Review of the 2011 Appropriation Bill as Approved by the National Assembly

Undertaken by

CSJ

Centre for Social Justice (CSJ)

17 Yaounde Street, Wuse Zone 6, Abuja

Website: www.csj-ng.org; Email: censoj@gmail.com

REVIEW UNDERTAKEN

BY

EZE ONYEKPERE ESQ

WITH RESEARCH ASSISTANCE FROM

FIDELIS ANAEMEJE

TABLE OF CONTENTS

ABBREVIATIONS

CIT	Companies Income Tax
ECA	Excess Crude Account
EXCOF	Executive Council of the Federation
FRA	Fiscal Responsibility Act
GDP	Gross Domestic Product
MBPD	Millions of Barrels Per Day
MDAs	Ministries, Departments and Agencies of Government
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NASS	National Assembly
RCP	Reference Commodity Price
SWF	Sovereign Wealth Fund
VAT	Value Added Tax
USD	United States Dollar

1. INTRODUCTION

The analysis of the Appropriation Bill as approved by the National Assembly (NASS) is made against the background of the Fiscal Responsibility Act (FRA), the Medium Term Expenditure Framework 2011-2013 (MTEF) and other relevant laws and policies of the Federal Government. The MTEF is a macroeconomic and budgeting proposal from the Minister of Finance, considered and endorsed by the Executive Council of the Federation (EXCOF) and approved by a resolution of each chamber of the NASS. It is the basis for the preparation of the annual budget and the sectoral and compositional distribution of the estimates of expenditure should be consistent with the medium term priorities of the MTEF. The analysis also relies on best practices in economic management taking into consideration the peculiarities of Nigeria's political economy.

The Appropriation Bill 2011 as presented by the President to NASS is based on the following macroeconomic assumptions: oil production of 2.3mbpd and benchmark oil price of $65pb; a real GDP growth rate of 7%; target inflation rate of 10% and exchange rate of N150 to 1$USD; a fiscal deficit of N1,389.76 billion amounting to a deficit of -3.62% of the GDP resulting from a projected expenditure of N4,226.19billion and a retained revenue of N2,836.43 billion. The projected expenditure comprises of N196.12billion for Statutory Transfers, N542.38 for Debt Service, N2,481.71billion for Recurrent (Non-Debt) Expenditure and N1,005.99billion for Capital Expenditure. This represents an 18.1% contraction from the N5,159.66 billion budgeted in the 2010 Amended and Supplementary Budgets.

NASS has concluded work on the Bill and the Bill is waiting presidential assent. However what NASS passed is different from the proposals as made by the President and the Finance Minister has indicated that the budget as passed by NASS is un-implementable. NASS predicated oil production at the same 2.3mbpd but the benchmark price[1] was increased by $10 to $75pb; a real GDP growth rate of 7%, target inflation rate of 10% and exchange rate of N150 to $1USD are retained; the fiscal deficit increased to N1,623.768 billion amounting to a deficit of -4.23% of the GDP resulting from a projected expenditure of N4,971.881billion, an increment of N745.7billion or 17.64% to the executive proposal and a retained revenue of N3,348.114billion. The projected expenditure comprises of N496,617 billion for Statutory Transfers. N445,096billion for Debt Service, N2,467.168 billion for Recurrent (Non-Debt) Expenditure and the balance of N1,562.999billion for Capital Expenditure.

Table 1 on the ***major macroeconomic assumptions*** shows the real picture.

[1] Also referred to as the Reference Commodity Price (RCP).

