

SENATE COMMITTEE ON FINANCE

REPORT ON THE

**2022-2024 MEDIUM TERM EXPENDITURE FRAME
WORK (MTEF) AND FISCAL STRATEGY PAPER (FSP)**

SUBMITTED TO THE SENATE

SEPTEMBER, 2021

REPORT OF THE SENATE JOINT COMMITTEE ON THE 2022 - 2024 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) AND FISCAL STRATEGY PAPER (FSP)

1.0. INTRODUCTION:

The Senate at its sitting on Tuesday 13th July, 2021, considered the request of Mr. President, Commander-in-Chief of the Armed Forces of the Federation on the 2022 - 2024 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) and referred same to the Committees of Finance; National Planning and Economic Affairs; Foreign and Local Debts; Banking, Insurance and Other Financial Institutions; Petroleum Resources (Upstream); Down Stream Petroleum Sector; and Gas for further legislative action.

2.0. BACKGROUND:

The Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF & FSP) is a major feature of the annual budget preparation cycle. It provides the basic structure for the estimates and assumptions that underlie the annual budgets.

In compliance with Section 11(1)(b) of the Fiscal Responsibility Act (FRA) 2007, The Federal Government after consultation with the States, is mandated “not later than four months before the commencement of the next financial year, cause to be prepared a Medium-Term Expenditure Framework for the next three financial years”. As such, the FRA, 2007 requires that the Federal Government of Nigeria (FGN) prepares the Medium-Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) to, among other things, encapsulate the policy thrust behind government’s revenue and expenditure estimates, for the next three financial years, highlighting its revenue projections, expenditure plans and fiscal targets over the medium term based on a reliable and consistent fiscal outlook. Section 11 (2) of the

FRA, 2007 then states that “the frame-work so laid shall be considered for approval with such modifications if any, as the National Assembly finds appropriate by a resolution of each House of the National Assembly”.

The MTEF/FSP is a framework that has been informed by a process of broad-based dialogue with stakeholders. Including State governments as statutorily required, by the FRA, 2007. It was designed deliberately to minimize the adverse socio-economic consequents of the unabating COVID-19 pandemic and other crisis peculiar to our country, accommodate changing realities, propel the economy on the path of accelerated growth, as well as serve as a reference point for further economic dialogue and planning in Nigeria, in the short and medium term.

3.0. METHODOLOGY:

In view of the need for greater prudence and efficient management of the country’s finances and detailed legislative Scrutiny, the Joint Committee took a decision to stringently scrutinize the 2022-2024 MTEF/FSP document in a manner clearly different from previous exercises.

To this effect, Government-Owned Enterprises (GOEs) and revenue-generating agencies and the Ministries of Finance, Budget and National Planning; the Budget Office of the Federation, Debt Management Office, the Department of Petroleum Resources; the Central Bank of Nigeria; the Accountant-General of the Federation Nigeria Customs Service; Nigeria Communications Commission; among others, were invited to the 3-day Stakeholder’s Interactive Session on the 2022-2024 MTEF/FSP. The central objective of this Interactive Session was to enable a detailed legislative scrutiny of the revenue and expenditure profile of the invited MDAs, upon whom, the successful implementation of the 2022-2024 MTEF/FSP and the subsequent annual budgets for those years, largely depends. The Joint Committee was very clear about its determination to reduce inefficiency or waste in the execution or administration of

funds appropriated by it, thereby reduce significantly the extent of deficit financing required for the 2022 budget and indeed subsequent budgets of the Federal Government of Nigeria.

The invited MDAs were categorized into three, namely:

- i. Agencies fully funded in the Budget (i.e, those whose Personnel, Overhead and Capital Expenditure Estimates are appropriated for in annual FGN Budget);
- ii. Agencies that are Partially Funded by the Budget (i.e, those that receives not more than two of Personnel, Overhead and Capital Expenditure Estimates, from the annual FGN Budget); and
- iii. Agencies that are Independent of the annual Budget (i.e, these agencies are not appropriated for at all in the Budget)

The Joint Committee demanded that these MDAs appear with copies of relevant documents pertaining to the agencies for 2019-2021 Budget Performance for both revenues and expenditures; the overall implementation stage of the budget and justifications for the 2022-2024 projections to facilitate the Joint Committee's realistic and economically sound recommendations.

So, in its determination to arrive at a realistic MTEF and FSP for the next three (3) years, the Joint Committee considered the actual performance of the 2019-2021 Budgets of the invited MDAs and the previous MTEF/ FSP, the 1999 Constitution of the Federal Republic of Nigeria (as amended), the Fiscal Responsibility Act (FRA), 2007 and several other relevant documents, including the specific Establishment Acts, that pertains to each of the invited MDAs.

4.0. 2021 BUDGET IMPLEMENTATION:

The FY 2021 started with some dampened optimism for global growth due to protracted second wave of the COVID-19 pandemic amidst the ongoing vaccination in major economies. It is however, expected that growth will rebound as more people get vaccinated and activities increases in major economies.

