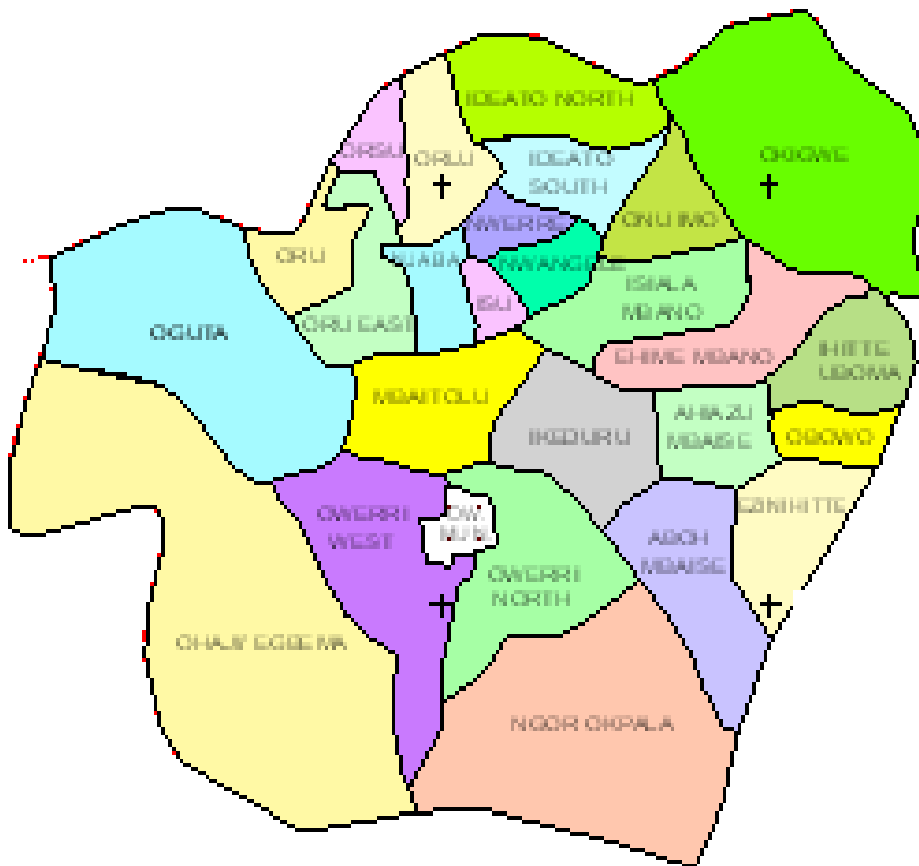


**REPORT ON REVENUES, DEDUCTIONS, AND
ANALYSIS OF DISBURSEMENT AND
UTILIZATION OF FUNDS OF SELECTED STATE
GOVERNMENTS 2012 – 2016
IMO STATE**



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1.0 IMO STATE PROFILE

1.1 Brief History

The Military Government of General Obasanjo created Imo State christened the “Eastern Heartland”, in 1976. Imo State named after the Imo River was originally part of the East Central State. The State is made up of twenty-seven (27) Local Government Areas namely: Aboh Mbaise, Ahiazu Mbaise, Ehime Mbano, Ezinihitte Mbaise, Ideato North, Ideato South, Ihitte/Uboma, Ikeduru, Isiala Mbano, Isu, Mbaitoli, Ngor Okpala, Njaba, Nkwerre, Nwangele, Obowo, Oguta, Ohaji/Egbema, Okigwe, Onuimo, Orlu, Orsu, Oru East, Oru West, Owerri Municipal, Owerri North and Owerri West.

1.2 Location, Land Mass and Population

The State is located in the South-East region of the Country. Its location is between Latitude 5⁰ and 29⁰ North and Longitude 7⁰ and 2⁰ East. Imo State covers an area of 5,530 square kilometres approximately. It has a population of 3,927,563 (2006 census figures). Its population makes up 2.8% of Nigeria’s total population.

1.3 Main Cities and Towns

The State capital is in Owerri. The State is bounded in the North by Anambra State; West by Delta State; East by Abia State and in the South by Rivers State. The main cities and towns include Owerri (capital city), Isu, Okigwe, Oguta, Orlu, Mbaise, Mbaitoli, Mbieri, Ohaji/Egbema, Orodo, Nkwerre etc.

