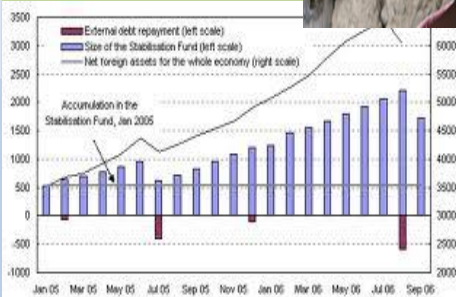


**Stabilization Fund  
2007 - 2011**



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## 1 Introduction

### 1.1 Stabilization Fund

The Stabilization Fund (SF) generally refers to the mechanism set up by a government or central bank to insulate the domestic economy from large influxes of revenue, as from commodities such as oil. A primary motivation is maintaining a steady level of government revenue in the face of major commodity price fluctuations (hence the term “Stabilization”).

At inception, the fund was 0.72% of the accruals into the Federation Account and later reviewed to 0.5% in 2004. For Administrative convenience, the Accountant General of the Federation maintains this account name as 0.72% Stabilization Account.

The objectives of the Fund include:

- Effectively conducting a sound and responsible fiscal policy while reducing the effects of the “boom and bust” commodity cycle of oil on Nigeria. The Fund is to be made available to stabilize federation revenues
- The Fund is to invest in assets or instruments which will ensure the availability of funds for the purposes of hedging any economic downturn arising from depletion in oil revenues
- The Fund makes avail the Counter-Cyclical Economic Stabilization Fund which assists in smoothening budget variations in income over a period of time

### 1.2 Work Methodology

The objectives of the validation work on Stabilization Fund were to confirm that:

- Revenue allocated to the fund was in accordance with the regulations setting up the fund.
- All Revenue allocated to the Stabilization Fund was credited to the funds account with Central Bank of Nigeria.
- The utilisation of the fund was made in accordance with the regulations setting up the fund.

The Steps taken in accordance with the audit work plan include:

1. The monthly revenue due to the fund based on 0.5% of Federation revenue was computed.
2. The figures obtained in Point 1 above were compared with the schedule of monthly Revenue Allocation by Federation Account Allocation Committee obtained from the Office of Accountant General of the Federation (OAGF) for the period under review.
3. The monthly allocations were traced to the Stabilization Fund account 20054141058 statements domiciled with the Central Bank of Nigeria.
4. All disbursements from the account were identified to ensure that application of the fund was in compliance with the regulations setting up the fund.
5. Disbursements from the account that did not comply with the regulations setting up the fund were identified and isolated.
6. The account was reconciled to determine the balance as at the end of the period and the outstanding balance due to the fund.

## 2 Revenue

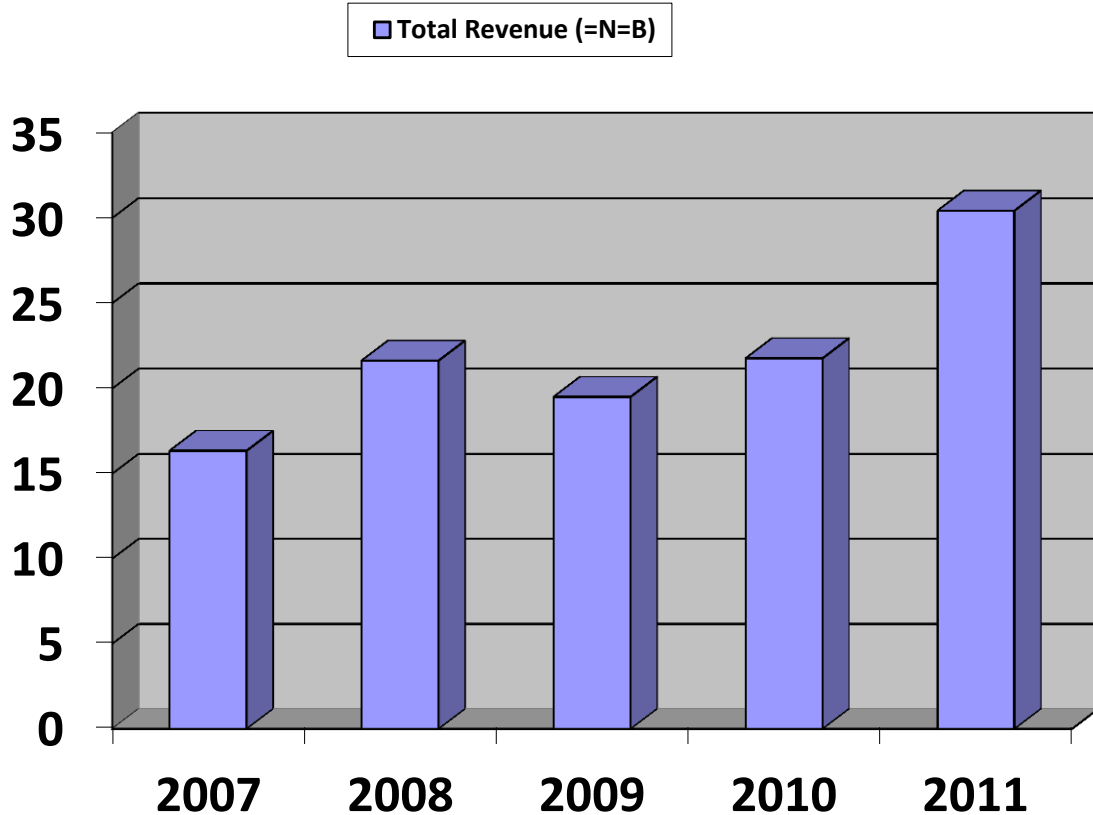
Reviewing the revenue allocated to the Fund, it showed that total fund allocated to the Fund during the period under review was ₦110 billion as shown in the table below:

