5%	5%	7.5%	7.5%
CIT Rate	30%	30%	30%	30%	30%	30%

Source: BOF, NNPC, FIRS and NCS, 2021

3.1.1 Budget Benchmark Oil Price and Production

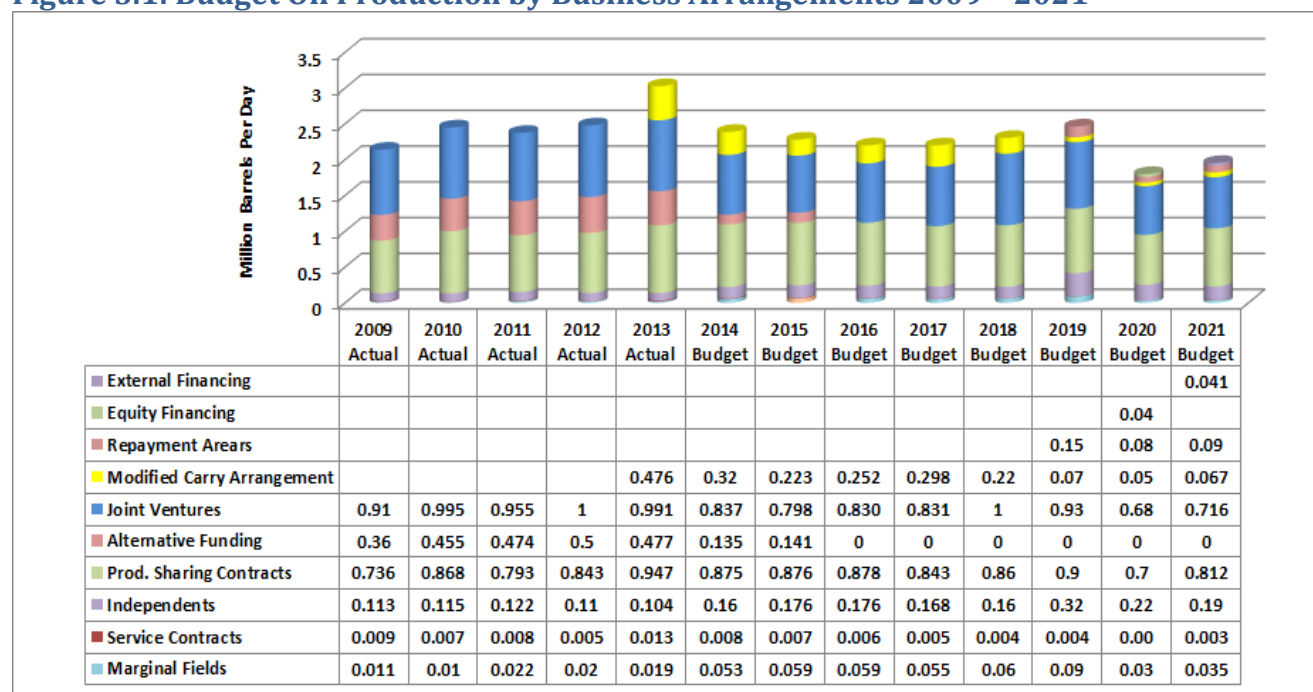
The benchmark price of oil for the 2021 Budget was fixed at US\$40.0/barrel while benchmark oil production was pegged at 1.86 million barrels per day

(mbpd). This aligns with Government's continued use of benchmark oil production and prices for its yearly budgets to shield budget expenditures from the volatilities in the price of oil at the global market.

The productivity and consequently cost outlay in the oil sector was projected to improve significantly in the 2021 fiscal year. The Technical Cost comprising average of operating and capital expenses were reviewed downward in the 2021 fiscal year compared to the rates in 2020 for both the Joint Ventures (JVs) and the Independent Contracts. The average expenses [Capital (T1) and Operating (T2)] for the JVs production arrangement decreased from US\$25.29 per barrel in 2020 to US\$23.84 per barrel in 2021 indicating a reduction of US\$1.45 per barrel over the period. The average expenses forecast for the Independent Contracts was also reduced to US\$26.22 per barrel in 2021 from US\$27.82 per barrel in 2020. This was due to reduction in Operating and Capital Expenses for Independent Contract. On the other hand, the Technical Cost was adjusted upward for the Production Sharing arrangement from U\$18.21 per barrel in 2020 to U\$23.29 per barrel in 2021.

The share of oil production by business arrangement remained relatively stable with the PSCs and JVs dominating at approximately 41.56 and 36.64 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 2020 budget framework.

Figure 3.1: Budget Oil Production by Business Arrangements 2009 - 2021



Source: NAPIMS/NNPC, 2021

Table 3.2: Detailed Assumptions for Oil Production and Taxes (2018 - 2021)

Share of Oil Production	2018 Production Volume	2018 Percentage	2019 Production Volume	2019 Percentage	2020 Production Volume	2020 Percentage	2021 Production Volume	2021 Percentage
Joint Ventures	1.00	43.48%	0.93	37.8%	0.68	37.60%	0.716	36.64%
Alternative Funding								
External Financing							0.041	2.10%
Modified Carry Arrangement	0.22	9.57%	0.07	2.8%	0.05	2.92%	0.067	3.43%
Production Sharing Contracts	0.86	37.39%	0.90	36.7%	0.70	39.03%	0.812	41.56%
Independents	0.16	6.96%	0.32	12.8%	0.22	11.96%	0.190	9.72%
Service Contracts	0.004	0.17%	0.004	0.2%	0.00	0.18%	0.003	0.15%
Marginal	0.06	2.61%	0.09	3.5%	0.03	1.86%	0.035	1.79%
Base Production	2.30	100%	2.3	100%				
Repayment Arrears	0.21	8.37%	0.15	6.2%	0.08	4.26%	0.090	4.61%
Equity Financing					0.04	2.18%		
Total Oil Production	2.51	100%	2.45	100%	1.80	100%	1.954	100.00%
PPT Rates								
Weighted Average -JV/AF/Independent/Marginal		85%	85%			85%		85.00%
Weighted Average -PSC		50.2%	50.10%			50.10%		50.12%
Weighted Average -SC		85%	85%			85%		85.00%
Royalties Rates								
Weighted Average-JV		18.67%	18.67%			18.67%		18.67%
Weighted Average-Independent						19.31%		19.31%
Weighted Average-Marginal						9.29%		9.29%
Weighted Average-PSC		2.3%	2.83%			3.15%		10.00%
Weighted Average-SC Oil		19.31%	19.31%			18.50%		18.50%

Source: NNPC and BOF, 2021

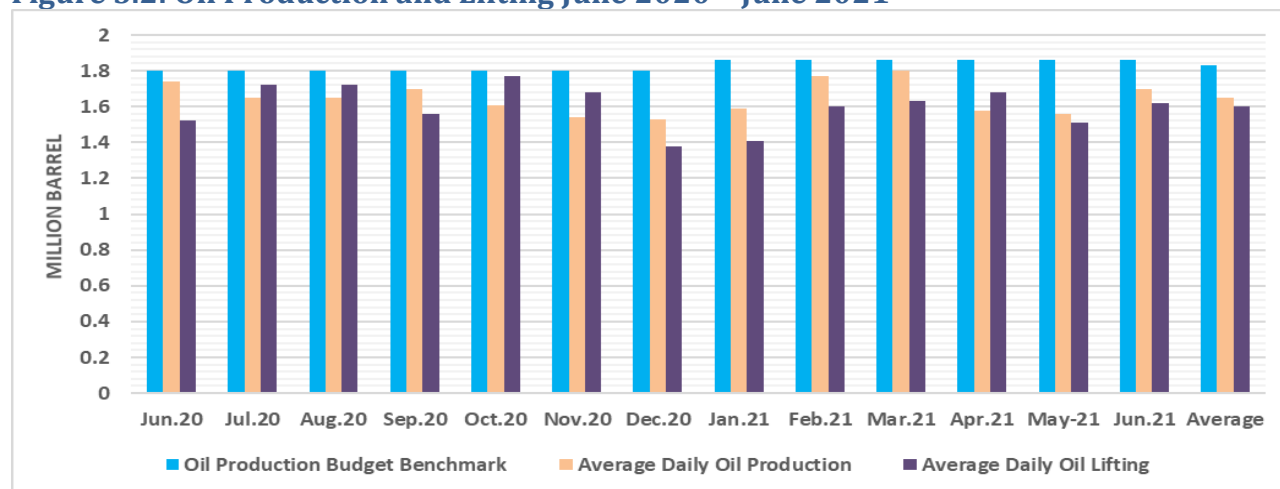
3.2 Analysis of Revenue Performance:

3.2.1 Performance of Key Oil Revenue Parameters:

The price of crude oil in the international market averaged US\$68.83 per barrel in the second quarter of 2021, representing an increase of US\$7.93 per barrel (13.02 percent) from the US\$60.90 per barrel reported in the first quarter of 2021. This also reflects an increase of US\$39.63 per barrel (135.72 percent) and US\$28.83 per barrel (72.08 percent) when compared to US\$29.20 per barrel recorded in the second quarters of 2020 and US\$40.0 budget benchmark, respectively. The increase in crude oil price during the period could be attributed to the increase in global economic activities due to easing of the second phase of COVID-19 lockdown which resulted to an increase in demand of crude oil as well as the reduction in production quota by OPEC member countries.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) showed that the average oil production and lifting (including Condensates) in the second quarter of 2021 was 1.61mbpd and 1.60mbpd respectively. The oil production figure indicates a decrease of 0.25mbpd (13.44 percent) below the 1.86mbpd benchmark for the 2021 Budget. The volume of oil production in the period was also 0.11mbpd (6.40 percent) and 0.20mbpd (11.05 percent) below the 1.72mbpd and 1.81mbpd recorded in the first quarter of 2021 and second quarter of 2020 respectively.