4.1. REVENUE OUTTURNS FOR 2021

4.1.1. OIL REVENUE:

The gross oil and gas revenue was projected at N5.19 trillion. As of May 2021, N1.49 trillion was realized out of the prorated sum of N2.16 trillion. This represents 69% performance. Oil and gas deductions were N189.93 billion (or 44.8%) more than the budget. This is mainly attributable to petroleum subsidy costs which was not provided for in the 2021 Budget. After netting out deductions (including 13% derivation), net oil and gas revenue inflows to the Federation Account amounted to N876.54 billion. This is N859.82 billion or 49.5% less than the projection as of May.

4.1.2. FEDERATION AND VAT POOL ACCOUNTS DISTRIBUTABLE:

The amount available for distribution from the Federation Account was N2.78 trillion. Of this, the Federal Government received N998.57 billion while the States and Local Governments received N506.59 billion and N390.48 billion respectively from the Main Pool Account. Federal, State and Local governments received N132.70 billion, N442.33 billion and N309.63 billion respectively from the VAT Pool Account.

4.1.3. FGN Revenue:

As at May 2021, FGN's retained revenue was N1.84 trillion, 67% of prorata target. FGN share of oil revenues was N289.61 billion (which represents 50% performance), while non-oil tax revenues totalled N618.76 billion (99.7% of prorata). Companies

Income Tax (CIT) and Value Added Tax (VAT) collections were ahead of the budget targets with N290.90 billion and N123.85 billion, representing 102% and 125% respectively of the prorated targets for the period. Customs collections was N204.0 billion (86% of target). Other revenues amounted to N762.70 billion, of which Independent revenues was N487.01 billion.

4.2. 2021 EXPENDITURE OUTTURNS

On the expenditure side, N4.86 trillion (representing 92.7% of the prorated budget) has been spent. This excludes GOEs' and project-tied debt expenditures. Of the expenditure, N1.80 billion was for debt service (37% of FGN expenditures); and N1.50 trillion for Personnel cost, including Pensions (31% of FGN expenditures). As at May, N978.13 billion had been released for capital expenditure.

5.0. ASSUMPTIONS UNDERLYING OIL AND NON-OIL REVENUE PROJECTIONS IN 2022-2024

5.1. ASSUMPTION UNDERLYING OIL REVENUE

5.1.1. Crude Oil Production and Export:

Crude oil production accounted for 9.25% of Nigeria's real GDP in the first quarter of 2021. Average fiscalised crude oil and condensate production increased sharply from 1.96mbpd in December 2019 to 2.07mbpd in January 2020 and declined afterwards to 1.42mbpd in December 2020 with 1.22mbpd crude only. Actual daily crude oil production has been below budget projections since 2013. However, reflecting efforts towards budget realism, the divergence between the output benchmark and actual output has declined significantly recently. Although Nigeria has capacity to produce 2.5mbpd, a total of about 1.4mbpd of crude is currently being produced in compliance with the OPEC+ production quota. This excludes

300,000bpd of condensates. Data from the Department of Petroleum Resources (DPR) indicates that an average of 1.8mbpd of crude oil (inclusive of condensates) was produced in the first half of 2021, including Condensates and about 127,000 bpd of production devoted to repayment of pre-2015 Joint Venture cash call arrears.

Crude oil production was 0.16mbpd (inclusive of condensates) below the 1.86mbpd benchmark for the 2021 budget. Production volume was also 0.12mbpd (7.7 percent) above the 1.56mbpd reported in the fourth quarter of 2020 and 0.38mbpd (18.5 percent) below 2.06mbpd recorded in the first quarter of 2020. The NNPC attributed recent production disruptions to challenges such as shutdown of flow stations for pipeline leakage repairs, community protests, terminal maintenance, and pump and flare management, boiler failure and fire incidents.

Theft of products and pipeline vandalism have also affected operations. Reflecting collaborative efforts of the NNPC, local communities and other stakeholders, the incidence of vandalism declined from 65 pipeline points in April 2020 to 43 points in December 2020 and 27 points in January 2021. Hence, pipeline vandalization and crude theft have continued to affect crude oil revenue performance. However, more significant is the impact of subsidies on Petroleum Motor Spirit (PMS) supply in the downstream sector. To ensure continuous PMS supply and effective distribution across the country, a total of 1.44 billion litres of PMS translating to 46.30 million litres per day were supplied in January 2021. Consequently, the fiscal significance of the crude oil has declined considerably recently. The contribution of crude oil receipts to Federal Government's revenues declined from N437.8 billion in the first quarter of 2020 to N299.3 billion in the same period in 2021.

An average 1.93mbpd of crude oil was produced over the last 3 years. Hence, following consultations with stakeholders, crude oil production is estimated at

1.88mbpd, 2.23mbpd and 2.22mbpd in 2022, 2023 and 2024 respectively. This very conservative oil output benchmarks were adopted for the medium term to ensure greater budget realism.

5.1.2. Global Crude Oil Supply and Demand:

The Organization of Petroleum Exporting Countries (OPEC) expects global crude oil demand to outstrip supply by 1.9mbpd over the period 2021-2023. Crude oil demand declined sharply from 99.7 million barrels a day (mbpd) in 2019 to 90.7mbpd in 2020. The outlook remains subject to heightened uncertainty associated with economic recovery from the COVID-19 pandemic. However, OPEC forecasts global crude oil demand to recover and rise sharply by 7.0mbpd to 97.7mbpd in 2021 and continue to grow at relatively healthy rates in the medium-term, reaching 99.8mbpd in 2022, 101.3mbpd in 2023 and 102.6mbpd in 2024. Demand in 2025 is projected at 103.7 md/d. This represents an increase of 13.0mbpd above the 2020 level. In general, the medium-term demand forecasts are much below pre-Covid-19 estimates.