**Table 1: Revenue to Stabilization Fund 2007 - 2011**

Transfers from the Federation Account to Stabilization Fund						
Month	2007	2008	2009	2010	2011	Total
	₦m	₦m	₦m	₦m	₦m	₦m
Jan	903	1,185	1,741	1,440	1,606	6,875
Feb	1,016	1,071	1,061	1,933	1,602	6,683
Mar	1,976	2,118	1,502	1,321	1,598	8,515
Apr	1,296	1,763	1,773	1,036	2,591	8,459
May	1,296	3,110	1,262	3,037	1,816	10,521
Jun	1,298	1,756	1,265	1,584	2,427	8,330
Jul	1,737	1,824	1,274	1,597	4,541	10,973
Aug	1,526	1,763	2,725	2,647	2,449	11,110
Sep	1,302	1,765	1,363	1,717	2,457	8,604
Oct	1,306	1,758	2,674	1,611	2,776	10,125
Nov	1,302	1,762	1,394	1,607	4,130	10,195
Dec	1,390	1,766	1,482	2,253	2,435	9,326
<b>Total</b>	<b>16,348</b>	<b>21,641</b>	<b>19,516</b>	<b>21,783</b>	<b>30,428</b>	<b>109,716</b>

**SOURCES:** CBN Stabilization accounts 20054141058 statements from 2007 to 2011, Summary of Gross Revenue Allocation by Federation Account Allocation Committee for the 2007 to 2011 and OAGF Stabilization Fund Ledger.

Another inflow into the account during the period was the sum of ₦5, 210,000,000 described as “loan repayment by the Republic of Ghana to Federal Government of Nigeria to the tune \$40,000,000”. Further investigation revealed that Federal Government of Nigeria granted a loan of \$45,000,000 (₦6, 037,578,113) to Ghana and Sao-Tome and Principe in 2004 from the fund. The sum of **₦827, 578,113** is still outstanding on this loan.



*Trends in revenue to Stabilization Fund from 2007 to 2011*

Revenue to the Fund in 2007 was ₦16 billion, the revenue increased by 37.5% to ₦22 billion in 2008. There was a decrease in revenue by 9% to ₦20 billion in 2009, but increased by 10% to ₦22 billion in 2010. There was a further increase in revenue to ₦30 billion in 2011 representing an increase of 36.4%.