Figure 3.2: Oil Production and Lifting June 2020 – June 2021



Source: NNPC, 2021

The above translates to an average monthly oil production and lifting of 48.93 million barrels and 48.63 million barrels respectively in the second quarter of 2021. The decrease in the quantity of oil production during the quarter as against the projected budget figure could be ascribed to the cut in production quota due to OPEC agreement, as well as to crude oil theft, vandalization of pipelines and other legacy issues in the sector.

3.3 Aggregate Revenue of the Federation:

The 2021 Fiscal Framework projected a Gross Federally Collectible Revenue of ₦12,296.59 billion, comprising of ₦5,185.57 billion (42.17 percent) Gross Oil Revenue and ₦7,111.02 billion (57.83 percent) Gross Other Revenue.

3.4 Oil Revenue Performance:

Gross Oil Revenue stood at ₦1,041.49 billion in the second quarter of 2021. This translates to a ₦254.90 billion (19.66 percent) decrease when compared with the 2021 quarterly budget estimate of ₦1,296.39 billion. The performance was however ₦183.19 billion (21.34 percent) and ₦23.76 billion (2.33 percent) above the ₦858.30 billion and ₦1,017.73 billion generated in the first quarter of 2021 and corresponding period of 2020 respectively.

A breakdown of the oil revenue performance in the second quarter of 2021 showed that Royalties (Oil & Gas) of ₦559.85 billion and Exchange Gain of ₦7.67 billion exceeded their quarterly estimate of ₦421.43 billion and ₦6.88 billion by ₦138.42 billion (32.85 percent) and ₦0.79 billion (11.48 percent) respectively. On the other hand, Crude Oil and Gas Sales of ₦60.63 billion, Petroleum Profit and Gas Taxes of ₦387.84 billion, Concessional Rentals of ₦0.60 billion, Gas Flared Penalty of ₦19.18 billion and Miscellaneous (Pipeline fees etc.) of ₦5.73 billion fell below their quarterly estimates of ₦157.51 billion, ₦537.13 billion, ₦1.51 billion, ₦32.61 billion and ₦14.39 billion by ₦96.88 billion (61.51 percent), ₦149.29 billion (27.79 percent), ₦0.91 billion (60.41 percent), ₦13.43 billion (41.18 percent) and ₦8.66 billion (60.18 percent) respectively. Incidental Oil Revenue (Royalty Recovery & Marginal Field Licenses) which had

a quarterly projection of ₦124.94 billion yielded nothing in the second quarter of 2021. 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 2021, was ₦516.72 billion, depicting a decrease of ₦519.88 billion (50.15 percent) from the estimated quarterly budget of ₦1,036.61 billion. The inflow was also lower than the ₦593.18 billion and ₦782.34 billion net oil revenue recorded in the first quarter of 2021 and second quarter of 2020 by ₦76.46 billion (12.89 percent) and ₦265.62 billion (33.95 percent) respectively (*Table 3.4*). The low Net Oil Revenue performance in the second quarter of 2021 when compared with the quarterly projection could be ascribed to the fall in demand and price of oil in the international market as well as the reduction in oil production and lifting. It is also ascribed to the more than prorata Oil and Gas deductions. These data are presented in *Table 3.3*.

3.4.2 Half Year Oil Revenue Performance:

Gross Oil Revenue of ₦1,899.79 billion was collected in the first half of 2021 as against ₦2,592.78 billion prorata budget projection for the period. This denotes a decrease of ₦693.0 billion (26.73 percent) and ₦398.69 billion (17.35 percent) from the 2021 half year budget estimate and actual gross oil revenue recorded in the corresponding period in 2020. A breakdown of the revenue by sub-head showed that only Royalties (Oil & Gas) of ₦978.95 billion surpassed its half year projection of ₦842.86 billion by ₦136.09 billion (16.15 percent).

Other Oil Revenue items fell below their respective half year projections. Crude Oil and Gas Sales of ₦113.51 billion, Petroleum Profit and Gas Taxes of ₦741.56 billion, Concessional Rentals of ₦1.22 billion, Gas Flared Penalty of ₦45.44 billion, Incidental Oil Revenue (Licenses & Early License Renewal) of ₦0.05 billion, Miscellaneous (Pipeline fees etc.) of ₦12.39 billion and Exchange Gain of ₦6.66 billion fell below their half year projections of ₦315.02 billion,

₦1,074.26 billion, ₦3.03 billion, ₦65.21 billion, ₦249.87 billion, ₦28.78 billion and ₦13.75 billion by ₦201.52 billion (63.97 percent), ₦332.70 billion (30.97 percent), ₦1.80 billion (59.62 percent), ₦19.77 billion (30.32 percent), ₦249.82 billion (99.98 percent), ₦16.39 billion (56.93 percent) and ₦7.09 billion (51.58 percent) respectively (*Table 3.4*).

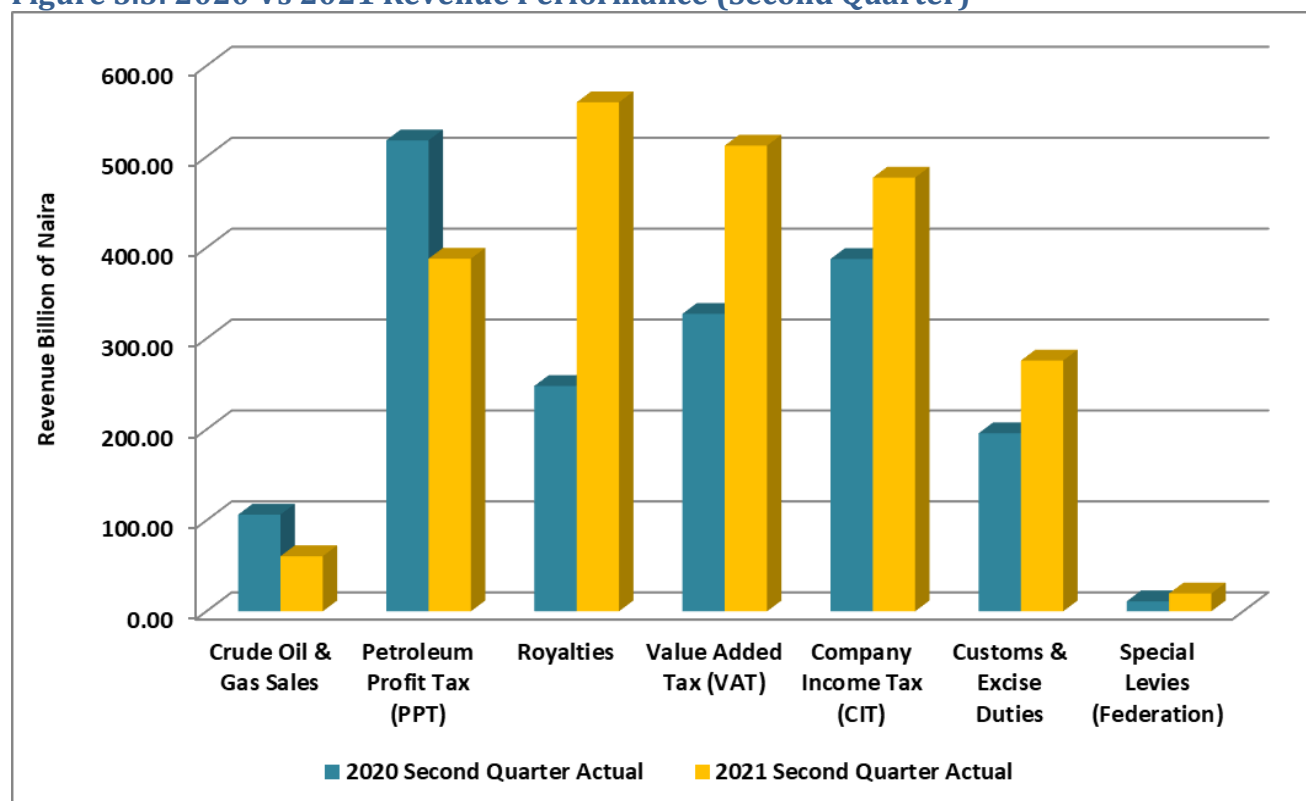
Table 3.3: Performance of Revenue in the Second Quarter of 2021 Vs 2020

Revenue Items	2020	2021	Variance	
	Second Quarter Actual	Second Quarter Actual	2nd Quarter 2021 Vs 2nd Quarter 2020	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	106.36	60.63	-45.73	-43.00
Petroleum Profit Tax (PPT)	518.01	387.84	-130.17	-25.13
Royalties	247.88	559.85	311.97	125.86
Gross Oil Revenue	1,017.73	1,041.49	23.76	2.33
Net Oil Receipts	782.34	516.72	-265.62	-33.95
Non-Oil Revenue				
Value Added Tax (VAT)	327.20	512.25	185.05	56.56
Company Income Tax (CIT)	387.52	477.03	89.51	23.10
Customs & Excise Duties	195.82	275.81	79.99	40.85
Special Levies	10.99	19.62	8.63	78.53
Gross Non-Oil Revenue	921.53	1,284.71	363.18	39.41
Net Non-Oil Receipts	860.96	1,192.73	331.77	38.53

Source: OAGF and Budget Office of the Federation, (PRMRC) 2021

Oil revenue performance decreased when compared to the levels in 2020 for most of the revenue sources and broad category in the second quarter of 2021 (Figure 3.3). The Non-oil revenue items however improved when compared to their respective levels in 2020. The low performance of the oil revenue could be attributed to the decrease in production and lifting due to the cut in production quota by OPEC following agreement reached by member countries. While the increase in non-oil revenue sources could be ascribed to the improvement in economic activities after the COVID-19 first and second phase lockdowns.