5.1.3. Crude Oil Price Benchmark:

The world oil market strengthened recently due to early recovery of oil demand boosted by the reopening of major economies from the Covid-19 lockdown, assisted by the coronavirus vaccination programmes. The market tightening also reflects the decline in global oil inventories. Bonny light crude oil price increased steadily recently from an average of US\$42.12 per barrel in 2020 to US\$63.60 per barrel by June 11, 2021.

In consultation with the NNPC and other stakeholders, a benchmark oil price of \$57 per barrel has been proposed for 2022 and 2023 while US\$55 per barrel is proposed for 2024. Considerations include factors underlying market fundamentals, global

economic outlook and market sentiments. Recent experience highlights the need to also set the budget oil price benchmark well below forecasts to ensure budget realism.

5.2. NON-OIL REVENUE BASELINE ASSUMPTIONS:

The assumptions underlying the non-oil revenue forecasts for the period 2022-2024 are outlined below. Considering the destabilizing effects of oil sector revenue fluctuations, Government has been implementing various reform measures under the Strategic Revenue Growth Initiative (SRGI) to widen the revenue base and improve non-oil tax revenue collection in the medium term. Government will sustain these efforts by widening the tax base and modernising and further improving tax administration in order to further increase the contribution of non-oil revenue sources towards funding the FGN budget. The medium-term non-oil revenue estimates are mainly determined using anticipated growth in the relevant bases for different taxes, the effective tax rate, and the projected tax collection efficiency factor taking account of operational improvements in the operations of the various tax administrators.

5.2.1. Customs Collections: Import Duties, Excise, Fees and Special Levies

Import duty projections are based on the cost, insurance and freight (CIF) value of imports, applicable tariffs, and an efficiency factor. The nominal growth of the tax base is assumed to be driven by tax elasticity in the medium term. Considering the resumption of global trade, tax elasticity was assumed to drive the nominal growth of the tax base in the medium term. Other considerations include the foreign exchange rate regime, introduction of Common External Tariff (CET), implementation of the Africa Continental Free Trade Agreement (ACFTA), gradual removal of Import Adjustment Tax (IAT), expected decrease in annual Average Duty Rate (ADR),

expected increase in Import CIF as a result of new strategic plans in Nigerian Customs Service (NCS) and Import Duty on vehicles.

5.2.2. Companies Income Tax (CIT):

The projection of CIT is based on estimated nominal GDP, Companies' Profitability Ratio, and an efficiency factor. Estimates were also derived with due consideration for the effects of COVID-19 on the domestic economic activities, efforts aimed at improving the business environment as well as the strategic implementation of the Nigeria Economic Sustainability Plan. Other important assumptions include improved collection efficiency and successful broadening of the tax net. Specifically, a 10% year-on-year improvement in collection efficiency is envisaged.

5.2.3. Value Added Tax (VAT):

The VAT was estimated using projected aggregate nominal consumption, taking into account vatable items and collection efficiency. Aggregate consumption is estimated at N149.35 trillion in 2022 from the revised N136.57 trillion estimated for 2021 (the initial estimate from NBS was 118.89 trillion). Like the CIT, more VAT payers are expected to be brought into the tax net with the effective implementation of the provisions of the Finance Act 2020 and improving collection efficiency. The VAT projections over the medium-term are based on holding the rate at 7.5%. In the medium term, efforts to further improve the coverage and VAT collection efficiency will be accelerated. Wider coverage and improved collection efficiency will be achieved through nationwide VAT registration and monitoring, and deployment of auto-collect platforms in more sectors of the economy. In addition, the solution for deduction and remittance of VAT and WHT from State government contract payments is to be deployed in all the 36 states.

5.2.4. FGN Independent Revenue:

The independent revenue of the Federal Government was estimated considering efforts to curb revenue leakages, excessive expenditures and weak accountability of Government-Owned Enterprises (GOEs). The estimation of Operating Surpluses (the main component of FGN Independent Revenues) is based on strict and effective implementation of recent measures introduced to ensure that GOEs operate in a more fiscally responsible manner. Independent revenue collections are expected to be considerably higher than projections with greater fiscal discipline among the GOEs.

6.0. MEDIUM TERM MACROECONOMIC FRAMEWORK: PARAMETERS AND TARGETS FOR 2022-2024

6.1 Macroeconomic Projections

The key parameters as well as other macroeconomic projections driving the medium-term revenue and expenditure framework are indicative of gradually rebounding activities in both the global and domestic economy.

As the global economy continues to recover from the effects of the Covid-19 pandemic, improved oil prices resulting from stronger global demand will result in improved fiscal positions for oil-importing countries like Nigeria.

Growth forecasts for 2021 have been revised based on Q1 results. Real GDP growth rate is projected to average 2.5% for 2021 (slightly down from 3.0% as per 2021 Budget projection). In the medium term, it is projected to rise to 4.2% in 2022 before moderating to 2.3% in 2023 and picking up to 3.3% in 2024. Growth drivers are expected to remain telecommunications, agriculture, cement, and broadcasting. Overall pre-election expenditure towards 2023 General Elections may also contribute to the growth-drive. Therefore, overall growth still likely to be muted in 2021.