Item	*Appropriation Bill*	*NASS Approval*
Overall Budget Figure	N4,226.19billion	N4,971.881
Statutory Transfer	N196.12billion	N496.617billion
Debt Service	N542.38billion	N445,096billion
Recurrent Non Debt Expenditure	N2,481.71bilion	N2,467.168billion
Capital Expenditure	N1,005billion	N1,562.999billion
Retained Revenue	N2,836.43billion	N3,348.114bilion
Deficit	N1,389.76billion	N1,623.768
Deficit as a % of GDP	-3.62%	-4.23%
Reference Commodity Price	$65	$75
Production Volume	2.3mbpd	2.3mbpd
Growth Rate	7%	7%
Inflation Rate	10%	10%
Exchange Rate	N150=$1USD	N150=$1USD

2. REVENUE FRAMEWORK

2.1 OIL PRODUCTION IN MBPD

The executive proposal had projected 2.3mbpd which was retained by the legislature. In view of the prevailing circumstances in the Niger Delta where oil is produced, this seems to be a reasonable approval by the legislature. However, it needs to be noted that using 2.3mbpd for the crafting of the budget was wrong in the first instance considering that the approved MTEF pegged it at 2.25mbpd.

2.2 THE BENCHMARK PRICE FOR OIL

Considering the need to delink the budget from the volatilities of the oil market, in arriving at the Reference Commodity Price (RCP), the MTEF used a ten year moving average while treating the spikes of $148 per barrel during some part of 2008 as an outlier and as such made slight adjustments to that moving average. The figure of $58 per barrel arrived at during this exercise seems realistic considering the price of oil in recent years. Thus, the MTEF endorsed by the EXCOF had projected the benchmark price of oil at $58 per barrel using a ten year moving average. The subsequent approval of $65 per barrel by NASS in the MTEF following the intervention of the Budget Office of the Federation and its use in the Appropriation Bill was not based on any empirical evidence/formula. Apparently, the new RCP could have been conjured in a bid to reduce the huge deficit proposed for 2011.

Further hiking the RCP to $75 as passed by NASS surpasses all reasonable projections and did not take cognisance of the possibility of an oil price shock. The fact that oil price is temporarily selling above $100 does not mean that it will be perpetually there. This comes against the background of a depleted Excess Crude Account (ECA). The new RCP has implications for budget implementation and accrual of resources to ECA or the proposed Sovereign Wealth Fund (SWF). The first is that if the commodity price falls below the RCP, Federal, State and Local Government budgets will be totally distorted and will become un-implementable in view of the fact that we have fully drawn down the resources in ECA which would have been used to augment the shortfall in revenue. The second issue is that the new RCP will decrease the level of accruals to the ECA/SWF at a time they need to be replenished.

2.3 NON OIL REVENUE

2.3.1 Customs Duty Collection

Customs Duty collection was projected at N450billion in the first Appropriation Bill sent to the NASS. This represents an increase of 12.5% over the 2010 projection. This is also the figure approved in the MTEF. However, later amendments to the budget by the executive jerked it up to N554.30billion and this was approved by NASS. The 2010 Third Quarter Budget Implementation Report indicates that Customs Duty collection fell short of its target by -26.1% or N35.325billion. The variance is wide. If this trend persisted until the end of 2010, it is unreasonable (without any change in the macroeconomic environment) to expect increased Customs Duty collection. The projections should be reviewed downwards to correspond with the actual collection for 2010.

2.3.2 Companies Income Tax (CIT), Stamp Duties and Capital Gains

The executive projection was N632.8billion which is an increase of 7.8% over the 2010 figure. The MTEF approval is the same as the Appropriation Bill. The Third Quarter Budget Implementation Report for 2010 indicated that collection exceeded the proposal by N16.312billion or 8%. This is a positive variance. If this trend persisted till the end of 2010, it will be reasonable (without any change in the macroeconomic environment) to expect an increase in 2011. The fact that the NASS increased the proposal to N702.264billion is realistic and founded on empirical evidence.

2.3.3 Value Added Tax (VAT) and Education Tax

The executive proposal was N625.24billion. However NASS approved N770.089 billion. The 2010 Third Quarter Budget Implementation Report indicated that VAT fell short of projection by 1.2%. The deviation is reasonable and not wide. But the basis for the increase in the executive's proposal is not apparent on the face of the approved Bill. However, the increase should be retained. NASS also increased proceeds of Education Tax from N82.298bilion to N97.240billion.