Figure 3.3: 2020 Vs 2021 Revenue Performance (Second Quarter)



Source: OAGF and Budget Office of the Federation, 2021

3.5 Non-Oil Revenue Performance:

Gross non-oil revenue of ₦1,284.71 billion was received in the second quarter of 2021 signifying an increase of ₦134.15 billion (11.66 percent) above the quarterly estimate of ₦1,150.56 billion. A breakdown of the non-oil revenue items showed that Value Added Tax of ₦512.25 billion and Company Income Tax of ₦477.03 billion were above their quarterly estimates of ₦459.59 billion and ₦374.13 billion by ₦52.67 billion (11.46 percent) and ₦102.89 billion (27.50 percent) respectively. Solid Minerals & Other Mining Revenue also recorded a revenue of ₦1.94 billion depicting an increase of ₦0.36 billion (23.01 percent) above the quarterly projection of ₦1.58 billion. On the other hand, Customs & Excise Duties of ₦275.81 billion and Special Levies of ₦19.62 billion were below their quarterly estimates of ₦283.13 billion and ₦33.71 billion by ₦7.32 billion (2.59 percent) and ₦14.08 billion (41.78 percent) respectively. Revenue Dividend by Companies / Investments Funded by FAAC, which had quarterly

projection of ₦52.14 billion however yielded nothing in the quarter.

When compared with their corresponding first quarter performances, Value Added Tax, Company Income Tax and Customs & Excise Duties grew by ₦15.86 billion (3.20 percent), ₦76.01 billion (18.95 percent) and ₦30.16 billion (12.28 percent) respectively. Special Levies on the other hand, fell by ₦1.16 billion (5.59 percent) while Solid Minerals & Other Mining Revenue also fell by ₦0.11 billion (5.16 percent). The improved performances of most of the non-oil revenue items in the second quarter of 2021 could be credited to the gradual recovery of global economic activities after the COVID-19 first and second phase lockdown.

3.5.1 Half Year Non-Oil Revenue Performance:

The gross non-oil revenue in the first half of the year amounted to ₦2,448.55 billion portraying an increase of ₦147.43 billion (6.41 percent) above the half year's estimate of ₦2,301.11 billion. This was an outcome from the improved performances of some of the non-oil revenue items when compared to their corresponding budget estimates. Value Added Tax of ₦1,008.64 billion and Company Income Tax of ₦878.04 billion were respectively above their 2021 projected half year estimates by ₦89.47 billion (9.73 percent) and ₦129.78 billion (17.34 percent). Solid Minerals & Other Mining Revenue recorded a revenue of ₦3.99 billion representing an increase of ₦0.83 billion (26.36 percent) above the half year projection of ₦3.16 billion. Customs & Excise Duties of ₦521.45 billion and Special Levies of ₦40.41 billion however fell short of their 2021 projected half year estimates by ₦44.81 billion (7.91 percent) and ₦27.0 billion (40.05 percent) respectively. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC which had half year projection of ₦104.27 billion yielded nothing in the half year period.

Table 3.4: Net Distributable Revenue as at June, 2021 (Oil Revenue at Benchmark Assumptions)

S/NO	DESCRIPTION	2021 APPROVED BUDGET			ACTUAL			VARIANCE					
		Annual	Quarterly	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget	%	2nd Quarter Actual Vs First Quarter	%	Half Year Actual Vs Half Year Budget	%
A	OIL REVENUE	Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
1	Gross Profit Oil from Crude Oil & Gas Sales	630.05	157.51	315.02	52.88	60.63	113.51	-96.88	-61.51	7.75	14.66	-201.52	-63.97
2	PPT & Gas Income @ 30% CITA	2,148.52	537.13	1,074.26	353.72	387.84	741.56	-149.29	-27.79	34.11	9.64	-332.70	-30.97
3	Oil & Gas Royalties	1,685.72	421.43	842.86	419.10	559.85	978.95	138.42	32.85	140.76	33.59	136.09	16.15
4	Concessional Rentals	6.05	1.51	3.03	0.62	0.60	1.22	-0.91	-60.41	-0.02	-3.85	-1.80	-59.62
5	Gas Flared Penalty	130.42	32.61	65.21	26.26	19.18	45.44	-13.43	-41.18	-7.09	-26.98	-19.77	-30.32
6	Incidental Oil Revenue (Royalty Recovery & Marginal Field Licences)	499.74	124.94	249.87	0.05	0.00	0.05	-124.94	-100.00	-0.05	-100.00	-249.82	-99.98
7	Miscellaneous (Pipeline Fees etc)	57.56	14.39	28.78	6.66	5.73	12.39	-8.66	-60.18	-0.93	-14.02	-16.39	-56.93
8	Exchange Gain	27.50	6.88	13.75	-1.01	7.67	6.66	0.79	11.48	8.67	-861.91	-7.09	-51.58
9	Sub-Total	5,185.57	1,296.39	2,592.78	858.30	1,041.49	1,899.79	-254.90	-19.66	183.19	21.34	-693.00	-26.73
10	Deductions												
11	Fiscal Deductions (Base JV Cash Call + EF + MCA + RA)	0.00	0.00	0.00	249.69	256.89	506.58	256.89		7.20	2.89	506.58	
12	Other Federally Funded Upstream Projects	395.61	98.90	197.80	164.79	429.42	594.21	330.51	334.18	264.62	160.58	396.40	200.40
13	DPR 4% Cost of Collection (Royalty, Concessional, Gas Flared & Miscellaneous)	0.00	0.00	0.00	15.92	23.05	38.98	23.05		7.13	44.79	38.98	
14	FIRS 4% Cost of Collection on Gas Income Tax	0.00	0.00	0.00	1.06	2.84	3.90	2.84		1.78	167.73	3.90	
15	13% Derivation	622.69	155.67	311.35	83.34	69.46	152.80	-86.21	-55.38	-13.88	-16.65	-158.55	-50.92
16	Net Oil Revenue	4,167.26	1,041.82	2,083.63	593.18	516.72	1,109.91	-525.09	-50.40	-76.46	-12.89	-973.72	-46.73
17	TO FEDERATION ACCOUNT (OIL)	4,146.43	1,036.61	2,073.21	593.18	516.72	1,109.91	-519.88	-50.15	-76.46	-12.89	-963.31	-46.46
B	DIVIDEND BY COMPANIES/INVESTMENTS												
18	Total Dividend Payment	208.54	52.14	104.27	0.00	0.00	0.00	-52.14	-100.00	0.00		-104.27	-100.00
C	SOLID MINERAL & OTHER MINING REVENUES												
19	Total Solid Minerals Revenue	6.31	1.58	3.16	2.05	1.94	3.99	0.36	23.01	-0.11	-5.16	0.83	26.36
20	Less 13% Derivation	0.82	0.21	0.41	0.27	0.25	0.52	0.05	23.01	-0.01	-5.16	0.11	26.36
21	Net Solid Minerals after Derivation	5.49	1.37	2.75	1.78	1.69	3.47	0.32	23.01	-0.09	-5.16	0.72	26.36
D	SIGNATURE BONUS	677.02	169.25	338.51	34.42	287.05	321.46	117.79	69.59	252.63	734.03	-17.05	-5.04
E	NON-OIL REVENUE												
22	Value-Added Tax	1,838.35	459.59	919.17	496.39	512.25	1,008.64	52.67	11.46	15.86	3.20	89.47	9.73
23	Corporate Tax	1,496.53	374.13	748.26	401.01	477.03	878.04	102.89	27.50	76.01	18.95	129.78	17.34
24	Customs: Imports, Excise & Fees	1,132.52	283.13	566.26	245.64	275.81	521.45	-7.32	-2.59	30.16	12.28	-44.81	-7.91
25	Special Levies (Federation Account)	134.83	33.71	67.41	20.79	19.62	40.41	-14.08	-41.78	-1.16	-5.59	-27.00	-40.05
26	Sub-Total	4,602.23	1,150.56	2,301.11	1,163.84	1,284.71	2,448.55	134.15	11.66	120.87	10.39	147.43	6.41
27	4% Cost of Collection (VAT & Surcharge on Luxury Items)	73.53	18.38	36.77	19.86	20.49	40.35	2.11	11.46	0.63	3.20	3.58	9.73
28	3% Transfer to North East Development Commission (NEDC) from VAT	52.94	13.24	26.47	14.89	15.37	30.26	2.13	16.10	0.48	3.20	3.79	14.31
29	0.5% Transfer to Nigerian Police Trust Fund from VAT	8.82	2.21	4.41	7.88	8.73	16.61	6.52	295.66	0.85	10.75	12.20	276.46
30	Value-Added Tax & Luxury Surcharge Net of Cost of Collection, and transfers to NEDC and Police Trust Fund	1,703.04	425.76	851.52	453.76	467.67	921.43	41.91	9.84	13.91	3.06	69.91	8.21
31	4% Cost of Collection (CIT, Stamp Duties & Capital Gains)	58.86	14.72	29.43	16.62	21.72	38.34	7.00	47.59	5.10	30.67	8.91	30.27
32	7% Cost of Collection (Duties, Excise & Fees)	79.28	19.82	39.64	17.20	19.31	36.50	-0.51	-2.59	2.11	12.28	-3.14	-7.91
33	7% Cost of Collection (Special Levies - Fed. Acct.)	9.44	2.36	4.72	1.46	1.37	2.83	-0.99	-41.78	-0.08	-5.59	-1.89	-40.05
34	FIRS Tax Refunds	25.00	6.25	12.50	12.00	5.00	17.00	-1.25	-20.00	-7.00	-58.33	4.50	36.00
35	TO FEDERATION ACCOUNT (NON-OIL)	2,591.30	647.83	1,295.65	620.18	725.06	1,345.23	77.23	11.92	104.88	16.91	49.58	3.83
36	Total VAT Pool	1,703.04	425.76	851.52	453.76	467.67	921.43	41.91	9.84	13.91	3.06	69.91	8.21
37	Net Non-Oil	4,294.35	1,073.59	2,147.17	1,073.94	1,192.73	2,266.66	119.14	11.10	118.79	11.06	119.49	5.56
38	Sub-Total: (FEDERATION ACCOUNT)	6,764.06	1,691.02	3,382.03	1,215.14	1,243.47	2,458.61	-447.54	-26.47	28.33	2.33	-923.42	-27.30
39	Actual Balances in Special Accounts	8.05	2.01	4.02	0.00	0.00	0.00	-2.01	-100.00	0.00		-4.02	-100.00
40	TO FEDERATION ACCOUNT	6,772.11	1,693.03	3,386.05	1,215.14	1,243.47	2,458.61	-449.56	-26.55	28.33	2.33	-927.44	-27.39
41	Transfer to Police Trust Fund (0.5% of Fed. Acct.)	41.87	10.47	20.93	0.00	0.00	0.00	-10.47	-100.00	0.00		-20.93	-100.00
F	TOTAL DISTRIBUTABLE												
1	Federation Account	6,730.24	1,682.56	3,365.12	1,215.14	1,243.47	2,458.61	-439.09	-26.10	28.33	2.33	-906.51	-26.94
2	VAT Pool Account	1,703.04	425.76	851.52	453.76	467.67	921.43	41.91	9.84	13.91	3.06	69.91	8.21
3	GRAND TOTAL	8,433.28	2,108.32	4,216.64	1,668.90	1,711.14	3,380.04	-397.18	-18.84	42.23	2.53	-836.60	-19.84