Consumption remains under pressure but is projected to surge in the medium term growing from a revised N136, 568.1 billion in 2021 to N149, 349.4 billion by 2022. It is projected to rise to N179, 638.4 billion in 2024, reflecting a gradual steadiness in the growth recovery. Investment will continue to drag due to forecast interest rate hikes in advanced economies as well as other domestic challenges including insecurity and perturbed business environment. Pre-election spending is likely to raise government expenditure, while net exports is projected to decline due to high imports and weakening exports. With actual imports in 2020 at N25, 560 billion, performing over 100% of the budget projections, the 2021 projections have been revised upwards to N30,348.5 billion from N13,439.8 billion. Thereafter, it is projected to grow by about 10% annually in the medium term.

The combined effect is a rise in nominal GDP from a revised N184,382.0 billion in 2021 to N184,382.0 billion in 2022 and then up to N221,775.8 billion in 2024. Inflation rate is revised at 15% on average for 2021 (up from 12.25%) but 13% in 2022, 11% in 2023 and 10% in 2024. Upward pressure on prices is expected to be impacted by sluggish decline in headline rate as at mid-2021, insecurity, rising imports and exchange rate depreciation. In addition, new analysis on the role of fuel, transport and electricity prices and border closure, imported food inflation are expected to put an upward pressure on prices. Downward pressures are expected to be motivated by base effects, and likely response of CBN to tame inflation amidst expected pre-election season spending.

6.2 2022-2024 Medium Term Fiscal Framework (MTFF)

6.2.1 Federation Account Revenues

Based on the key parameters driving the fiscal framework, the net amounts accruable to the Main Pool and VAT Pool Federation Account are projected at N10.52 trillion

and N2.26 trillion respectively in 2022. The share of oil revenue is about 51.1% of total Federation Account receipts. Other components of the Federation Account revenues include revenues from Corporate Tax N1.87 trillion, Customs Revenue N1.72 trillion, Special Levies N148.40 billion, Solid Minerals N6.01 billion and Electronic Money Transfer Levy of N209.77 billion. The share of the Federal Government from the Main Federation Account Pool is N5.51 trillion while the States and Local governments are projected to get N2.80 trillion and N2.16 billion, respectively in 2022. From the VAT Pool, the Federal Government is projected to receive N339.31 billion, the States N1.13 trillion, and the Local governments N791.73 billion.

6.2.2 Revenue Framework

The aggregate revenue available to fund the 2022 Budget is projected at N7.26 trillion (9% or N626.37 billion more than the 2021 Budget). Of this, N3.16 trillion or 49.1% is projected to come from oil related sources while the balance is to be earned from non-oil sources. The provision for Signature Bonus is down to N280.86 billion from N677.01 billion projected in 2021. With the retained revenues of the Government-Owned Enterprises (GOEs), excluding the NNPC and CBN, the aggregate FGN revenue is projected at N8.36 trillion.

6.2.3 FGN Expenditure Framework

6.2.4 Aggregate Expenditure

The FGN's 2022 aggregate expenditure is estimated at N13.98 trillion (this includes the provision of N1.44 trillion for GOEs' expenditures, and grants/donor funded projects/programmes amounting to N62.24 billion). This provision is higher than the corresponding 2021 FGN aggregate expenditure estimate of N13.59 trillion by 3% (or about N393.81 billion). The sums of N15.46 trillion and N16.77 trillion are projected

to be spent by the FGN in 2023 and 2024 respectively. The 2022 expenditure estimate includes statutory transfers of N613.36 billion; non-debt recurrent expenditure of N6.21 trillion (including N350 billion for recurrent component of the Special Intervention Programme).

The provisions of N3.61 trillion and N292.71 billion have been made for Debt Service and Sinking Fund to retire maturing bonds issued to local contractors/creditors respectively in the 2022 budgeted expenditure. A total of N4.79 trillion (inclusive of N750.04 billion for GOEs) is provided for personnel and pension costs, an increase of N534.40 billion over 2021. This is 57% of projected aggregate revenues for 2022. The provision for Statutory transfer includes, N53.93 billion (representing 1% of the consolidated revenue fund) earmarked for the Basic Health Care Provision Fund (BHCFF) as and N46.20 billion for the North East Development Commission (NEDC). In addition, N49.37 billion has been set aside in the service-wide votes for GAVI/Routine Immunization.

Having made these provisions, the aggregate amount available for capital expenditures in the 2021 budget is N3.61 trillion. This represents 26% of total expenditure (short of the 30% target set by the current administration) and is 17.3% less than the 2021 provision of N4.13 trillion. The 2022 provision comprises of N1.76 trillion for MDAs, N366.14 billion capital supplementation, N345.78 billion capital component of statutory transfers, N10 billion capital component of the Special Intervention Programme, N425.02 billion capital budget of GOEs, N62.24 billion for donor/grant funded expenditures and N638.32 billion funded by project-tied loans.

The N1.76 trillion available for MDAs' capital is N259.32 billion (representing 12.8%) less than the provision for MDAs in the 2021 Appropriation Act. The provision for

development expenditure has been constrained by low revenues, increasing personnel and pension, as well as debt service costs, and huge funds used to finance the federally funded upstream oil and gas projects. In addition, the continual provision of subsidy is a major drainer to overall government revenues.