2.3.4 FGN Independent Revenue

Again NASS increased the revenue projections from N214billion to N228.930bilion. The executive proposal of N124billion for operating surplus and dividends in 2011 which was retained by NASS is baffling considering that 2010's projections of N66 billion was not met. The executive proposal for consolidated revenue of N45billion was approved while revenue from MDAs was increased from N45billion to N59.930billion.

By the end of the Third Quarter of 2010, the Budget Implementation Report indicates that expected Independent Revenue had fallen short of target by –N144.163 billion amounting to 64% shortfall from budgeted figures. This trend appears to have continued until year end. As such, the projections in the NASS approval are unrealizable. They should be downwardly reviewed to reflect the actual collection of 2010.

3. EXPENDITURE FRAMEWORK

The variance between the executive expenditure proposal and NASS approval is demonstrated as follows in Table 2.

Item	**Executive Proposal**	**NASS Approval**	**Variance**	**%of Variance**
Statutory Transfers	N196.12billion	N496.62billion	N300.5billion	153.22%
Debt Service	N542.38billion	N445.10bilion	N97.28bilion	-17.94%
Recurrent (Non Debt) Expenditure	N2.481.71bilion	N2,467.17billion	N14.57bilion	-0.58%
Capital Expenditure	N1,005.99bilion	N1,563bilion	N557.01billion	55.37%
Total	N4,226.19billion	N4,971.8billion	N745.7billion	17.64%

3.1 STATUTORY TRANSFERS

The sharp increase in statutory transfers is almost accounted for by the bloated figures NASS awarded to itself. Table 3 shows a ***Breakdown of Statutory Transfers.***

Item	**Executive Proposal**	**NASS Approval**	**Variance**	**% of Variance**
National Judicial Council	N95bilion	N95billion	-	-
Niger Delta Development Commission	N46.79billion	N54.32billion	N7.53billion	16.09%
Universal Basic Education	N54.33billion	N62.38billion	N8.05billion	14.82%
National Assembly	N111.24bilion	N232.74billion	N121.5billion	109.22%

The MTEF had projected Statutory Transfers at N179.78billion. This was before the NASS amended the Constitution to place their funds under Statutory Transfers. Thus, Statutory Transfers was bound to increase with the amended 1999 Constitution coming into force. However, there is no empirical basis for the 109% increase in the vote of NASS compared to the executive proposal considering the national outrage that greeted their vote in 2010 and their promise to reduce their vote to a more reasonable figure in line with the developmental priorities of the nation. This vote is 4.67% of the overall budget. The constitutional duty vested in the legislature to approve executive proposals for revenue and expenditure is not a license for abuse of national resources or to encourage fiscal rascality. It is a power to be exercised for the benefit of the common will. This huge vote cannot by any stretch of the imagination be in the interest of any section of Nigerians except the legislators. The current Statutory Transfers amount to 9.99% of the overall budget. The approval for NASS should be slashed to no more than the original executive proposal. Indeed NASS should have a vote that is less than a N100billion.

3.2 DEBT SERVICE

The executive proposal for debt service is N542.382billion while NASS approved the sum of N445.097billion. The MTEF had proposed N517billion for debt service. Apparently, the reduced figure approved by NASS implies that our debt service may have been overstated by the executive. The rising debt service obligation is not the best for an economy with most of its budget channeled towards recurrent expenditure. And the proposed borrowing for 2011 in excess of NI trillion is also a concern for worry because it implies increased future repayment obligations.

3.3 RECURRENT (NON-DEBT) EXPENDITURE

The MTEF had approved Recurrent (Non-Debt) Expenditure of N2,849.66billion which is higher than the executive proposal. The implication of the Recurrent Expenditure figure in Table 2 is that despite executive and legislative posturing on the need to reduce recurrent (non-debt) expenditure, it is still bloated and the legislature merely reduced N14.57bilion from the executive proposal. The Recurrent Expenditure is thus 49.63% of the overall budget. By the time, the budget figures grouped under Statutory Transfers are disaggregated, it will even show that recurrent expenditure is far higher than indicated in the Table above. The high level recurrent expenditure is unacceptable and cannot be the basis for the growth of an economy in search of critical infrastructural development. It can also not be the basis for the accelerated development of human capital.