## 2.1 Revenue by Sources

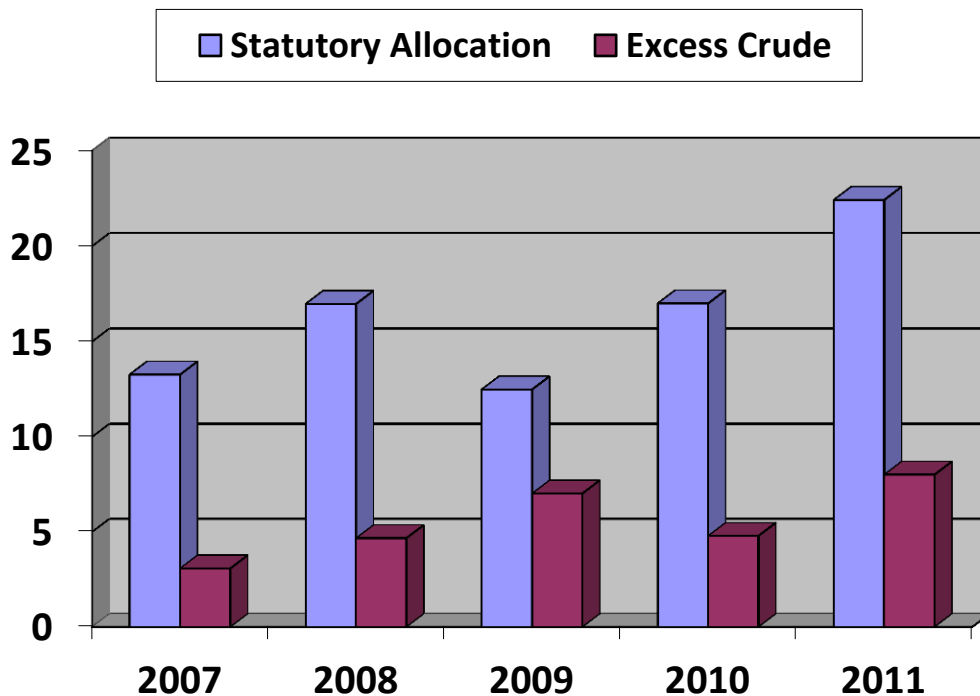
The Sources of revenue allocated to the fund were Statutory Allocation and Excess Crude Allocation. Other revenue sources include the monetisation of ₦5.2 billion being a repayment of the \$40 million loan granted to the Republic of Ghana by the Federal Government of Nigeria from the Fund and refund of over payment of 13% derivation indices by some oil producing states

**Table 2: Stabilisation Revenue by Sources**

Month	2007		2008		2009		2010		2011		Total	
	Stat. All.	Excess Crude	Stat. All.	Excess Crude	Stat. All.	Excess Crude	Stat. All.	Excess Crude	Stat. All.	Excess Crude	Stat. All.	Excess Crude
	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m
Jan	903	-	1,185	-	1,343	399	1,041	399	1,537	70	6,008	867
Feb	1,016	-	1,071	-	1,061	-	1,247	686	1,552	49	5,947	735
Mar	1,083	893	1,106	1,011	945	557	1,001	321	1,563	35	5,699	2,816
Apr	1,026	269	1,763	-	885	889	1,036	-	1,569	1,022	6,279	2,180

Month	2007		2008		2009		2010		2011		Total	
	Stat. All.	Excess Crude	Stat. All.	Excess Crude	Stat. All.	Excess Crude	Stat. All.	Excess Crude	Stat. All.	Excess Crude	Stat. All.	Excess Crude
	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m	₦m
May	870	426	1,460	1,650	867	395	1,560	1,477	1,368	448	6,125	4,397
Jun	996	302	1,374	382	1,121	144	1,485	99	1,718	709	6,694	1,636
Jul	1,171	566	1,824	-	1,152	121	1,597	-	2,078	2,463	7,823	3,151
Aug	1,309	218	1,421	342	1,159	1,567	1,596	1,050	2,377	72	7,862	3,248
Sep	1,289	13	1,628	137	892	471	1,610	108	2,457	-	7,875	729
Oct	1,025	281	1,446	312	1,052	1,622	1,611	-	2,442	334	7,576	2,549
Nov	1,187	115	1,390	373	746	648	1,607	-	1,948	2,182	6,878	3,318
Dec	1,390	-	1,301	464	1,270	212	1,609	645	1,810	625	7,381	1,945
<b>Total</b>	<b>13,265</b>	<b>3,083</b>	<b>16,969</b>	<b>4,671</b>	<b>12,493</b>	<b>7,025</b>	<b>17,000</b>	<b>4,785</b>	<b>22,419</b>	<b>8,009</b>	<b>82,147</b>	<b>27,571</b>

**SOURCES:** CBN Stabilization account 20054141058 statement from 2007 to 2011, Summary of Gross Revenue Allocation by Federation Account Allocation Committee for the 2007 to 2011 and OAGF Stabilization Fund Ledger.