6.2.5 Fiscal Deficit and Deficit Financing

Budget deficit is projected to be N5.62 trillion in 2021 up from N5.60 trillion in 2020. This represents 3.05% of estimated GDP, which is marginally above the threshold of 3% stipulated in the Fiscal Responsibility Act (FRA), 2007. We consider this level of deficit necessary to sustain our recovery from recession, as well as ensure that critical ongoing infrastructure projects are completed. The deficit will be mainly financed by new foreign and domestic borrowings of N4.89 trillion, N90.73 billion from Privatization Proceeds, and N638.32 billion drawdowns on existing project-tied loans.

7.0 MEDIUM TERM OBJECTIVES, POLICIES AND STRATEGIES

This Fiscal Strategy Paper highlights the macroeconomic and fiscal policy objectives of the government over the period 2022-2024 and the strategies to be implemented to achieve them. In the medium term, government aims at accelerating economic growth, facilitating job creation and preservation, achieving macroeconomic stability and promoting poverty reduction and equity.

7.1 Macroeconomic Policy Objectives:

Government's economic objectives include:

- i. Stimulating active private sector participation and inclusive economic growth;
- ii. Creating adequate productive employment and preserving jobs;
- iii. Ensuring macroeconomic stability; and
- iv. Promoting poverty reduction and equity.

To achieve these objectives, well-aligned fiscal, monetary and trade policies will be implemented in a very coordinated manner.

7.2. SUMMARY OF 2022 FGN REVENUE AND EXPENDITURE FRAMEWORK

- i. Daily crude oil Production - 1.88mbpd;
- ii. Benchmark oil price - USD\$57 per barrel;
- iii. Exchange rate - ₦410/US\$;
- iv. GDP growth rate - 4.20%;
- v. Inflation growth rate - 13.00%;
- vi. FGN retained revenue - ₦8.36 trillion;
- vii. Total FGN proposed expenditure - ₦13.98 trillion;
- viii. Fiscal deficit - ₦5.62 trillion (including GOEs);
- ix. New Borrowings - ₦4.89 trillion (including Foreign and domestic Borrowing);
- x. Statutory transfers - ₦613.4 billion;
- xi. Debt Service - ₦3.60 trillion;
- xii. Sinking Fund - ₦292 billion;
- xiii. Pension, Gratuities & Retirees Benefits - ₦567 billion;
- xiv. Total FGN Expenditure - ₦13.98 trillion
- xv. Total Recurrent (Non-debt) - ₦6.21 trillion;
- xvi. Personnel Costs (MDAs) - ₦3.47 trillion
- xvii. Capital Expenditure (exclusive of Transfers) - ₦3.26 trillion;
- xviii. Special Intervention (Recurrent) - ₦350 billion; and
- xix. Special intervention (Capital) - ₦10 billion.

8.0. FINDINGS/OBSERVATIONS:

1. The Joint Committee observed that the daily crude oil production was estimated at 1.88mbpd, 2.23mbpd, and 2.22mbpd in 2022, 2023 and 2024 respectively, given the fact that crude oil production has averaged 1.93mbpd over the past 3 years and that such a very conservative oil output benchmark has been adopted for the medium term in order to ensure greater budget realism and following wide consultations with key stakeholders;
2. The Joint Committee also noted that Benchmark oil price of USD\$57 per barrel has been proposed for 2022, 2023 and USD\$55 for 2024, taking into consideration crude oil price forecasts by the World Bank and the EIA, as well as consultations with the Nigerian National Petroleum Corporation (NNPC);
3. That notwithstanding the higher Naira to Dollar Exchange Rate in the parallel market which the CBN refuses to recognize as a legitimate window in the Nigeria's foreign exchange rate, a benchmark exchange rate of N410.15/US\$ has been proposed for the years 2022-2024;
4. The Joint Committee observed that a GDP growth rate of 4.20% has been projected for the 2022, before moderating to 2.30% in 2023 and picking up to 3.30% in 2024.
5. The Joint Committee observed that inflation growth rate was put at 13.00% in 2022, 11.00% on 2023 and 10.00% in 2024.
6. With respect to Borrowings in the 2022 fiscal year, the Joint Committee observed that an estimate of ₦4.89 trillion (including Foreign and domestic Borrowing has been proposed);
7. The Joint Committee observed that the International Monetary Fund (IMF) has granted the Federal Government the access to a loan of about

USD\$3.5 billion at the rate of 0.01% to 0.02% as other countries of the world and the Federal Government is proposing to use the loan for 2022 and 2023 as part of its borrowing plan;

8. The Joint Committee observed the following sundry parameters in the 2022-2024 MTEF/FSP Document:
 - i. FGN retained revenue of ₦8.36 trillion; total FGN proposed expenditure of ₦13.98 trillion;
 - ii. Fiscal deficit of N5.62 trillion (including GOEs);
 - iii. New Borrowings of ₦4.89 trillion (including Foreign and domestic Borrowing), subject to the provision of details of the borrowing plan to the National Assembly;
 - iv. Statutory transfers, totaling, ₦613.4 billion;
 - v. Debt Service estimate of ₦3.12 trillion;
 - vi. Sinking Fund to the tune of ₦292 billion;
 - vii. Pension, Gratuities & Retirees Benefits of ₦567 billion; and
 - viii. Aggregate FGN Expenditure of ₦13.98 trillion; made up of Total Recurrent (Non-debt) of ₦6.21 trillion; Personnel Costs (MDAs) of ₦3.47 trillion; of Capital expenditure (exclusive of Transfers) ₦3.26 trillion; Special Intervention (Recurrent) amounting to ₦350 billion; and Special intervention (Capital) of ₦10 billion;
9. The Joint Committee observed that the Personnel costs of some Agencies and Parastatals of Government are on the increase and huge amount goes to the top management staff (as observed with SEC).
10. The Joint Committee also observed that, there were frivolous deductions, diversion of funds and under-reporting of revenues by MDAs, hiding under the guise of their enabling Acts.