The Recurrent Expenditure should be reduced considering that there is a federal government committee working on reducing the bloated expenditure.

3.4 CAPITAL EXPENDITURE

Capital expenditure was increased from N1,005billion to N1,563billion. Ideally, this should be good news considering that Nigeria needs to build and maintain critical infrastructure for development. Capital expenditure currently amounts to 31.44% of the overall budget. However, it appears that priorities were not properly targeted in allocating capital expenditure. Table 4 shows the disaggregation of the capital expenditure in some MDAs.

TABLE 4: MDA's Capital Expenditure: Executive Proposal Vs NASS Approval, 2011

MDA's (CAPITAL EXPENDITURE)	Executive Proposal	NASS Approval	Variance (Amount)	%
Presidency	N12.89bn	N22.17bn	N9.28bn	71.99%
Office of the Secretary to the Govt of the Federation (SGF)	N5.96bn	N22.60bn	N16.64bn	279.19%
Youth Development	N3.06bn	N9.13bn	N6.07bn	198.37%
Police Affairs	N360m	N3.52bn	N3.16bn	877.7%
Police Formation and Command	N11.17bn	N40.65bn	N29.48bn	263.92%
Women Affairs	N750m	N2.32bn	N1.57bn	209.33%
Agriculture & Rural Devt.	N29.46bn	N35.30bn	N5.84bn	19.82%
Water Resources	N24.75bn	N73.73bn	N48.98bn	197.89%
Auditor General for the Federation	N1.99bn	N1.99bn	-l	-
Independent Corrupt Practices & Related Offences Comm. (ICPC)	N162m	N662m	N500m	308.64%
Defence/MOD/Army/Air Force/Navy	N25.19bn	N68.79bn	N43.6bn	173.09%
Education	N35.09bn	N59.57bn	N24.48bn	69.76%
FCT Administration	N44.18bn	N70.18bn	N26bn	58.85%
Foreign & Intergovernmental Affairs	N6.25bn	N11.41bn	N5.16bn	82.56%
Finance	N3.07bn	N3.63bn	N560m	18.24%
Health	N33.53bn	N63.39bn	N29.86bn	89.05%
Commerce & Industry	N1.15bn	N7.46bn	N6.31bn	548.7%
Information & Communication	N1.38bn	N9.2bn	N7.82bn	566.67%
Interior	N5.85bn	N8.36bn	N2.51bn	42.9%
Office of Head of Service of the Federation	N6.86bn	N8.78bn	N1.92bn	27.99%
Justice	N407m	N1.91bn	N1.5bnbn	369.29%
Labour & Productivity	N466m	N1.89bn	N1.42bn	305.58%
Power	N86.25bn	N99.07bn	N12.82bn	14.86%
Science & Technology	N5.13bn	N60.25bn	N55.12bn	107.46%
Transport	N48.90bn	N50.3bn	N1.4bn	2.86%

Petroleum Resources	N10.27bn	N10.78bn	N510m	4.97%
Works	N136.89bn	N188.98bn	N52.09bn	38.05%
Lands & Housing	N17.07bn	N52.47bn	N35.4bn	207.38%
Mines & Steel Development	N2.24bn	N2.94bn	N700m	31.25%
Aviation	N20.74bn	N33.74bn	N13bn	62.69%
National Salaries, Income & Wages Commission	N108m	N108m	-	-
Environment	N4.75bn	N17.99bn	N13.12bn	278.73%
Culture & NOA	N2.49bn	N6.35bn	N3.86bn	155.02%
National Planning Commission	N1.48bn	N1.48bn	-	-
National Sports Commission	N1.13bn	N3.65bn	N2.56bn	223%
Office of the National Security Adviser	N54.3bn	N87.88bn	N33.58bn	61.84%
Niger Delta	N53.40bn	N88.4bn	N35bn	65.54%
Special Duties	N52.8m	N52.8m	-	-
Fiscal Responsibility Commission	N162m	N162m	-	-
Infrastructure Concession Regulatory Commission	N86.4m	N86.4m	-	-

The implication of the foregoing is that virtually every MDA got NASS approval for a figure higher than proposed by the executive. This creates the impression of turning and turning in the widening fiscal gyre, the legislature cannot hear the voice of the executive and there is clearly no synergy in the work of both arms of government. This is a perfect setting for chaos in fiscal governance and a breakdown of fiscal responsibility.