1.4 Agriculture and Economy

Agriculture is the main occupation of the people of the State. The major cash crops grown in the State include oil palm, raffia palm, rice, groundnut, melon, cotton, cocoa, rubber and maize while consumable crops such as yam, cassava, cocoyam are also produced in large quantities.

The State has various natural resources that include crude oil, zinc, natural gas, lead, Calcium cabornate. The State also has profitable flora such as iroko, mahogany, obeche, bamboo, rubber tree and oil palm etc.

1.5 Education

Imo State has one Federal University at Owerri and one State University also located in Owerri. The other tertiary institutions include Federal Polytechnic, Nekede, Eastern Palm University, Ogboko, Ideaoto, Imo State Polytechnic, Umuaalsogwo, Alvan Ikoku College of Education, Owerri and Technological Skills Acquisition Institute, Orlu.

1.6 Tourism and Recreation

Tourist attractions in Imo State include Oguta Lake, Palm Beach Holiday Resort Awo-omamma, Njaba river etc.

2.0 REVENUE

2.1 Sources

The State derives its revenue from two main sources, which is statutory allocation from the Federal Government of Nigeria and internally generated revenue (IGR). The additional sub-sources of revenue generated by the State include Grants and Subventions, Internal loans, External loans etc.

2.1.1 Statutory Allocation from Federation Account

This includes all forms of revenue received from the Federation account. As stated below and include:

- Monthly statutory allocation
- 13% Derivation Fund
- Value Added Tax (VAT)
- Excess Crude Account
- Exchange Gain
- Sure P
- Other Refunds

2.1.2 Monthly Statutory Allocation

This represents monthly distribution of revenue earned and collected on behalf of the Federal Government from both mineral and non-mineral revenues shared among the three tiers of Government. The distribution is usually made at the monthly Federation Accounts Allocation Committee (FAAC) meetings.

2.1.3 13% Derivation Fund

The derivation fund refers to the percentage of the revenue oil-producing States retain from taxes on oil and other natural resources produced in the state. The percentage revenue due to producing States has declined from the initial 50% share to 13% currently.

2.1.4 Value Added Tax (VAT)

Value Added Tax (VAT) is tax charged and payable on all supply of taxable goods and services. It is collected by the Federal Inland Revenue Service (FIRS) and distributed to the federal, states and local governments after deduction of the 4% cost of collection.

2.1.5 Excess Crude Account

This is an account initiated to protect the implementation of the annual budget from shocks that might arise from shortfalls in oil revenue receipts that could be as a result of fluctuation in prices of oil on the international market. The excess oil revenue over the benchmark volume and price computations accrues to this account.

2.1.6 Exchange Gain

This is the difference arising from the exchange rate disparity between the budgeted rate and the current prevailing rate of the Naira to the US dollar.

2.1.7 Sure P

Subsidy Reinvestment and Empowerment Program (Sure-P) is a program established for reinvesting the Federal Government savings from fuel subsidy removal on critical infrastructure projects and other social safety programmes to directly impact the lives of the citizens of the country. The main objective was to:

- Provide employment for unemployed graduates through internship programs
- Creating database of unemployed youth and reduce social vulnerability.

2.1.8 Other Refunds

This is in respect of money refunded to the coffers of the state, which was wrongly deducted, withheld or under paid. For example Refund from NNPC, Augmentation and sales of fertilizers.

2.2 Revenue Process

- The Accountant-General of Imo State attends the meeting of Federation Accounts Allocation Committee (FAAC) every month.
- The Accountant- General receives the FAAC allocation sheet for Imo State from the meeting. A credit advice or mandate is issued to Central Bank of Nigeria (CBN) to transfer the State's revenue into the State's Consolidated Revenue Fund (CRF) managed by the Accountant General of the State.
- The Central Bank of Nigeria through the Bank Operations Officer sends a letter of credit/mandate to the Accountant-General informing her of the mandate received from the Accountant-General of the Federation and that the amount on the mandate will be paid to the State's Bank Account.
- The Central Bank pays the allocation into the State's Account.
- On the receipt of the allocation in the State's account, the Treasury Account Officer enters the amount on the receipts side of the TREASURY CASHBOOK.

2.3 Summary of Revenue

The table below shows the summary of revenue received by the State in the years 2012 to 2016.