The Total allocation to the Fund from Statutory allocation for the years under review was ₦82 billion representing 75% of total allocation while the allocation from the Excess crude Account was ₦28 billion representing 25% of total allocation.

### 3 Fund Utilisation from 2007 to 2011

Reviewing the CBN bank statement for the Fund and OAGF ledger, it showed that during the period under review, the Fund served as a pool to grant loan to fund various expenditures. Expenditures funded through the Fund during the review period and the repayment statuses have been tabulated below:

Table 3: Utilisation of Fund

S/N	LOAN DESCRIPTION	AMOUNT BREAKDOWN +	STATUS	COMMENT
1.	Loan granted to fund the 2006 Virement (N6,174,111,681)	The sums of N4,573,773,678 and N1,600,338,003 were withdrawn from the account in April and May 2007 respectively	This loan has not been repaid as at December 31, 2011.	The Federal Ministry of Finance have been written a letter to confirm the receipt of these funds but as at the time of writing this report, no response had been received.
2.	Car Loan (N13,557,175,000) - Government 50% contribution to Phase II of the Pioneer Car Finance Scheme for Public Servants in Paramilitary Agencies	The sums of N10,757,175,000 and N2,800,000,000 were granted as loan in February and May 2007	This loan has not been repaid as at December 2011	The Federal Ministry of Finance have been written a letter to confirm the receipt of these funds but as at the time of writing this report, no response had been received.
3.	Granted as loan for the payment of underpayment of 13% Derivation to Akwa Ibom State Government	N4,705,697,129	The loan was repaid in 10 instalments starting from January 2007	A letter has been written to Akwa Ibom State Government to confirm the receipt of these funds but as at the time of writing this report, no response had been received.
4.	Loan to 6 Oil Producing States - Bayelsa, Rivers, Edo, Ondo, Imo and Abia as loan during the implementation of	N34,949,423,870	This loan was to be repaid in 72 instalments starting from November	There is still an outstanding amount and the outstanding per

S/N	LOAN DESCRIPTION	AMOUNT BREAKDOWN	+	STATUS	COMMENT
	13% derivation indices Aug,2008 to December,2009			2010. As at December 2011, the sum of <del>₦6,795,721,308</del> representing 14 instalments have been recovered from the loan	state is depicted in <b>Table IV</b> below. A letter has been written to the 6 States to confirm the receipt of this fund. As at the time of writing this report, no response had been received from the states.
5.	Loan to host FAAC and NACOFED Meetings - Federal Accounts Allocation Committees (FAAC) meetings and National Council on Finance and Economic Development (NACOFED) conferences	₦380,429,973			The breakdown of the total sum lent for this purpose is illustrated in <b>Table V</b> below. The Federal Ministry of Finance have been written a letter to confirm the receipt of these funds but as at the time of writing this report, no response had been received.
6.	Loan for INEC Registration Exercise – representing fund to Independent Electoral Commission (INEC) to conduct fresh voters' registration exercise	₦87,721,961,531		The sum of <del>₦21,000,000,000</del> was repaid in November 2010 while the balance of N66,721, 961,531 was still outstanding as at December 2011	The components of the loan are broken down in <b>Table VI</b> below. A letter has been written to Independent Electoral Commission (INEC) to confirm the receipt of these funds but as at the time of writing this report, no response has been received.



S/N	LOAN DESCRIPTION	AMOUNT BREAKDOWN	+	STATUS	COMMENT
7.	Loan Federal Ministry of Aviation, National Identity Commission & National Judicial Council - Release to Federal Ministry of Aviation, National Identity Commission & National Judicial Council amount approved by Coordinating Minister for Economy & Hon. Min of Finance the necessary reimbursement will be made early in 2012 vide letter Ref. No. BD/2000/EXP/464/1/94 of 7th December, 2011	₦5,000,000,000		The loan is still outstanding as at December 31, 2011	Letters have been written to the respective MDA's to confirm the receipt of these funds but as at the time of writing this report, No response has been received.