Specifically, the 71% increase in the vote of the Presidency as well as the 279% increase in the vote of the Office of the Secretary to the Government of the Federation, 61% increase in the vote of the Office of the National Security Adviser, 566% increase in Information and Communication, etc are not aimed at growth inducing or development oriented targets. Even the increase in the capital allocation of the Ministry of Finance which prepares the budget at the executive level is baffling. Did the ministry forget some projects which they later remembered during legislative consideration of the budget? There is the need to distinguish between administrative capital investments and developmental capital investments. Most of the increases in capital expenditure were geared to the administrative side, which essentially are resources to be consumed by the administration. There were no dramatic increases in works, power, transport, agriculture and rural development, etc, being sectors that will positively impact on the daily lives of citizens and grow the economy.

There are two possible ways to proceed with the capital vote. It should either be reduced through cutting down the excess fat in some MDAs or in the alternative, the overall sum already allocated should be retained but redistributed among the sectors in terms of national priority with more focus on developmental as against administrative capital. But the current absorptive capacity of MDAs which limits them to no more than 60% implementation of the capital budget by the end of each year indicates that the executive figure should be retained considering that we have already lost the first quarter of the year before the approval of the budget.

3.5 OVERBLOATED FIGURES

A lot of savings can be made from what clearly are over-bloated expenditure proposals in many MDAs. It is our point of view that two agencies should lead the way in reducing these bloated proposals. The two agencies are the Presidency and the NASS. Once they lead by example, other agencies will be under obligation to toe their path. Examples of figures that need to be slashed in the Presidency budget from the executive proposal are delineated below in Table 5.

Table 5: Examples of Presidency's Bloated Proposals - Capital and Recurrent

CODE	LINE ITEM (PRESIDENCY – STATE HOUSE)	AMOUNT
22021001	Refreshment and meals	312,400,000
22021007	Welfare packages	383,408,436
23010120	Purchase of canteen/kitchen equipment	553,594,442
23010121	Purchase of residential furniture	1,128,640,000
23030121	Rehabilitation/Repairs of office building	383,291,157
22020101	Local travel & transport: Training	117,761,559
22020102	Local travel & transport: Others	791,633,960
22010103	International travel & transport: Training	163,028,178
22010104	International travel & transport: Others	982,234,658
22020311	Food stuff/Catering materials supplies	574,074,750
22020403	Maintenance of office building/residential quarters	2,040,806,000
22020404	Maintenance of office/IT equipments	136,991,543
22020406	Other maintenance services	136,847,543
23020103	Installation of new switch gear for villa power house	750,000,000
23010118	Comprehensive Public Address System at VP's conference room + Tele-promoter & podium	200,000,000
23010120	Purchase of kitchen & household equipment	403,594,442
23010120	Purchase of household equipment & materials for VIP's residence	150,000,000
23010121	Furnishing of VP's Guest House at Asokoro	100,000,000
23010121	Acquisition, Upgrading & furnishing of VP's Guest House at Aguda	400,000,000
23030101	Rehabilitation of State House Marina, Lagos	1,200,000,000

N150million for household equipment and materials for the Vice President's residence, N100million for furnishing a guest house at Asokoro and a further N400million for acquisition, upgrading and furnishing of the same Vice President's guest house at

Aguda should not be national priorities amidst the grinding poverty of the majority. Further, refreshment and meals of N312.4million, welfare packages of N383.4million, food stuff catering materials supplies of N574million can all be reduced to reasonable figures not exceeding N300million overall.