Source: OAGF and Budget Office of the Federation, 2021 (PRMRC)

Table 3.5: Actual Performance of Non-Oil Revenue Categories (Second Quarter) 2012 – 2021

Description	SECOND QUARTER (ACTUAL)										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	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	53.09	43.87	61.47	55.87	46.09	139.59	157.62	199.36	195.82	275.81	122.86
Company Income Tax	73.29	85.22	110.75	74.20	79.93	206.38	315.13	442.38	387.52	477.03	225.18
Value Added Tax	24.43	26.03	26.09	27.31	26.16	243.31	264.00	311.94	327.20	512.25	178.87
FGN Independent Revenue	28.78	17.19	12.88	10.31	59.10	97.49	147.58	125.26	83.49	287.89	87.00

Source: OAGF and BOF, 2021

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) 2013– 2021

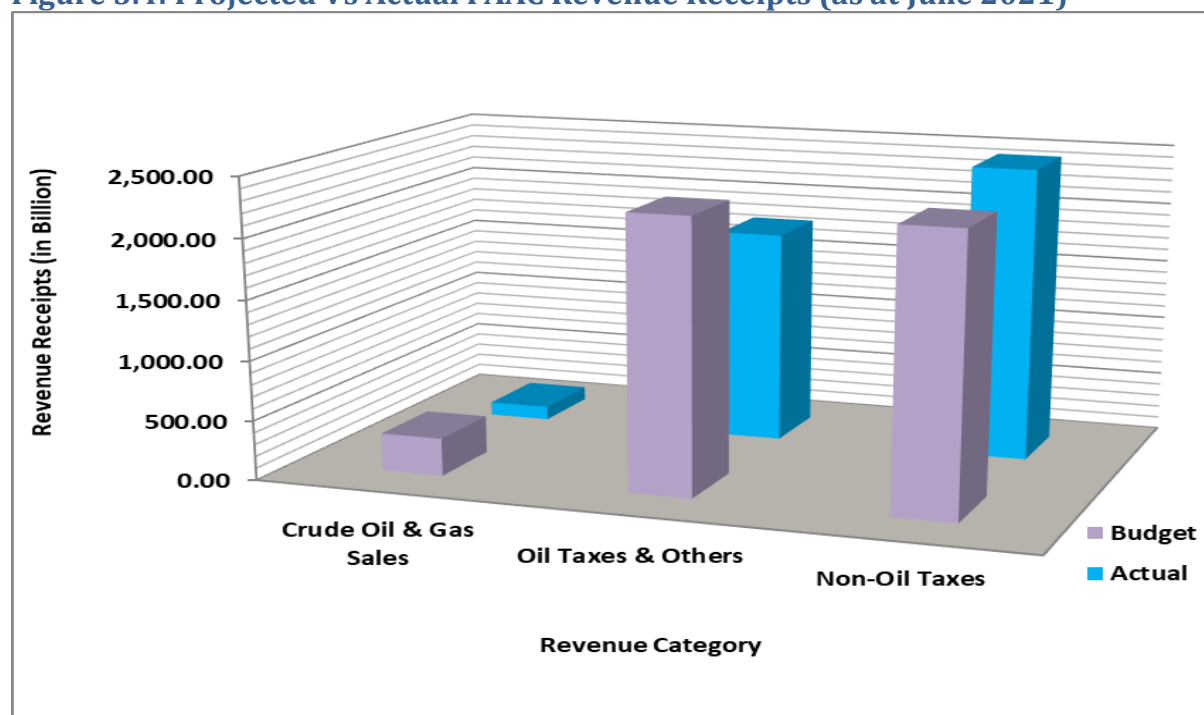
Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	9 - Year Average
Customs & Excise Duties	-17.37%	40.12%	-9.11%	-17.50%	202.86%	12.92%	26.48%	-1.78%	40.85%	30.83%
Company Income Tax	16.28%	29.96%	-33%	7.72%	158.20%	52.69%	40.38%	-12.40%	23.10%	31.44%
Value Added Tax	6.55%	0.23%	4.68%	-4.21%	830.08%	8.50%	18.16%	4.89%	56.56%	102.83%
FGN Independent Revenue	-40.27%	-25.07%	-19.95%	473.23%	64.96%	51.38%	-15.12%	-33.35%	244.82%	77.85%

Source: OAGF and BOF, 2021

3.6 Comparative Revenue Performance Analysis

A breakdown of the actual performance of revenue compared with budgeted estimates as at June ending 2021 indicated an under performances of the crude oil sales and oil taxes while the non-oil taxes showed a slight improvement (Figure 3.4).

Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at June 2021)



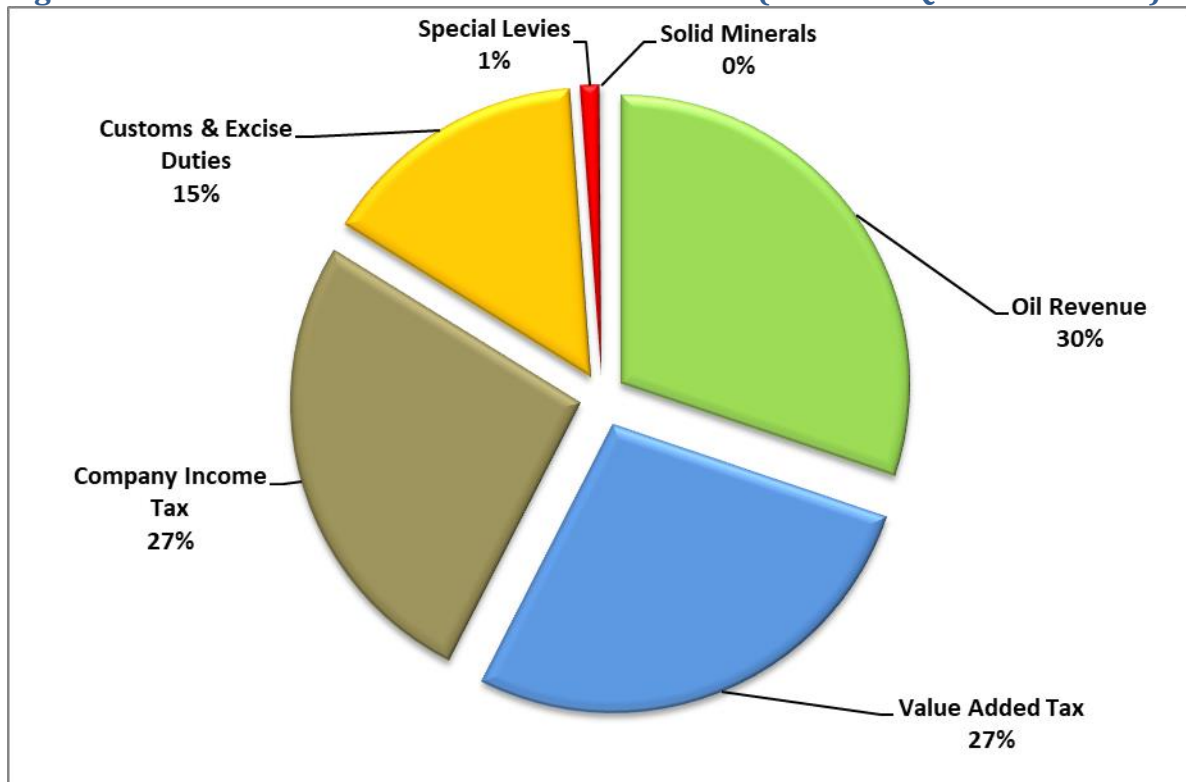
Source: Budget Office of the Federation, 2021

3.7 Distributable Revenue:

The net revenue available for sharing among the three tiers of government (after the deduction of all costs) stood at ₦1,711.14 billion in the second quarter of 2021. This represents a shortfall of ₦397.18 billion (18.84 percent) when compared with the quarterly projection of ₦2,108.32 billion. The shortfall was driven largely by the substantial reduction in the inflow into the Federation Account from the oil sector. The non-oil revenue accruing to the Federation Account increased by ₦119.14 billion (11.10 percent) and largely augmented for the oil sector which fell by ₦525.09 billion (50.40 percent) during the review period.

The percentage contribution of the different revenue classifications to distributable revenue in the second quarter of 2021 is presented in Figure 3.5. Oil Revenue, VAT, CIT, Customs & Special Levies contributed 27 percent, 35 percent, 24 percent 13 percent and one percent respectively.