**Table 4: Breakdown of Loan to 6 Oil Producing States**

State	Amount	Repayment	Balance as at Dec. 2011
	₦	₦	₦
Bayelsa	13,524,221,560.27	2,629,709,747.77	10,894,511,812.50
Rivers	12,427,350,647.00	2,416,429,292.42	10,010,921,354.58
Edo	4,977,568,889.26	967,860,617.33	4,009,708,271.93
Ondo	2,895,674,903.99	563,047,897.99	2,332,627,006.00
Imo	819,882,442.80	159,421,586.10	660,460,856.70
Abia	304,725,427.20	59,252,166.40	245,473,260.80
<b>Total</b>	<b>34,949,423,870.52</b>	<b>6,795,721,308.01</b>	<b>28,153,702,562.51</b>

***CBN Stabilization account 20054141058 statement from 2007 to 2011 and OAGF Stabilization Fund Ledger***

The table above represents the Loan granted the 6 Oil producing States from the Stabilization Fund and the repayments made as at December 2011. A letter has been written to the 6 States to confirm the receipt of this fund. As at the time of writing this report, no response had been received from the states.

Table 5: Loan to host FAAC and NACOFED Meetings

Date	Purpose	₦
12-Jan-07	FAAC Meetings Funding for year 2007	41,970,500
30-Nov-07	Loan granted for hosting of NACOFED Conference 14th & 15th Nov. 2007 and cost of maintaining FAAC Secretariats	82,702,547
26-Jan-11	Being the amount approved at the plenary session of FAAC at the meetings held on Jan 14, 2011 for the year 2011 activities which include Hosting of FAAC meetings, FAAC Post-Mortem Sub-Committee, 2011 NACOFED Conference.	255,756,926
Total		<b>380,429,973</b>

*CBN Stabilization account 20054141058 statement from 2007 to 2011 and OAGF Stabilization Fund Ledger*

As at December 31, 2011, FAAC meetings funding for year 2007 of ₦41,970,500 and loan for the hosting of CACOFED and maintaining of FAAC Secretariat of ₦82,702,547 were repaid during the period under review while ₦255,756,926 was still outstanding as at that date.

Table 6: Loan for INEC Registration Exercise

Date	Purpose	₦
9-Jan-10	Release to Independent National Electoral Commission (INEC) to commence the conduct of fresh voters registration exercise & to be repaid through the proceeds of FGN bonds to be issued by DMO.	40,711,860,624
15-Sept-10	Release to Independent National Electoral Commission (INEC) to commence the conduct of fresh voters registration exercise & to be repaid through the proceeds of FGN bonds to issued DMO.	35,628,591,100
13-Oct-10	Release to Independent National Electoral Commission (INEC) to commence the conduct of fresh voters registration exercise & to be repaid through the proceeds of FGN bonds to issued DMO.	11,381,509,807
Total		<b>87,721,961,531</b>

*CBN Stabilization account 20054141058 statement from 2007 to 2011 and OAGF Stabilization Fund Ledger*

The sum of ₦21, 000,000,000 was repaid as part payment of the loan in November 2010 while the balance of ₦66, 721, 961,531 was outstanding as at December 2011.

## 4 Summary of Loan Disbursement, Repayment and Outstanding

During the period under review, the sum of ₦152, 488,799,184 was granted as loan from the fund. Total repayment during the period was ₦32, 626,091,484 while the balance of ₦119, 862,707,700 was outstanding as at December 2011 as shown in the table below:

**Table 7: Summary of Loan Disbursement, Repayment and Outstanding**

S/N	Purpose	Disbursement ₦	Repayment ₦	Outstanding ₦
1.	Loan granted to fund the 2006 Virement	6,174,111,681	-	6,174,111,681
2.	Loan to fund Phase II of the Pioneer Car Finance Scheme for Public Servants in Paramilitary Agencies	13,557,175,000	-	13,557,175,000
3.	Loan granted for the payment of Underpayment of 13% Derivation to Akwa Ibom	4,705,697,129	4,705,697,129	-
4.	Loan to 6 Oil Producing States during implementation of 13% derivation indices to oil producing States from Aug,2008 to December,2009	34,949,423,870	6,795,721,308	28,153,702,562
5.	Loan granted for hosting of NACOFED Conference 14th & 15th Nov. 2007 and cost of hosting and maintaining	380,429,973	124,673,047	255,756,926
6.	Loan to Independent National Electoral Commission (INEC) to commence the conduct of fresh voters registration exercise & to be repaid through the proceeds of FGN	87,721,961,531	21,000,000,000	66,721,961,531
7.	Loan to Federal Ministry of Aviation, National Identity Commission & National Judicial Council amount approved by Coordinating Minister for Economy & Hon.Min of Finance the necessary reimbursement will be made early in 2012 vide	5,000,000,000	-	5,000,000,000
	<b>Total</b>	<b>152,488,799,184</b>	<b>32,626,091,484</b>	<b>119,862,707,700</b>