The overhead costs of the Senate and House of Representatives in the executive proposal are scandalous. With personnel costs of N1.856 billion and N4.923 billion for the Senate and House of Representatives respectively, it did not make sense to give the Senate an overhead vote of N27.184 billion and the House of Representatives N41.291 billion. The budget of the NASS was suffused with perennial requests for the purchase of motor vehicles despite the monetization arrangement dictated by law, huge miscellaneous provisions which are not properly defined and delineated. The *Measures on Cost Control* which is an accompanying document to the Appropriation Bill had indicated as follows:

> *Expenditure on the procurement of motor vehicles has been deferred. Provision for security vehicles and other specialized automobiles for specific agencies of government are pooled into Service Wide Votes*.

However, this is not the case in the demands for new vehicles in the NASS. The implication of this cost control measure is to state that every demand for procurement of vehicles will be justified within this framework as a special automobile or security vehicle. The demands of NASS do not meet any of these criteria. Thus, further increasing these allocations in the executive proposal by 109% is beyond scandal. It is a national tragedy.

Another cost saving measure is the re-allocation of welfare packages in all MDAs running into tens of billions to more demanding uses. Welfare packages are just slush funds for the purchase and distribution of consumables to public officers. This is a frivolous expenditure.

The NASS and Presidency kind of allocations are replicated in many MDAs and as such a lot of fat can be cut off the allocations of MDAs. But if the Presidency and NASS are to lead by example, the redistribution should start from their budget.

3.6 EDUCATION, HEALTH AND AGRICULTURE

3.1 Education

Education got less than 8% of the overall budget as against the UNESCO recommendation of 26%. The executive proposal had given education 11.56% of the vote. Considering the rot in the sector and the need to build a knowledge based economy, the allocation to the sector needs to be increased. We do not see how this allocation will establish the proposed 9 new universities while catering for existing ones and other demands of the sector. The total allocation to the sector is N365.89billion which is 7.36% of the overall budget. This is about 19% away from the international benchmark of 26%. Even if you add N62,375billion being the resources of Universal Basic Education under Statutory Transfers, it will only amount to N428.25billion being 8.61% of the overall budget. This is unacceptably low and cannot meet Nigeria's obligations under the MDGs, the African Charter on Human and Peoples' Rights and the International Covenant on Economic, Social and Cultural Rights.

3.2 Health

An increase is also needed in the health sector to ensure improvements in standard, reduce and child and maternal mortality and morbidity met the MDGs and to meet the African benchmark of 15% of the budget. The current allocation to the health sector is 5.37% of the budget falling short of the African standard of 15% by 9.63%. The executive proposal had given health 8.03% of the vote while NASS decreased, instead of improving the allocation.

3.3 Agriculture

Agriculture's contribution to GDP estimated at 40.6% in 2011 implies that it should attract greater government funding. The current allocation is paltry and is 1.4% of the overall budget. If you add the vote for the Ministry of Water Resources, it will only come up to 3.06% of the budget. This is too low for the realization of national aspiration. It should be increased and raised by at least 100% of the current approval.

Resources freed from reductions in the vote of NASS, Presidency and other MDAs will finance the increased allocations to the above sectors. It is simply a matter of reordering our priorities.

3.7 NATIONAL JOB CREATION SCHEME

It is imperative to reaffirm that job creation is not strictly a function of allocating sums of money in the budget labeled after the job creation appellation. It is rather a function of understanding the inextricable link and the intricate macroeconomic relationships between fiscal and monetary policy, trade, industrial, procurement, etc policies of the Federal Government. Thus, the allocation of N50billion in the budget should be accompanied by policies that promote the patronage of locally produced goods and services. For instance, Federal and state Government can take deliberate and targeted procurement policy positions in support of locally manufactured goods and products. In the automobile sector for instance, the Government can begin to massively patronize locally made cars like the products of Innoson Motors and locally assembled cars like Peugeot Automobile Nigeria and give them extensive margins of preference in bids for the supply of vehicles. In this way, we will not only create jobs, but we will save foreign exchange needed for importation of these products, generate more Corporate, Personal and Value Added Tax for our governments.