Table 1: Summary of Revenue received 2012 -2016

Year	Total Revenue(₦'m)
2012	119,192
2013	126,152
2014	142,654
2015	133,263
2016	79,066
Grand Total	600,327

Table 2: Total Revenue 2012- 2016

Year	Recurrent revenue(₦'m)	Capital receipts (₦'m)	Total (₦'m)
2012	81,708	37,484	119,192
2013	86,681	39,471	126,152
2014	75,224	67,430	142,654
2015	59,710	73,553	133,263
2016	59,247	19,819	79,066
Grand Total	362,570	237,757	600,327

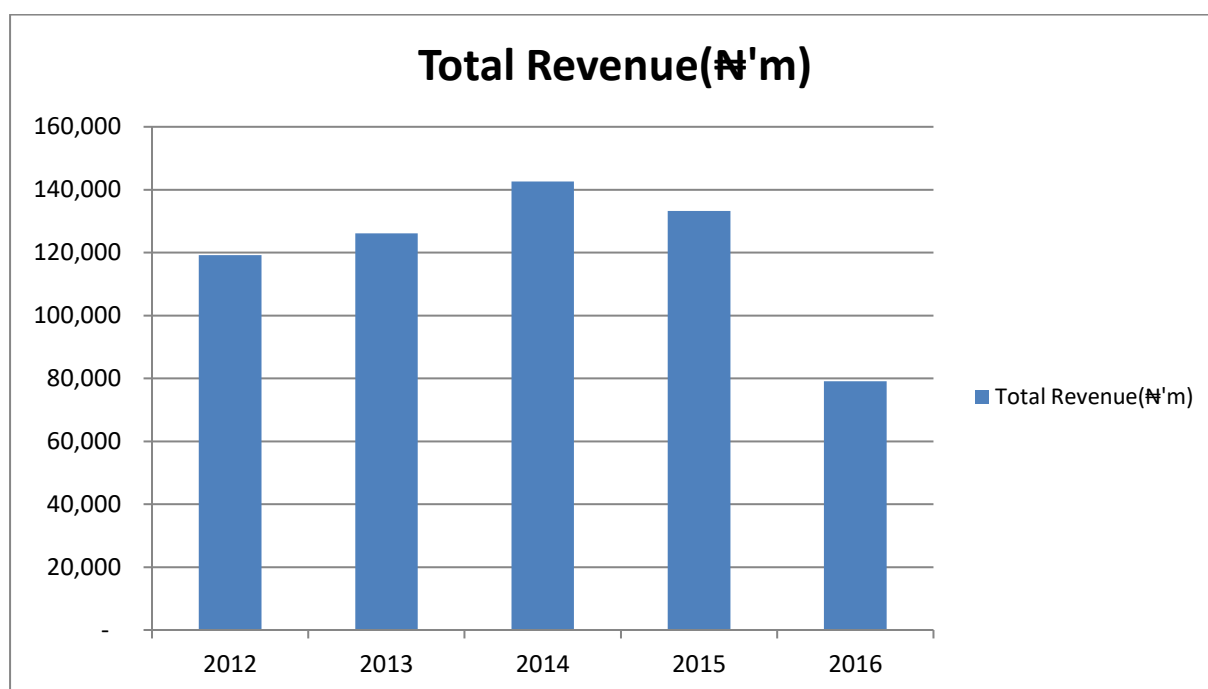


Figure 1: Total Revenue for Imo State (2012-2016)