Source: CBN Stabilization account 20054141058 statement from 2007 to 2011 and OAGF Stabilization Fund Ledger

## 5 Details of Withdrawals from the Stabilization Fund

Details of withdrawals from the Fund from January 2007 to December 2011 are shown below:

**Table 8: Details of Disbursement from the Stabilisation Fund 2007 - 2011**

Date	Purpose	₦
12-Jan-07	FAAC Meetings Funding for year 2007	41,970,500.00
15-Jan-07	Loan granted for the payment of Underpayment of 13% Derivation to Akwa Ibom State Government	4,705,697,128.57
14-Feb-07	Loan granted to pay FGN 50% Contribution to the Phase II of the Pioneer Car Finance Scheme for Public Servant in Paramilitary Agencies.	10,757,175,000.00
3-Apr-07	Loan granted to fund the 2006 Virement	4,573,773,678.00
9-May-07	Loan granted to fund the 2006 Virement	1,600,338,003.00
22-May-07	Loan granted to pay FGN 50% Contribution to the Phase I of the Pioneer Car Finance Scheme for Public Servant in Paramilitary Agencies. - Outstanding	2,800,000,000.00
30-Nov-07	Loan granted for hosting of NACOFED Conference 14th & 15th Nov. 2007 and cost of maintaining FAAC Secretariats	82,702,547.21
9-Jan-10	Released to the Independent National Electoral Commission (INEC) to commence the conduct of fresh voters registration exercise & to be repaid through the proceeds of FGN bonds to be issued by DMO.	40,711,860,624.00
15-Sept-10	Released to the Independent National Electoral Commission (INEC) to commence the conduct of fresh voters registration exercise & to be repaid through the proceeds of FGN bonds to be issued by DMO.	35,628,591,100.00
13-Oct-10	Released to the Independent National Electoral Commission (INEC) to commence the conduct of fresh voters registration exercise & to be repaid through the proceeds of FGN bonds to be issued by DMO.	11,381,509,807.00
11-Mar-10	Released to Akwa Ibom & Delta States as loan during implementation of 13% derivation indices to oil producing States from Aug,2008 to December,2009	34,949,423,870.52
26-Jan-11	Being the amount approved at the plenary session of FAAC at the meeting held on 14th Jan, 2011 for the year 2011 activities which include Hosting of FAAC meetings, FAAC Post-Mortem Sub-Committee and 2011 NACOFED Conference.	255,756,925.62
12-Sep-11	Released to the Federal Ministry of Aviation, National Identity Commission & National Judicial Council amount approved by Coordinating Minister for Economy & Hon. Min of Finance the necessary reimbursement will be made early in 2012 vide letter Ref. No. BD/2000/EXP/464/1/94 of 7th December,2011	5,000,000,000.00
	<b>Total</b>	<b>152,488, 799, 183.92</b>

Source: Office of the Accountant General of the Federation (OAGF) Stabilization Fund Ledger

## 6 Account Reconciliation

The account Reconciliation of the fund as at December 2011 is stated below:

**Table 9: Table of Reconciliation of Stabilisation Fund as at 23 December 2011**

S/N	ITEM	₦
1.	Opening Balance	41,076,337,412.38
2.	Revenue During the period	<u>109,717,602,469.44</u>
3.	Available Fund	150,793,939,881.82
4.	Less Disbursement during the period	152,488,799,183.92
		(1,694,859,302.10)
5.	Add Loan Repayment during the period	37,836,091,483.99
	Balance as per Bank Statement	36,141,232,181.89

### 6.1 Account Balance

The account balance as per account statement as at 23 December 2011 was ₦36,141,232,181.89 (Thirty six billion, one hundred and forty one million, two hundred and thirty two thousand, one hundred and eighty one naira, eighty nine kobo).

## 7 Observations and Recommendations

### 7.1 Observations

The Observations gleaned from the report centre around two main headings:

1. The Fund was accessed mainly for loan purposes not related to the Stabilization trigger recognised in section 48 of the NSIA Act 2011
2. The disbursements made during the review period exceed the revenue made in the same period.

### 7.2 Recommendations

In view of these, we recommend a comprehensive audit of the fund to ensure proper accountability and transparency in the administration and application of the fund.

Operational guidelines need to be set up to guide the release of funds from these accounts which should be properly documented and adhered to.