4. DEFICIT AND DEBTS

The executive proposal had an inbuilt deficit of 3.62% of the GDP, a reduction from the MTEF proposal of -4.49%. However, NASS approved a budget with an inbuilt deficit of 4.23%. All the foregoing deficit proposals violate the spirit of the Fiscal Responsibility Act which in section 12 limits the deficit to not more than 3% of the GDP unless there is a national emergency. Apparently, the President and NASS have not declared any national emergency. But what is apparent is the need to properly manage our fiscal resources and channel them to the areas of greatest need. Table 6 shows the percentage of retained revenue to overall budget

Table 6: Percentage of Retained Revenue to Overall Budget

Overall Budget	Retrained Revenue	Percentage
N4,971.882billion	N3,348.114bilion	67.34%

Table 7 shows the percentage of deficit to overall budget

Table 7: Percentage of Deficit to Overall Budget

Overall Budget	Deficit Sum	Percentage
N4,971.882billion	N1,623.768	32.66%

The implication of the foregoing is that retained revenue is funding 67.34% while the high deficit of 32.66% is funding the remainder of the budget.

The NASS approval shows the source of deficit financing as follows in Table 8.

Table 8: Sources of Deficit Financing

Deficit Financing Source	**Amount (Billions)**
Privatization proceeds	N16.910
Signature Bonus	N42.440
Stabilization Fund Account (Excess Crude)	N225
Domestic Borrowing	N1,339.418

The executive proposal had recommended N865.239 billion as money to be borrowed from the domestic market while the approval from NASS is N1,339.418. Both are in excess of the Debt Sustainability Analysis report recommendation for the year 2011.

The report recommends N639billion to be sourced from the domestic market while $2.84billion from external sources. If the executive and NASS cannot abide by the debt limits proposed by a combined team of the Debt Management Office, Federal Ministry of Finance, Central Bank of Nigeria, National Planning Commission, Budget Office of the Federation, National Bureau of Statistics with support from the West African institute for Financial and Economic Management, then one wonders the basis and which institutions inform their borrowing projections.

Nigeria's current debt profile is about $34.5billion. At N150 to 1USD, the proposed borrowing will amount to over $8.9billion. This will further increase overall debt to about $43.4billion before year end. Essentially the proposed domestic borrowing is not sustainable and NASS should revert to the recommendations of the DSA 2010.

5. RECOMMENDATIONS

The following recommendations flow from the above analysis:

- Oil production capacity at 2.3mbpd should be retained.
- The benchmark price of oil should be reversed to the more realistic $65 per barrel.
- Customs Duty Collection estimates should be pegged at the 2010 rate as the current projection cannot be realised.
- NASS approval should be retained for Companies Income Tax.
- VAT and Education Tax as approved by NASS are reasonable and should be retained.
- FGN Independent Revenue as approved by NASS should revert to the actual collection for 2010. The current projection is unreasonable.
- The appropriation for NASS should be trimmed to no more than N100billion and a plan devised for further reduction in the next three years by a minimum of 10% per year.
- NASS approval for debt service should be retained.
- Recurrent (Non-Debt) Expenditure, particularly overheads should be slashed by at least 20% across board with the exception of key MDAS working in education, health and agriculture.

- ❖ Capital expenditure should be retained at the level proposed by the executive and there should be realignments between administrative and developmental capital in favour of developmental capital.

- ❖ Increases in the capital votes of the Presidency, Office of the Secretary to the Government of the Federation, National Security Adviser and Ministry of Information and Communications, etc should be reduced to the level contained in the executive proposal.

- ❖ Over-bloated figures in all MDAs as demonstrated by Table 5 should be trimmed.

- ❖ Allocations to education, health and agriculture should be increased to meet national and international benchmarks in consideration of the special and strategic needs of the sectors and their contribution to national development.

- ❖ There should be procurement directives encouraging the patronage of locally made goods and services beyond the current lip-service.

- ❖ The deficit as a percentage of the GDP should be reduced to the executive proposal of -3.62% of the GDP.

- ❖ Approved borrowing should not be in excess of the recommendations of the 2010 Debt Sustainability Analysis produced by the Debt Management Office.