11. That according to the GMD, NNPC, the nation's level of consumption of PMS is not reflecting its importation due to diversion, round-tripping and smuggling across the borders;
12. That the revenue records of most agencies of the government does not correlate with other relevant agencies in their leagues such as; NNPC, DPR and NCS indicating that the agencies are underreporting their revenue.
13. The Joint Committee observed that, there was an underpayment of custom duties on imported goods, due to smuggling and lack of installation of scanners at the Port.
14. The Committee observed that royalties, ground rents and license renewal paid by all mining operators in Nigeria has been inadequate and their disclosures not transparent enough.
15. The Joint Committee observed that there exists inadequate deployment of Information and Communication Technology (ICT) in the Mining Cadastre Office and as such there are lots of illegal miners in the country without licenses to operate.
16. The Joint Committee observed that, most budgets of Government Owned Enterprise are understated, as these Enterprises has the capability to generate more revenue to the government.
17. The Joint Committee observed that, the short fall of revenues reported by MDAs is due to the shortcomings of the offices of the Accountant General (AGF), Auditor General of the Federation (AuGF) and Fiscal Responsibility Commission (FRC) in the area of staff strength and under funding of these offices.
18. That many Acts setting up agencies of the government are not nationalistic but self-serving. For example; Nigerian Investment Promotion Council

(NIPC) Act, National Lottery Trust Fund Act, Bank of Industry Act, Bank of Agriculture Act, Energy Commission Act and Nigeria Nuclear Regulatory Commission ACT.

19. That many agencies of the government demonstrates capacity to stand on their own without depending on Federal Government Budget thereby depleting the optimum usage of national resources. For example; National Agency for Food and Drug Administration and Control (NAFDAC) and Nigerian College of Aviation Technology, Zaria (NCAT).

9.0. RECOMMENDATIONS

In view of these observations, the Joint Committee hereby recommends as follows:

1. That the daily crude oil production of 1.88mbpd, 2.23mbpd, and 2.22mbpd for 2022, 2023 and 2024 respectively, be approved, in view of average 1.93mbpd over the past 3 years and the fact that a very conservative oil output benchmark has been adopted for the medium term in order to ensure greater budget realism;
2. That the Benchmark oil price of USD\$57 per barrel should be approved because of the clear evidence of wide consultations with key stakeholders. and the age long fiscal strategy of addressing the oil price shocks by the adoption of a higher than forecast oil price benchmark for fiscal projections over the medium term;
3. That the Exchange Rate of ₦410.15/US\$ proposed by the Executive for the 2022-2024 be approved;
4. That the projected GDP growth rate of 4.20% be approved;
5. That the projected Inflation rate of 13.00% be also approved;

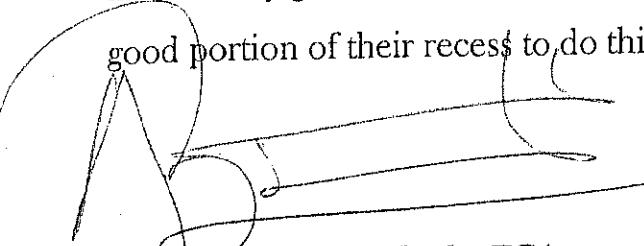
₦3.47 trillion; of Capital expenditure (exclusive of Transfers) ₦3.26 trillion; Special Intervention (Recurrent) amounting to ₦350 billion; and Special intervention (Capital) of ₦10billion;

10. That the Salaries and Wages Commission should review the salary structure of all the MDAs, in other to come up with a new salary structure for the MDAs that will reflect the true financial position of the Agencies.
11. That there should be a continuous review of the Fiscal Responsibility Act to ensure that all revenues are remitted to the CRF as at when due, in order to curtail frivolous deductions and diversion of funds by the MDAs.
12. That all laws relating to mining businesses should be reviewed as a matter of urgency to ensure upward review of rates applied to royalties, ground rent and licenses renewal of all mining companies operating in Nigeria to ensure transparency in the collection of revenue by the relevant agencies of the government and also look into the issues of illegal mining activities by recommending stringent sanctions in the proposed new laws.
13. That the Nigeria Custom Service should accelerate the process of installing scanners at all Ports across the country to curb the issue of under payment of custom duties on imported goods which has resulted in huge loss of revenue to the government and to further improve it activities at all borders across the country in order to curb the issues of smuggling across border areas.
14. The Committee recommended urgent implementation of the Petroleum Industry Act (PIA) recently assented to by the President in order to curtail the problems of smuggling and round - tripping of petroleum products imported into the country.