Figure 3.5: Contributions to Distributable Revenue (in the 2nd Quarter of 2021)



Source: Budget Office of the Federation, 2021

3.8 Excess Crude Account

Analysis of the reports of the Excess Crude Account (ECA) revealed an opening balance of US\$72.412 million as at 1st April, 2021. The sum of US\$0.002 million being accrued interest on fund investment (March – May 2021) was received into the account in the second quarter of 2021. On the other hand, the sum of US\$11.563 million was withdrawn from the account during the period under review for the Refurbishing and Remodelling of 107 Armoured Personnel Carrier (APC) Vehicles donated by Hashemite Kingdom of Jordan. This resulted to a closing balance of US\$60.851 million as at 30th June, 2021 (Table 3.7).

Table 3.7: Net Excess Crude Account

Description	2020 Actual			2021 Actual		
	First Quarter	Second Quarter	Half Year	First Quarter	Second Quarter	Half Year
Inflows						
Transfer to Excess Crude Oil Account	0	0	0	0	0	0
Accrued Interest on Fund Investment	US\$1.25 million	US\$0.19 million	US\$1.44 million	US\$0.002 million	US\$0.002 million	US\$0.004 million
Reconciliation of Inflow and Outflow	0	0	0	0	0	0
Total Inflow	US\$1.25 million	US\$0.19 million	US\$1.44 million	US\$0.002 million	US\$0.002 million	US\$0.004 million
Outflows						
Consultancy Fee & Litigation Expenses	US\$4.0 million	0	US\$4.0 million	0	0	0
NSIA Payment for Fertilizer Purchase	0	0	0	0	0	0
Payment of Commission/Exchange Rate Loss on Transfers	0	0	0	0	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	0	0	0	0	0	0
Bank Charges	0	0	0	0	0	0
Charges for Breaking Investment	0	0	0	0	0	0
States Matching Grants to UBEC	0	0	0	0	0	0
Transfers to Nigerian Sovereign Investment Authority for Investment	US\$250.0 million	0	US\$250.0 million	0	0	0
Refurbishing and Remodelling of 107 APC Vehicles donated by Hashmite Kingdom of Jordan	0	0	0	0	US\$11.563 million	US\$11.563 million
Total Outflow	US\$254.0 million	0	US\$254.0 million	0	US\$11.563 million	US\$11.563 million
Net Excess Crude Account	(US\$252.75 million)	US\$0.19 million	(US\$252.56 million)	US\$0.002 million	(US\$11.561 million)	(US\$11.559 million)

Source: Office of the Accountant General of the Federation, 2021

3.9 FGN Budget Revenue

Based on the 2021 Budget Framework, the sum of ₦6,637.58 billion was projected to fund the Federal Budget, indicating a quarterly share of ₦1,659.39 billion. A total of ₦1,314.15 billion was received in the second quarter of 2021. This amount was ₦345.24 billion (20.81 percent) lower than the quarterly projection of ₦1,659.39 billion. It was however ₦316.95 billion (31.78 percent) above the ₦997.21 billion recorded in the first quarter of 2021.

The sum of ₦250.61 billion that was received from oil sources in the second quarter of 2021 was also lower than the quarterly estimate of ₦502.75 billion by ₦252.14 billion (50.15 percent). FGN's share of Dividend (NLG) and Solid Minerals revenue stood at ₦78.20 billion and ₦0.82 billion, indicating an increase of ₦26.07 billion (50.0 percent) and ₦0.15 billion (23.01 percent)

respectively.

A breakdown of the non-oil revenue indicates that FGN's share of Company Income Tax of ₦217.31 billion, VAT of ₦65.47 billion, Independent Revenue of ₦287.89 billion and Signature Bonus/Renewals of ₦245.27 billion were above their corresponding quarterly budget estimates of ₦170.43 billion, ₦59.61 billion, ₦265.47 billion and ₦169.25 billion by ₦46.88 billion (27.51 percent), ₦5.87 billion (9.84 percent), ₦22.41 billion (8.44 percent) and ₦76.01 billion (44.91 percent) respectively.

FGN's share of Customs of ₦123.78 billion, Special Levies (Federation Account) of ₦8.81 billion and Transfers from Special Levies Accounts of ₦36.0 billion were, on the other hand, below their corresponding quarterly budget estimates of ₦127.07 billion, ₦15.13 billion and ₦75.0 billion by ₦3.29 billion (2.59 percent), ₦6.32 billion (41.78 percent) and ₦39.0 billion (52.0 percent) respectively. There were no contributions from Domestic Recoveries, Stamp Duty and Grants & Donor Funding towards funding the budget during the quarter (Table 3.8).

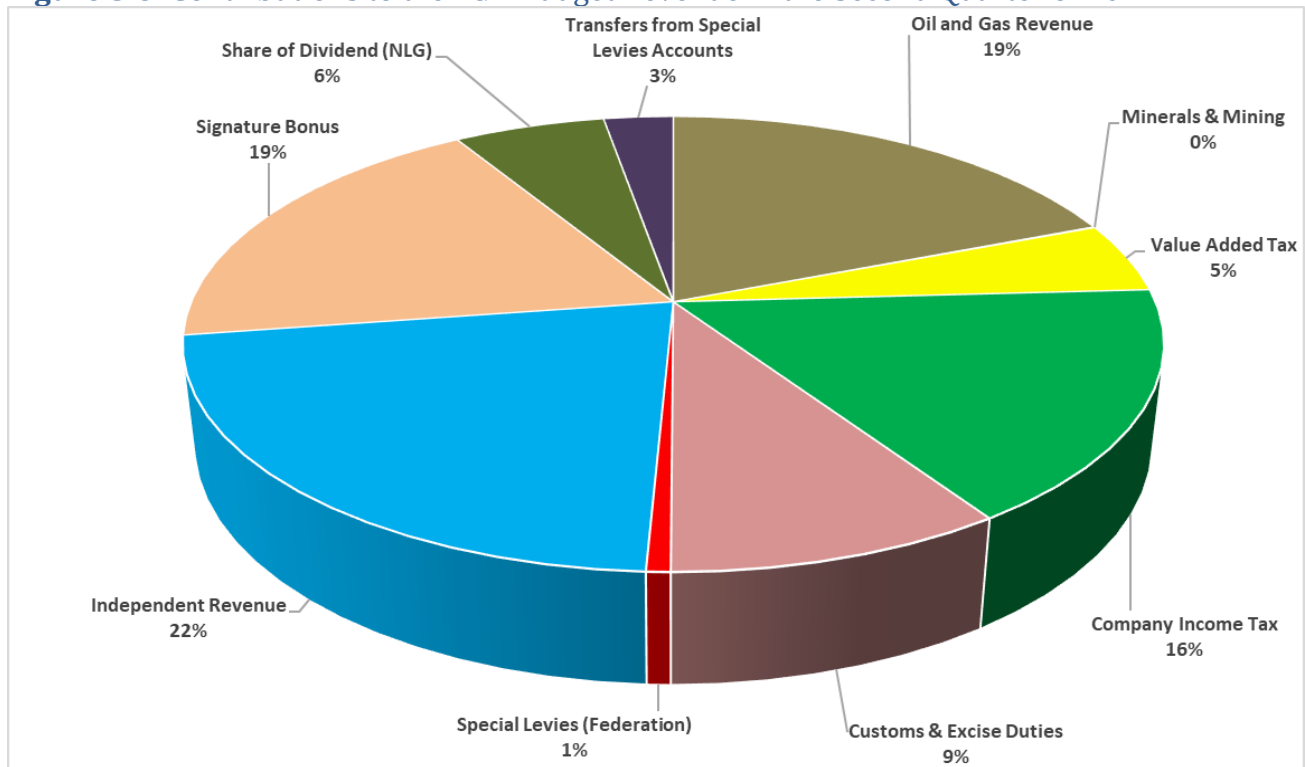
Table 3.8: Inflows to the 2021 Federal Budget as at June 2021

S/NO	DESCRIPTION	2021 APPROVED BUDGET			ACTUAL			VARIANCE					
		Annual	Quarterly	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter		Half Year Actual Vs Half Year Budget	
1	Inflow for the Federal Budget (CRF)	Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
2	FGN Share of Oil Revenue	2,011.02	502.75	1,005.51	287.69	250.61	538.31	-252.14	-50.15	-37.08	-12.89	-467.20	-46.46
3	FGN Share of Dividend (NLG)	208.54	52.14	104.27	0.00	78.20	78.20	26.07	50.00	78.20		-26.07	-25.00
4	FGN Share of Minerals & Mining	2.65	0.66	1.33	0.86	0.82	1.67	0.15	23.01	-0.04	-5.16	0.35	26.36
5	FGN Share of Non-Oil	1,488.92	372.23	744.46	362.81	415.37	778.18	43.14	11.59	52.56	14.49	33.71	4.53
6	<i>FGN Share of Company Income Tax (CIT)</i>	681.72	170.43	340.86	179.71	217.31	397.02	46.88	27.51	37.60	20.92	56.16	16.47
7	<i>FGN Share of Value Added Tax (VAT)</i>	238.43	59.61	119.21	63.53	65.47	129.00	5.87	9.84	1.95	3.06	9.79	8.21
8	<i>FGN Share of Customs</i>	508.27	127.07	254.13	110.24	123.78	234.02	-3.29	-2.59	13.54	12.28	-20.11	-7.91
9	<i>FGN Share of Special Levies (Federation Account)</i>	60.51	15.13	30.26	9.33	8.81	18.14	-6.32	-41.78	-0.52	-5.59	-12.12	-40.05
10	Independent Revenue	1,061.90	265.47	530.95	270.24	287.89	558.13	22.41	8.44	17.65	6.53	27.18	5.12
11	Transfers from Special Levies Accounts	300.00	75.00	150.00	75.60	36.00	111.60	-39.00	-52.00	-39.60		-38.40	-25.60
12	Signature Bonus / Renewals / Early Renewals	677.02	169.25	338.51	0.00	245.27	245.27	76.01	44.91	245.27		-93.24	-27.54
13	Domestic Recoveries + Assets + Fines	32.68	8.17	16.34	0.00	0.00	0.00	-8.17	-100.00	0.00		-16.34	-100.00
14	Stamp Duty	500.00	125.00	250.00	0.00	0.00	0.00	-125.00	-100.00	0.00		-250.00	-100.00
15	Grants and Donor Funding	354.85	88.71	177.43	0.00	0.00	0.00	-88.71	-100.00	0.00		-177.43	-100.00
16	AMOUNT AVAILABLE FOR FGN BUDGET (Excluding GOEs)	6,637.58	1,659.39	3,318.79	997.21	1,314.15	2,311.36	-345.24	-20.81	316.95	31.78	-1,007.43	-30.36

Source: OAGF and Budget Office of the Federation, 2021 (PRMRC)

Oil and Gas revenue accounted for 25.47 percent of total revenue in the review period. The share of other revenue sources is as depicted in Figure 3.6.