2.4 Distribution of Revenue 2012-2016

	2012 ₦'m	2013 ₦'m	2014 ₦'m	2015 ₦'m	2016 ₦'m	TOTAL ₦'m
Statutory Allocation	34,358	38,991	37,281	27,324	24,595	162,552
VAT	7,932	9,092	8,066	8,056	9,587	42,733
13% Derivation Fund	5,890	6,486	5,916	3,485	2,343	24,120
Excess Crude Account	12,235	10,711	287	2,043	2,135	27,411
Exchange gain	-	-	1,690	-	3,117	4,807
Refund from NNPC	1,386	1,394	699	60	-	3,540
Sure P	2,161	3,233	3,009	-	-	8,403
Share of 17 billion	-	-	244	-	-	244
Nigeria Liquified gas	-	-	-	-	215	215
Excess bank charges recovered	-	-	-	-	22	22
External loan	<u>296</u>	<u>90</u>	<u>174</u>	<u>43</u>	<u>232</u>	<u>835</u>
FAAC revenue (A)	<u>64,260</u>	<u>69,998</u>	<u>57,367</u>	<u>41,011</u>	<u>42,246</u>	<u>274,882</u>
Internally generated revenue	25,475	25,865	26,098	26,798	26,819	131,055
Internal loan	29,256	30,289	58,417	28,338	10,000	156,300
Proceeds from Federal						
Government bond	-	-	-	37,116	-	37,116
Miscellaneous receipts	-	-	772	-	-	772
Sales of Fertilizer	<u>201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201</u>
Other revenue (B)	<u>54,932</u>	<u>56,154</u>	<u>85,287</u>	<u>92,252</u>	<u>36,819</u>	<u>325,444</u>
Total revenue (A+B)	119,192	126,152	142,654	133,263	79,065	600,327

Sources: Audited financial statements 2012 to 2016 and populated templates

Table 3: Revenue distribution by the State 2012 -2016

The income distribution shows that the revenue received by the State over the period under review grew by N7billion or 6% from N119 billion in 2012 to N126 billion in 2013. This was due to increase in statutory allocation and domestic loan facilities obtained during the year.

In the 2014 fiscal year, revenue increased by 12% or N17 billion from N126 billion in 2013 to N143 billion in 2014. The increase resulted from loan facilities obtained during the year. In 2015, revenue decreased by 8% or N10 billion from N143 billion in 2014 to N133 billion in 2015. This was as a result of a reduction in the amount received from monthly allocation, derivation fund and other refunds from the Federal Allocation during the year.

In 2016, there was a further decrease in revenue by 41% or N54 billion from N133 billion in 2015 to N79 billion in 2016. This was as a result of a decrease in monthly statutory allocation as well as proceeds received from the Federal Government bonds during the year.

2.4.1 Revenue Distribution by Sources

The total gross receipts from the Federation Account from 2012 to 2016 was N275billion, comprising of Statutory Allocation, Value Added Tax (VAT), Derivation fund, Excess crude account, Exchange gain, Refund from NNPC, and Sure P. However, it excludes the other sources of revenue such as internal loan, external loan, miscellaneous receipts, sales of fertilizer and internally generated revenue that amounted to N326 billion in the years under review. The total revenue received by the State during the years under review amounted to N406 billion excluding external loan and internal loan of N0.8billion and N193 billion respectively.

The pie charts shown below depict the various analysis of revenue generated by the State on a yearly basis from 2012 to 2016:

TOTAL REVENUE FROM 2012 -2016

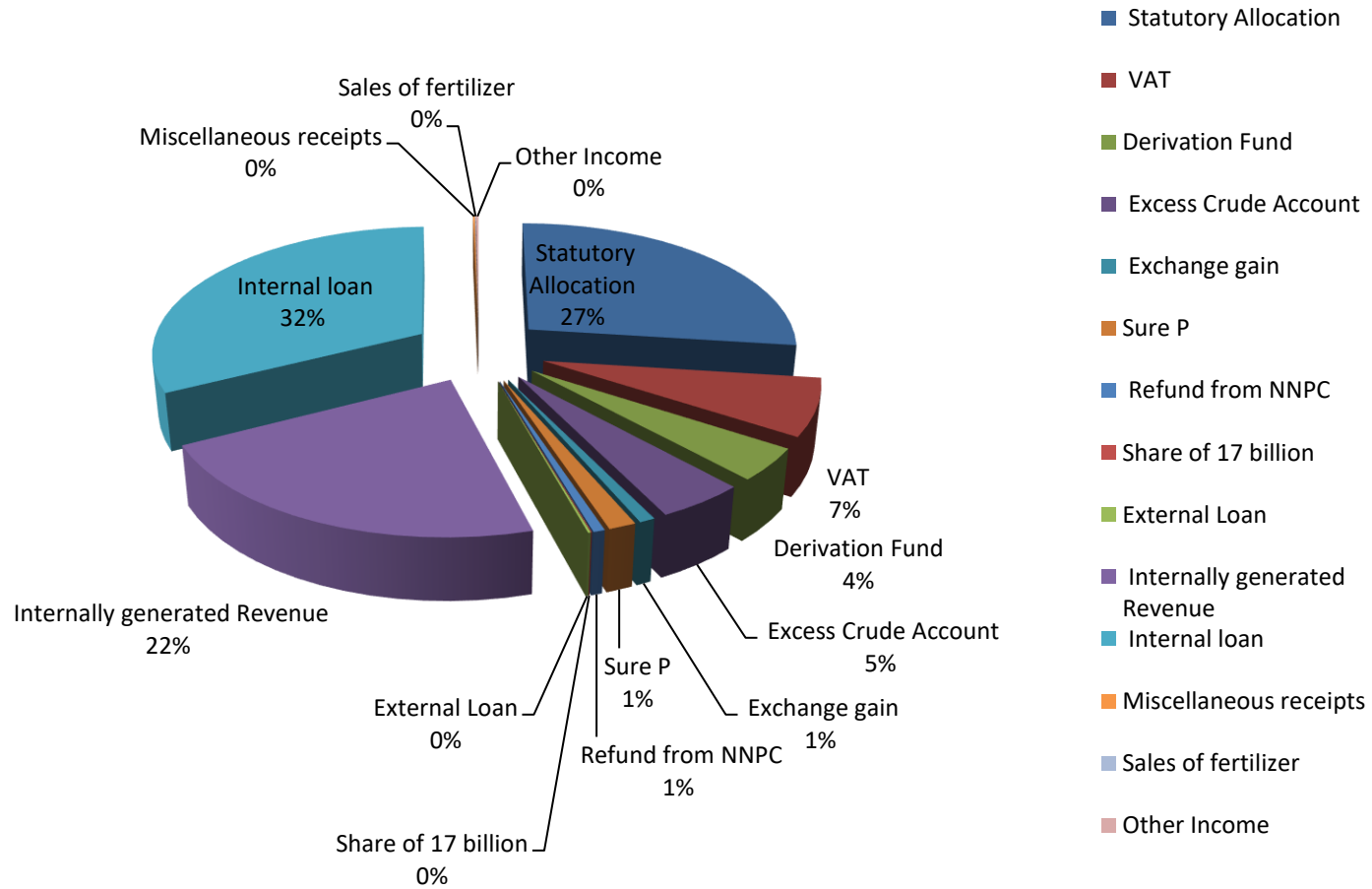


Figure 2 represents a percentage analysis of total revenue generated from 2012 to 2016 fiscal year

The diagram above depicts revenue earned by the State from 2012 to 2016 fiscal years. It revealed that statutory allocation from the Federation Account amounting to N163 billion formed 27% of the total revenue while the State internally generated revenue and internal loan amounting to N131 billion and N193 billion represented 22% and 32% of the total revenue respectively.