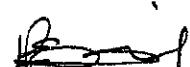
15. That the proposed budget of the Government Owned Enterprises (GOEs) should be reviewed upward to show the reflection of their capabilities to generate more revenue as a result of the findings of the Joint Committee.
16. That the offices of the the Accountant General (AGF), Auditor General of the Federation (AuGF) and Fiscal Responsibility Commission (FRC)be strengthened in the area of staffing and proper funding of its activities to ensure optimal performance of their duties in order to adequately monitor the remittances of all government revenues.
17. That the Act establishing some MDAs be reviewed and amended as a matter of urgency to evidence a more nationalistic interest, as these amendments will assist to generate more revenue to the coffers of the government. For example; Nigerian Investment Promotion Council (NIPC) Act, National Lottery Trust Fund Act, Bank of Industry Act, Bank of Agriculture Act, Energy Commission Act and Nigeria Nuclear Regulatory Commission ACT.
18. That the Federal government budget be reviewed and be purged of some agencies that demonstrated capacity to stand on their own without any recourse to Federal Government of Nigeria Budget. For example; National Agency for Food and Drug Administration and Control (NAFDAC) and Nigerian College of Aviation Technology, Zaria (NCAT).

10.0. CONCLUSION

On behalf of the Joint Committee, I wish to express my profound appreciation to the Senate President and the entire Senate for this opportunity to serve. I am indeed very grateful to all members of this Joint Committee, who sacrificed a good portion of their recess to do this work.

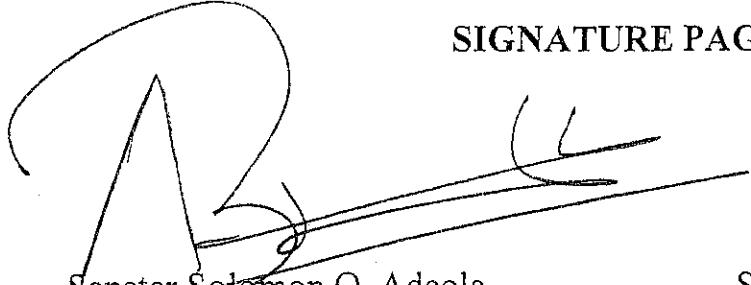


Senator Solomon O. Adeola, FCA
Chairman, Joint Committee

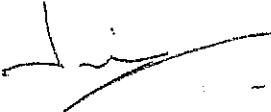


Lilian Banigo-Gbeinzi
Clerk, Joint Committee

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Senator Solomon O. Adeola
Chairman, Finance



Senator Olubunmi A. Adetunmbi
Chairman, National Planning &
Economic Affairs



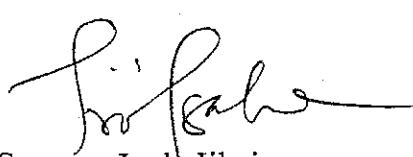
Senator James E. Manager
Chairman, Gas



Senator Uba Sani
Chairman, Banking, Insurance and
Other Financial Institutions



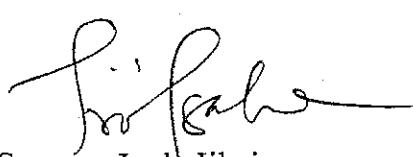
Senator Sabo M. Nakudu
Chairman, Downstream
Petroleum Sector



Senator Albert A. Bassey
Chairman, Petroleum Resources
(Upstream)



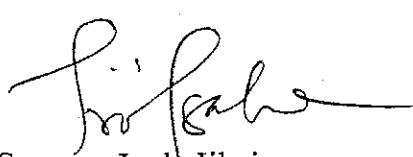
Senator Clifford A. Ordia
Chairman, Foreign & Local Debts



Senator Isah Jibrin
Member



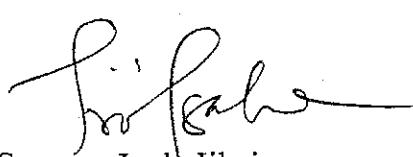
Senator Yahaya Abdullahi
Member



Senator Kalu Orji. Uzor
Member



Senator Ike Ekweremadu
Member



Senator Abubakar Kyari
Member

Senator Yusuf A. Yusuf
Member

Senator Enyinnaya H. Abaribe
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Senator Patrick A. Akinyelure
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Senator Kashim Shettima
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Senator Ibrahim Gaidam
Member

Senator Danladi A. Sanakara
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Senator Stella Oduah
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Senator Matthew Urhoghide
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Senator Teslim Folarin
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Senator Abdulfatai Buhari
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Senator Adamu M. Aliero
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Senator Ahmed Babba Kaita
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Senator Uche Lilian Ekwunife