Figure 3.6: Contributions to the FGN Budget Revenue in the Second Quarter of 2021

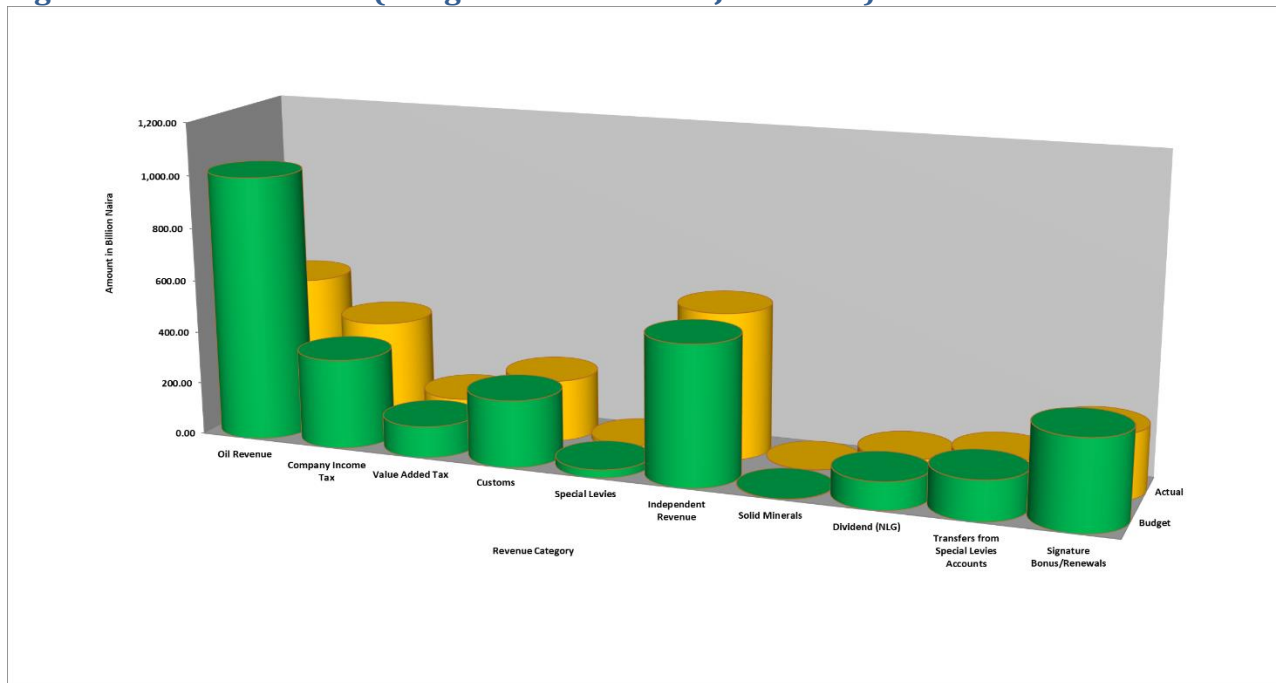


Source: The OAGF and Budget Office of the Federation, 2021

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

The oil revenue contributed largely to the revenue shortfall experienced by FGN in the quarter under review accounting for ₦252.14 billion (73.03 percent) of the entire revenue shortfall. Other major contributors included FGN's Share of Stamp Duty and Transfers from Special Accounts which accounted for ₦125.0 billion (36.22 percent) and ₦39.0 billion (11.30 percent) respectively.

Figure 3.7: FGN Revenue (Budget Vs Actual as at June 2021)



Source: The OAGF and Budget Office of the Federation, 2021

3.9.1 Total Inflow of the Federal Government

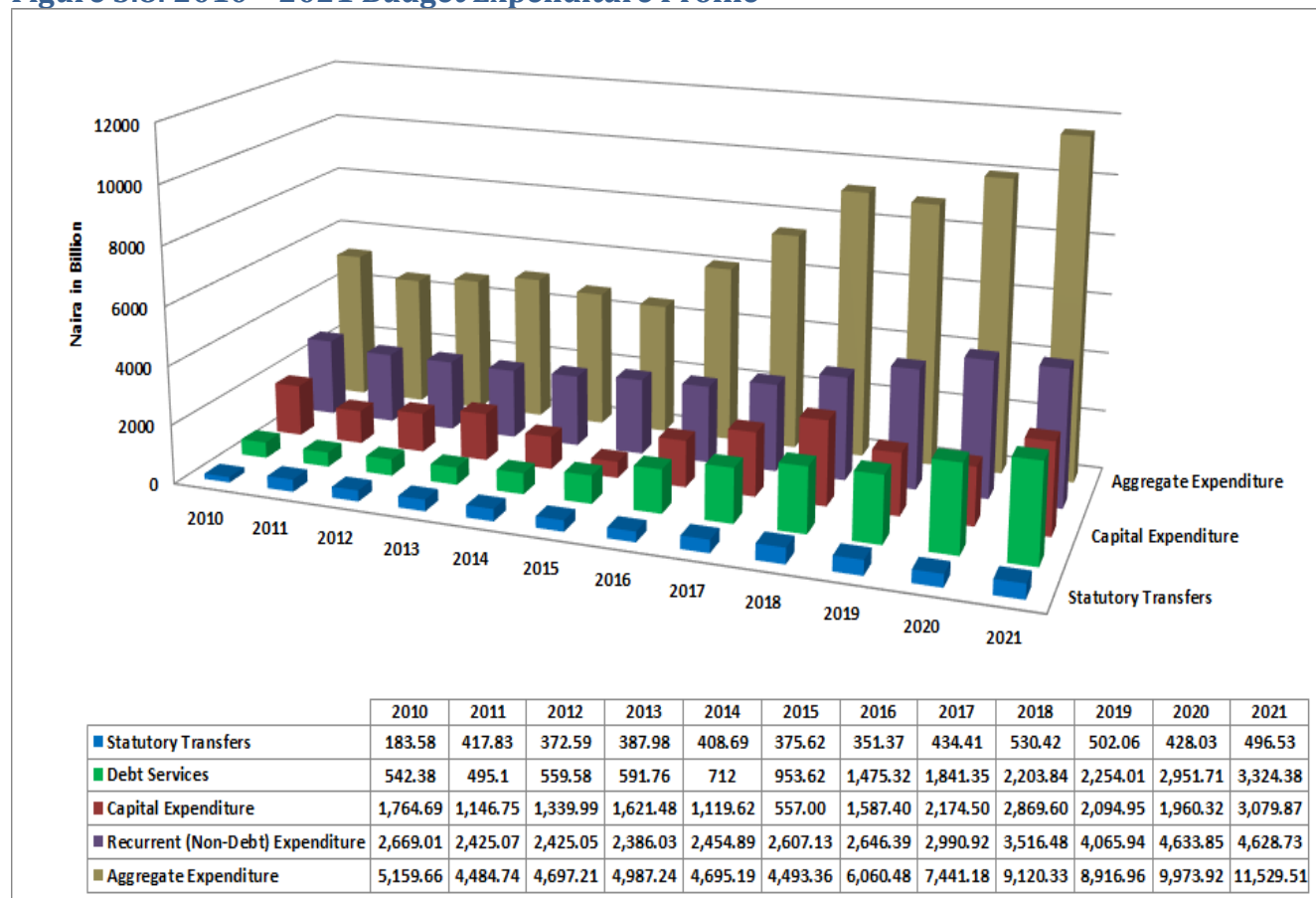
Total Retained Revenue of the Federal Government stood at ₦2,311.36 billion in the first half of 2021. This represents a ₦1,007.43 billion (30.36 percent) shortfall from 2021 half year budget estimate.

3.10 Expenditure Developments:

A total of ₦11,529.51 billion (excluding GOEs Budget & Project-tied Loans) was appropriated for expenditure in the 2021 Budget. This comprises of ₦4,628.73 billion (40.15 percent) for Recurrent (Non-Debt), ₦3,324.38 billion (28.83 percent) for Debt Service, ₦496.53 billion (4.31 percent) for Statutory Transfers and ₦3,079.87 billion (26.71 percent) for Capital Expenditure. This translates to prorated quarterly expenditure outlay of ₦2,882.38 billion in 2021. Actual expenditure amounts to ₦3,009.81 billion in the second quarter of 2021, translating to a ₦127.43 billion (4.42 percent) expenditure above the quarterly budget projection for the year. The detailed breakdown is presented in Table

3.9.

Figure 3.8: 2010 - 2021 Budget Expenditure Profile



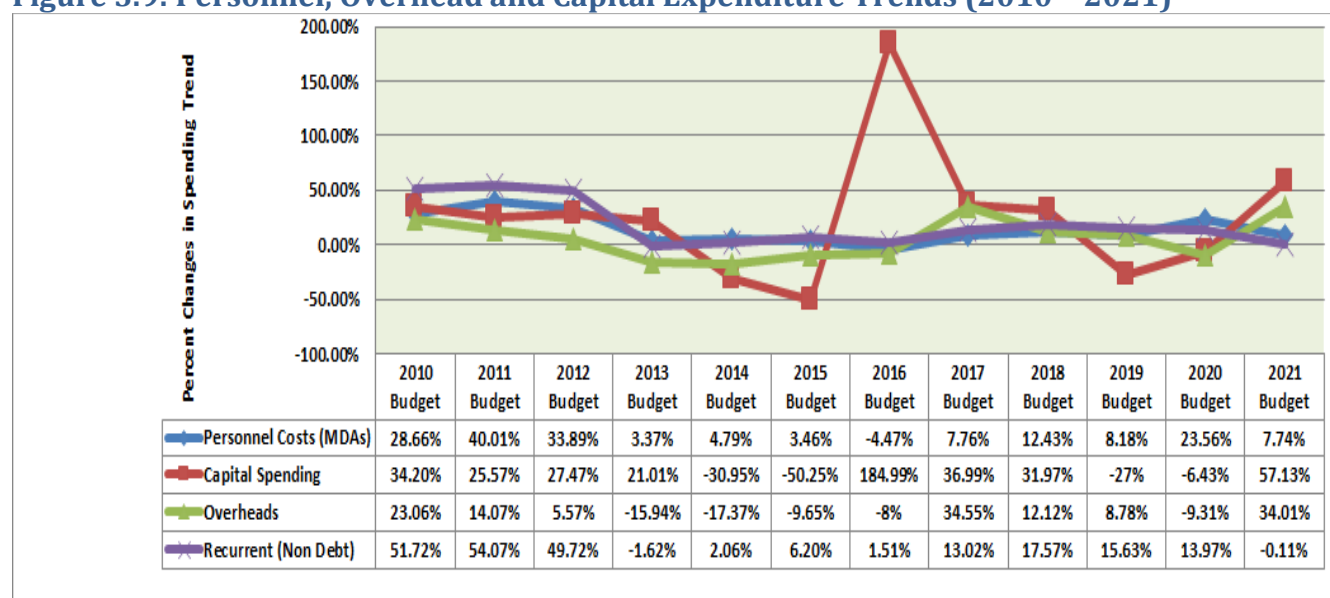
Source: Budget Office of the Federation, 2021

3.10.1 Non-Debt Recurrent Expenditure

The FGN continued to pursue its goal of reducing the growth in its recurrent expenditure as stated in the 2021-2023 Medium Term Expenditure Framework and Fiscal Strategy Paper. Key initiatives aimed at cutting down recurrent costs were therefore pursued vigorously during the period. This includes the embargo on unapproved recruitment by MDAs. All request for recruitment except for essential sectors and all enrolment of staff into the FGN payroll must first seek financial clearance from Budget Office of the Federation among others. The continuous roll out of the Integrated Payroll and Personnel Information System (IPPIS) was also continued for MDAs that were yet to be cover by the scheme.

A total of ₦1,137.55 billion was spent on non-debt recurrent expenditure in the second quarter of 2021. This amount revealed a decrease of ₦272.95 billion (19.35 percent) from the quarterly estimate of ₦1,410.49 billion (details in Figure 3.8). The performance was also ₦41.04 billion (3.74 percent) and ₦119.58 billion (11.75 percent) above ₦1,096.51 billion and ₦1,017.97 billion levels of expenditure reported in the first quarter of 2021 and second quarter of 2020 respectively.

Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2010 - 2021)



Source: BOF and OAGF, 2021

3.10.2 Debt Service:

Total Debt Service in the second quarter of 2021 stood at ₦900.02 billion indicating an increase of ₦68.93 billion (8.29 percent) above the ₦831.10 billion projected for the quarter. Interest payment on Ways and Means amounted to ₦311.96 billion during the period. A total of ₦322.75 billion was used to service FGN domestic debt during the quarter. This indicates a difference of ₦223.13 billion (40.88 percent) below the quarterly estimate.

The prorated sum of external debt service was ₦235.22 billion during the quarter under review. Actual external debt service payment however amounted to ₦265.32 billion (US\$298.97 million) indicating a difference of ₦30.10 billion (12.79 percent) above the prorated sum.

Table 3.9: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at June 2021

S/NO	ITEMS	2021 APPROVED BUDGET			ACTUAL			VARIANCE					
		Annual	Quarterly	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter		Half Year Actual Vs Half Year Budget	
		Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
A	RETAINED REVENUE	6,637.58	1,659.40	3,318.79	997.21	1,314.15	2,311.36	(345.25)	(20.81)	316.94	31.78	(1,007.43)	(30.36)
1	Share from Excess PPT/Forex Equalization		0.00	0.00	6.56	0.00	6.56	0.00		(6.56)	(100.00)	6.56	
2	Exchange Rate Difference		0.00	0.00	1.64	3.03	4.66	3.03		1.39	84.56	4.66	
3	AMOUNT AVAILABLE FOR FGN BUDGET (Excluding GOEs)	6,637.58	1,659.40	3,318.79	1,005.41	1,317.18	2,322.58	(342.22)	(20.62)	311.77	31.01	(996.21)	(30.02)
B	EXPENDITURE:												
1	RECURRENT NON-DEBT:												
2	Personnel Cost (MDAs)	3,046.47	761.62	1,523.23	797.14	819.80	1,616.94	58.18	7.64	22.65	2.84	93.71	6.15
4	CRF Pensions	504.19	126.05	252.10	90.05	88.62	178.66	(37.43)	(29.70)	(1.43)	(1.59)	(73.43)	(29.13)
5	Overhead Cost (MDAs)	325.88	81.47	162.94	64.76	111.99	176.76	30.52	37.47	47.23	72.92	13.82	8.48
7	Other Service Wide Votes (+ Gavi/Immunization)	337.19	84.30	168.60	133.72	100.89	234.61	16.59	19.68	(32.83)	(24.55)	66.01	39.15
8	Presidential Amnesty Programme	65.00	16.25	32.50	10.83	16.25	27.08	0.00	0.01	5.42	50.01	(5.42)	(16.66)
9	Special Intervention (Recurrent)	350.00	87.50	175.00	0.00	0.00	0.00	(87.50)	(100.00)	0.00		(175.00)	(100.00)
10	Sub-Total (Non-Debt)	4,628.73	1,157.18	2,314.36	1,096.51	1,137.55	2,234.05	(19.63)	(1.70)	41.04	3.74	(80.31)	(3.47)
11	Domestic Debts Service	2,183.49	545.87	1,091.75	612.71	322.75	935.46	(223.13)	(40.88)	(289.97)	(47.33)	(156.29)	(14.32)
12	Foreign Debts Service	940.89	235.22	470.45	231.83	265.32	497.15	30.09	12.79	33.49	14.44	26.70	5.68
13	Total Debt Service	3,124.38	781.10	1,562.19	844.55	588.06	1,432.61	(193.03)	(24.71)	(256.48)	(30.37)	(129.58)	(8.29)
14	Interest on Ways & Means		0.00	0.00	275.60	311.96	587.56	311.96		36.36	13.19	587.56	
15	Sinking Fund to Retire Maturing Loans	200.00	50.00	100.00	0.00	0.00	0.00	(50.00)	(100.00)	0.00		(100.00)	(100.00)
16	Sub-Total (Debts)	3,324.38	831.10	1,662.19	1,120.14	900.02	2,020.17	68.93	8.29	(220.12)	(19.65)	357.98	21.54
17	Total Recurrent Expenditure	7,953.11	1,988.28	3,976.55	2,216.65	2,037.57	4,254.22	49.29	2.48	(179.08)	(8.08)	277.67	6.98
18	CAPITAL EXPENDITURE												
19	Capital Dev. Fund (Main)-2021	1,919.12	479.78	959.56	384.52	707.83	1,092.35	228.05	47.53	323.31	84.08	132.79	13.84
20	Capital Supplementation	695.90	173.97	347.95	71.88	139.28	211.16	(34.70)	(19.94)	67.40	93.76	(136.79)	(39.31)
21	Special Intervention (Capital)	10.00	2.50	5.00	0.00	0.00	0.00	(2.50)	(100.00)	0.00		(5.00)	(100.00)
22	Covid-19 Crisis Intervention Fund-Incremental Capital	100.00	25.00	50.00	0.00	1.00	1.00	(24.00)	(96.00)	1.00		(49.00)	(98.00)
23	Grants and Donor Funded Projects	354.85	88.71	177.43	0.00	0.00	0.00	(88.71)	(100.00)	0.00		(177.43)	(100.00)
24	Total Capital Expenditure 2021	3,079.87	769.97	1,539.94	456.40	848.11	1,304.51	78.14	10.15	391.70	85.82	(235.43)	(15.29)
25	Capital Dev. Fund (Main)-2020 in 2021		0.00	0.00	618.92	0.00	618.92	0.00		(618.92)	(100.00)	618.92	
26	TRANSFERS												
27	Statutory Transfers	496.53	124.13	248.26	124.13	124.13	248.26	(0.00)	(0.00)	0.00	0.00	(0.00)	(0.00)
28	TOTAL FGN BUDGET (Excluding GOEs Budget & Project-tied Loans)	11,529.51	2,882.38	5,764.75	2,797.19	3,009.81	5,806.99	127.43	4.42	212.62	7.60	42.24	0.73
29	Fiscal Deficit (Excluding GOEs Budget & Project-tied Loans)	(4,891.93)	(1,222.98)	(2,445.96)	(1,791.78)	(1,692.63)	(3,484.41)	(469.65)	38.40	99.15	(5.53)	(1,038.45)	42.46
C	FINANCING ITEMS												
1	Privitization Proceeds	205.15	51.29	102.58	0.00	0.00	0.00	(51.29)	(100.00)	0.00		(102.58)	(100.00)
2	Foreign Borrowing	2,343.39	585.85	1,171.69	0.00	0.00	0.00	(585.85)	(100.00)	0.00		(1,171.69)	(100.00)
3	Domestic Borrowing	2,343.39	585.85	1,171.69	550.00	700.00	1,250.00	114.15	19.49	150.00	27.27	78.31	6.68
4	Sub-Total	4,891.93	1,222.98	2,445.97	550.00	700.00	1,250.00	(522.98)	(42.76)	150.00	27.27	(1,195.97)	(48.90)
5	Net Deficit/Surplus (Excluding GOEs & Project-tied Loans)	0.00	0.00	0.00	(1,241.70)	(992.63)	(2,234.41)	(992.63)		249.15	(20.98)	(2,234.41)	

Note: 1. The total Expenditure and the Financing items does not include Multi/Bi-lateral Projected Loans
2. Independent Revenue for the month of March and April, 2021 is yet to be reconciled

Source: OAGF and Budget Office of the Federation, 2021

3.10.3 Statutory Transfers:

A total of ₦124.13 billion was released as Statutory Transfers in the second quarter of 2021, same as the prorated sum and the amount released in the first quarter of the year. Quarterly releases to beneficiaries were determined by budgetary provisions and availability of funds.