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Senator Akwashiki Godiya

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Senator Shuaibu Isa Lau

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Senator Biodun Olujimi

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Senator Ibrahim Gobir

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Senator Tanko Al-Makura

Member

Senator Umar Sadiq

Member

Senator George Sekibo

Member

Senator Michael A. Nnachi

Member

Senator Obinna Ogba

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Senator Bamidele Opeyemi

Member

Senator Gabriel Suswam

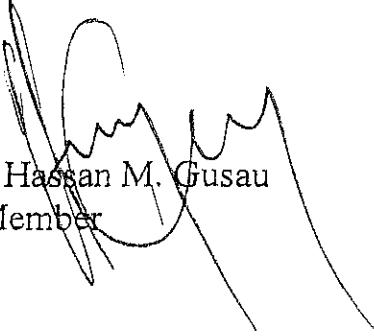
Member

Senator Elisha Clifford Ishaku

Member

Senator Gershon H. Bassey

Member

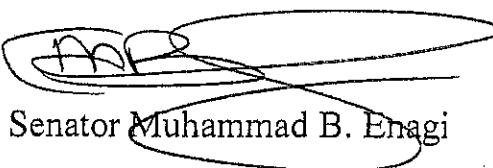


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Senator Sani Musa
Member

Senator Aisha A. Dahiru
Member

Senator Bello Mandiya
Member



Senator Muhammad B. Enagi
Member

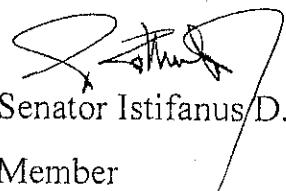
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Senator Muhammed D. Goje
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Senator Ashiru O. Yisa
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Senator Ezenwa F. Onyewuchi
Member

Senator Betty Apiafi
Member

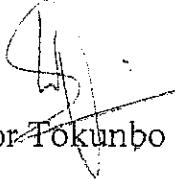


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Member

Senator Peter Nwaoboshi
Member

Senator Seriake Dickson
Member

Senator Ifeanyi Ubah
Member


Senator Tókunbo Abiru
Member

Senator Abubakar Kyari
Member

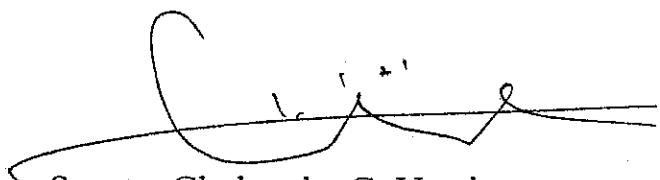
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Senator Ibrahim Danbaba
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Senator Cleopas M. Zuwoghe
Member

Senator Yaroe D. Binos
Member

Senator Ajibola S. Basiru
Member


Senator Chukwuka G. Utazi
Member

Senator Christopher Ekpenyong
Member

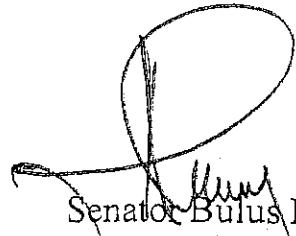
Senator Tofowomo O. Nicholas
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Senator Degi Biobarakuma
Member

Senator Jika D. Haliru
Member

Senator Francis A. Alimikhena
Member

Senator Ibrahim Y. Oloriegbe
Member



Senator Bulus K. Amos
Member

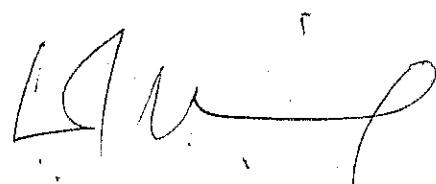
Senator Oyelola Y. Ashiru
Member

Senator Olalekan Mustapha
Member

Senator Akon Eyakenyi
Member

Senator Ibrahim M. Bomai
Member

Senator Sahabi Alhaji Ya'u
Member



Senator Ibikunle Amosun
Member

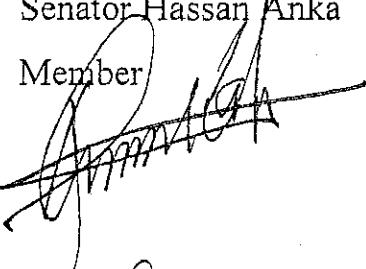
Senator Adamu M. Bulkachuwa
Member

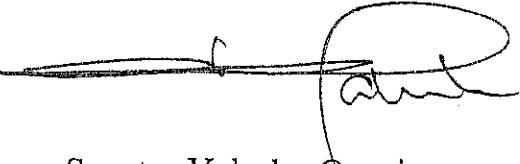
Senator Mpigi Barinada
Member

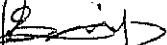
Senator Sandy Onor
Member

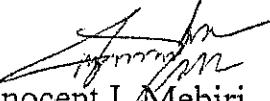

Senator Frank C. Ibezim
Member


Senator Adelere O. Oriolowo
Member

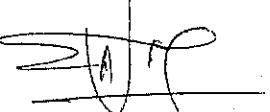

Senator Hassan Anka
Member

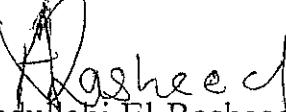

Senator Yakubu Oseni
Member

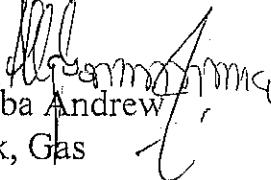

Lilian Banigo Gbeinzi
Clerk, Finance


Innocent I. Mebiri
Clerk, National Planning &
Economic Affairs


Anthony Ikem
Petroleum Resources (Upstream)


Victor Effiong
Clerk, Downstream
Petroleum Sector


Abdullahi El-Rasheed
Clerk, Banking, Insurance &
Other Financial Institution


Nwoba Andrew
Clerk, Gas


Musa M. Bello
Foreign & Local Debts

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Petroleum Resources (Upstream)