3.10.4 Capital Expenditure Performance:

Significant portion of Government's available financial resources was allocated for structural reform of the economy and the provision of critical infrastructure in the works, power, housing, rail and aviation sectors as well as the provision of physical and food security. A total of ₦3,079.87 billion (excluding capital expenditure of statutory transfers, top 10 GOEs and project tied loans) was allocated to capital spending in the 2021 Budget.

MDAs' Capital Vote Utilization:

The release of funds to MDAs for capital expenditure in the second quarter of 2021 was done in batches based on availability of resources and government priorities. Data from the OAGF on 2021 capital performance for MDAs as at 30th June, 2021 showed that a total of ₦1,304.51 billion was released to MDAs. The sum of ₦571.26 billion was cash-backed for the 2021 capital projects and programmes. The sum of ₦571.26 billion was released as First Tranche Batch-1, ₦88.06 billion as First Tranche Batch-2, ₦97.24 billion as Online AIEs and ₦25.0 billion as Manual AIEs.

Performance as at 30th June, 2021:

Available fiscal data revealed that ₦426.27 billion (54.54 percent) of the total amount released and cash-backed was utilized by MDAs as at 30th June, 2021. *Appendix 1* to this Report shows the funds released to the MDAs and utilized during the period. A breakdown of the forty-four (44) MDAs included in the report of the Office of the Accountant-General of the Federation (OAGF) indicates different levels of utilization. Eight (18.18 percent) of the MDAs had utilized more than the overall average utilization rate of 54.54 percent of the

amount cash-backed. Only five out of them had above 80 percent utilization rate of their cash-backed funds. Ten (22.73 percent) of the MDAs had above forty percent utilization rates. The utilization report also revealed that only seventeen (38.64 percent) of the MDAs had above twenty percent utilization rates while ten (22.73 percent) of the MDAs had utilization rates below ten percent of their cash-backed funds. On the other hand, eleven (25.0 percent) of the MDAs were yet to make any utilization of their cash-backed funds.

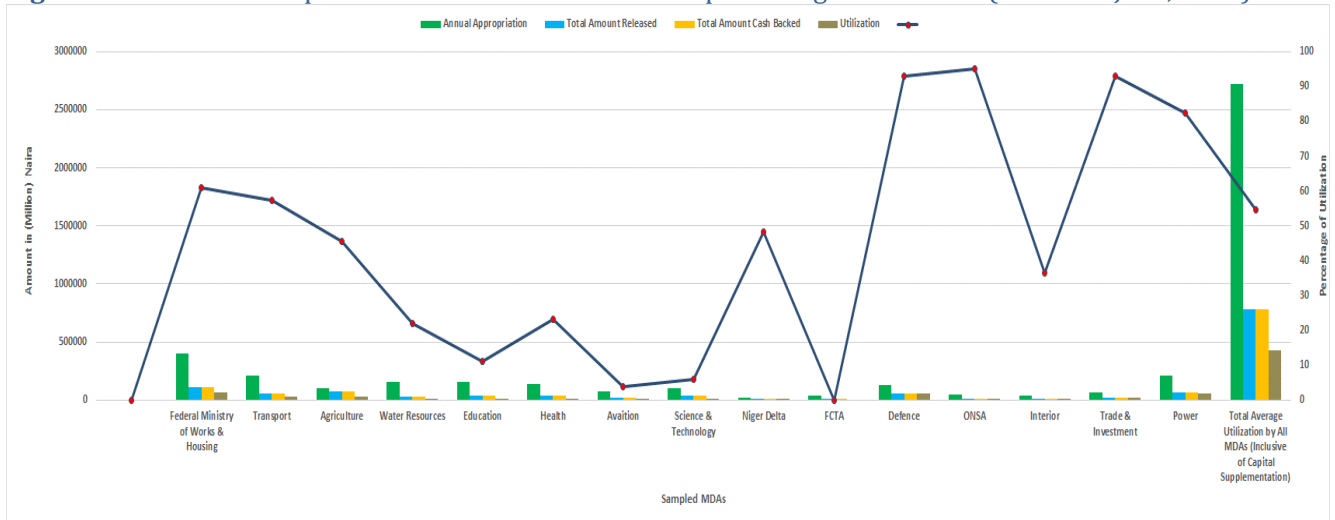
The utilization rate as at 30th June, 2021 was low because most of the MDAs were still undergoing their procurement processes. It is expected that the utilization rate as well as releases will increase in subsequent quarters of the year.

Table 3.10: Capital Budget Utilization by MDAs (as at 30th June, 2021)

MDA	Annual Appropriation	Total Amount Released	Total Amount Cash Backed	Utilization		
				Utilization	As % of Annual Capital Appropriation	Percentage of Releases
Federal Ministry of Works & Housing	399,694,565,222	106,185,005,668	106,185,005,668	64,820,813,830	16.22	61.05
Transport	209,736,113,910	51,743,584,088	51,743,584,088	29,714,064,583	14.17	57.43
Agriculture	102,493,492,597	69,932,987,464	69,932,987,464	31,858,840,526	31.08	45.56
Water Resources	159,745,000,315	31,894,794,262	31,894,794,262	6,969,321,180	4.36	21.85
Education	156,172,307,765	33,656,697,770	33,656,697,770	3,723,494,909	2.38	11.06
Health	134,591,025,027	37,845,955,847	37,845,955,847	8,766,837,575	6.51	23.16
Aviation	70,189,215,332	17,173,640,104	17,173,640,104	678,459,768	0.97	3.95
Science & Technology	100,319,073,942	34,612,109,288	34,612,109,288	2,017,598,178	2.01	5.83
Niger Delta	22,024,592,197	5,222,257,333	5,222,257,333	2,514,654,244	11.42	48.15
FCTA	37,330,762,421	8,881,904,171	8,881,904,171	0	0.00	0.00
Defence	127,850,984,984	57,652,628,074	57,652,628,074	53,572,774,865	41.90	92.92
ONSA	45,647,587,613	13,740,651,899	13,740,651,899	13,064,615,291	28.62	95.08
Interior	38,846,293,565	6,113,062,105	6,113,062,105	2,221,714,194	5.72	36.34
Trade & Investment	64,760,781,172	18,847,320,535	18,847,320,535	17,518,084,298	27.05	92.95
Power	206,745,895,389	69,104,486,561	69,104,486,561	56,997,127,575	27.57	82.48
Total Average Utilization by All MDAs (Inclusive of Capital Supplementation)	2,725,017,594,547	781,560,320,057	781,560,320,057	426,274,709,215	15.64	54.54

Source: OAGF and BOF, 2021

Figure 3.10: Pictorial Representation of Selected MDAs Capital Budget Utilization (as at 30th June, 2021)



Source: BOF and OAGF, 2021

3.10.5 Budget Deficit and Performance of the Financing Items:

In the 2021 Fiscal Framework, the estimated fiscal deficit amounts to ₦1,222.98 billion quarterly (exclusive of Multi-lateral/Bi-lateral Project-tied Loan of ₦177.42 billion). The deficit is expected to be financed through earnings from Privatization Proceeds of ₦51.29 billion, Foreign Borrowing of ₦585.85 billion and Domestic Borrowing (FGN Bond) of ₦585.85 billion on prorated basis.

The inflow and outflow of funds resulted in ₦1,692.63 billion deficit (2.86 percent of prorated GDP) in the second quarter of 2021. This was ₦469.65 billion (38.40 percent) higher than the prorated deficit for the quarter. The deficit was partly-financed through ₦700.0 billion borrowed domestically (FGN Bond).

Total deficit in the first half of the year amounted to ₦3,484.41 billion which was 71 percent of the 2021 estimated deficit. The deficit was financed in part through domestic borrowing amounting to ₦1,250.0 billion.

4.0 CONCLUSION

The macroeconomic environment was redefined by the unforeseen health and economic effects of the third wave of COVID-19 pandemic as well as its after effects during the review period. The economy grew by 5.01 percent in the second quarter of 2021 with the oil sector declining by 12.65 percent and non-oil sector recording real growth of 6.74 percent (year-on-year). The non-oil sector contributed significantly to the growth of the economy which was mainly driven by the growth in Trade, Information & Communication (Telecommunication), Transportation (Road Transport), Electricity, Agriculture (Crop Production) and Manufacturing (Food, Beverage & Tobacco).

The Federal Government continued to meet its non-discretionary expenditures even as budget implementation continued to be affected by poor revenue outcome. The performance of the economy during the quarter was encouraging considering developments in the global economy and the performance of other economies. However, it is important to accelerate efforts towards improving the growth recorded and revenue performance. Improving revenue collections in the subsequent quarters of the year is key to the successful implementation of the 2021 Budget. Efforts to restrain the growth in recurrent expenditure and particularly personnel and recurrent debt in 2021 is critical even as effective implementation of the COVID-19 containment measure continue to be paramount.

The Federal Government has restated its commitment to improved openness, transparency and accountability in its budget preparation, implementation, monitoring & evaluation and feedback. In view of this, firm adherence to budget implementation guidelines and the governance framework on monitoring of capital budget implementation will continue to be followed. Efforts would also be geared towards promoting efficiency in budget implementation, while ensuring effective project management in the succeeding quarters in 2021.