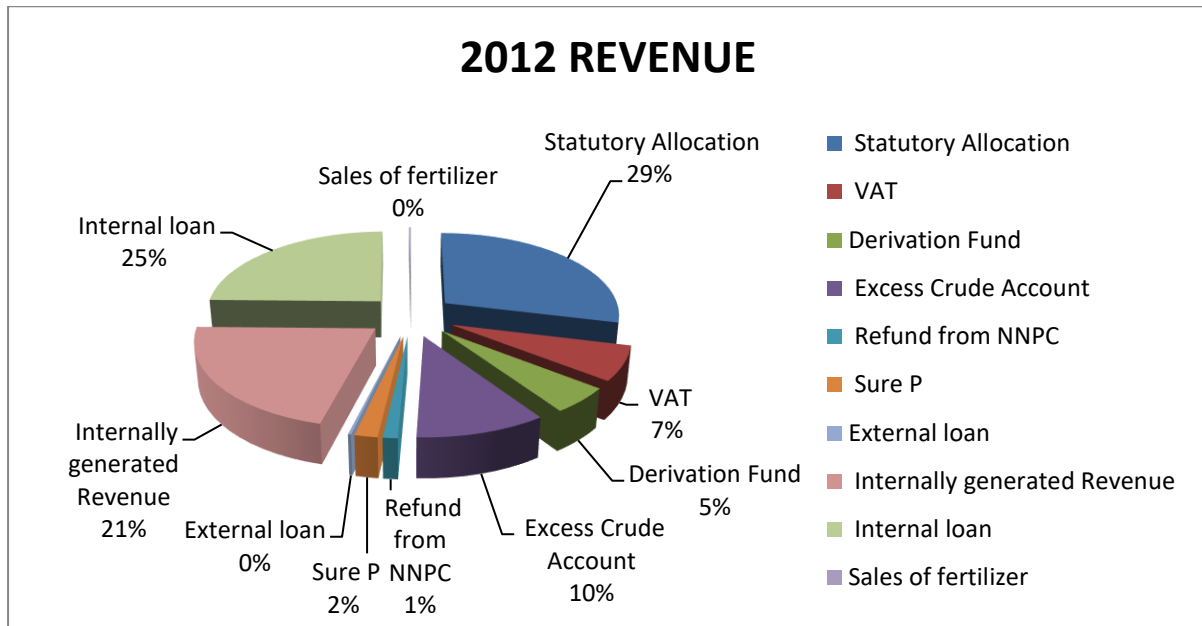


Figure 3 represents total revenue received in 2012

The diagram above depicts various revenues earned by the State during the year 2012. It revealed that substantial part of the revenue earned was in respect of Statutory Allocation amounting to N63 billion representing 54% of the total revenue while State internally generated revenue and internal loan amounting to N25 billion and N29 billion represented 21% and 25% of the total revenue respectively.

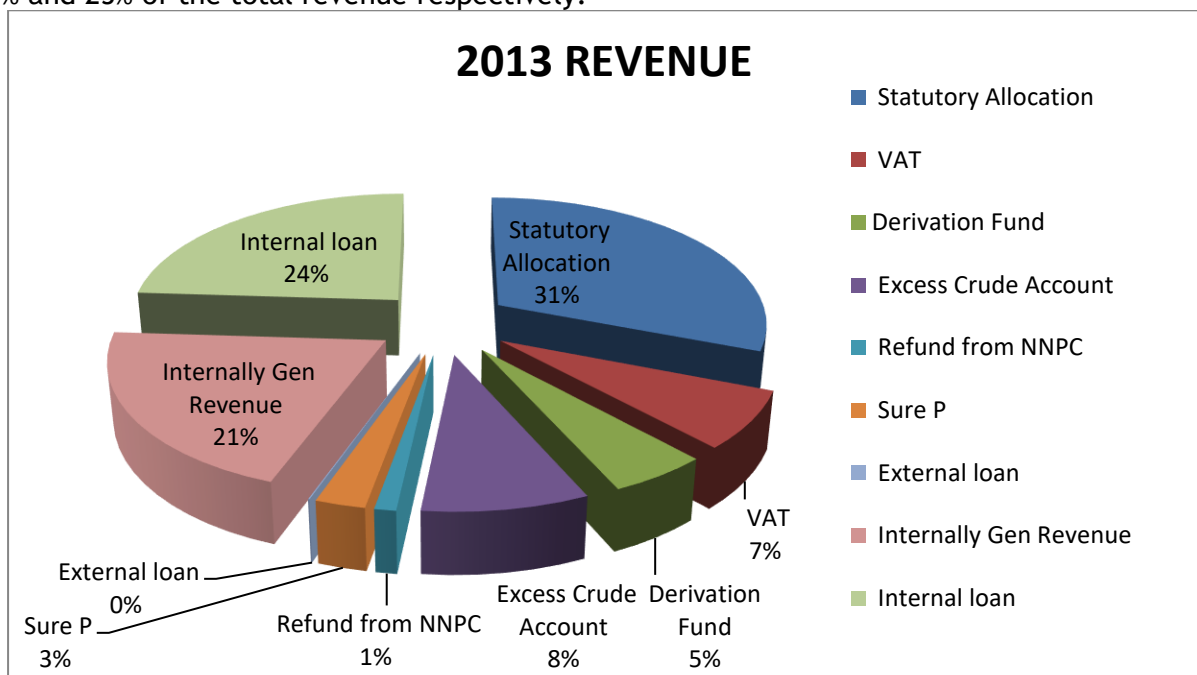


Figure 4: Total revenue generated in 2013 fiscal year

The diagram above depicts various revenue earned by the State during the year 2013. It revealed that substantial part of the revenue earned was in respect of Statutory Allocation received from the Federation Account amounting to N70 billion and represents 55% of the total revenue while the State internally generated revenue and internal loan amounting to N25 billion and N30 billion represented 21% and 24% of the total revenue respectively.

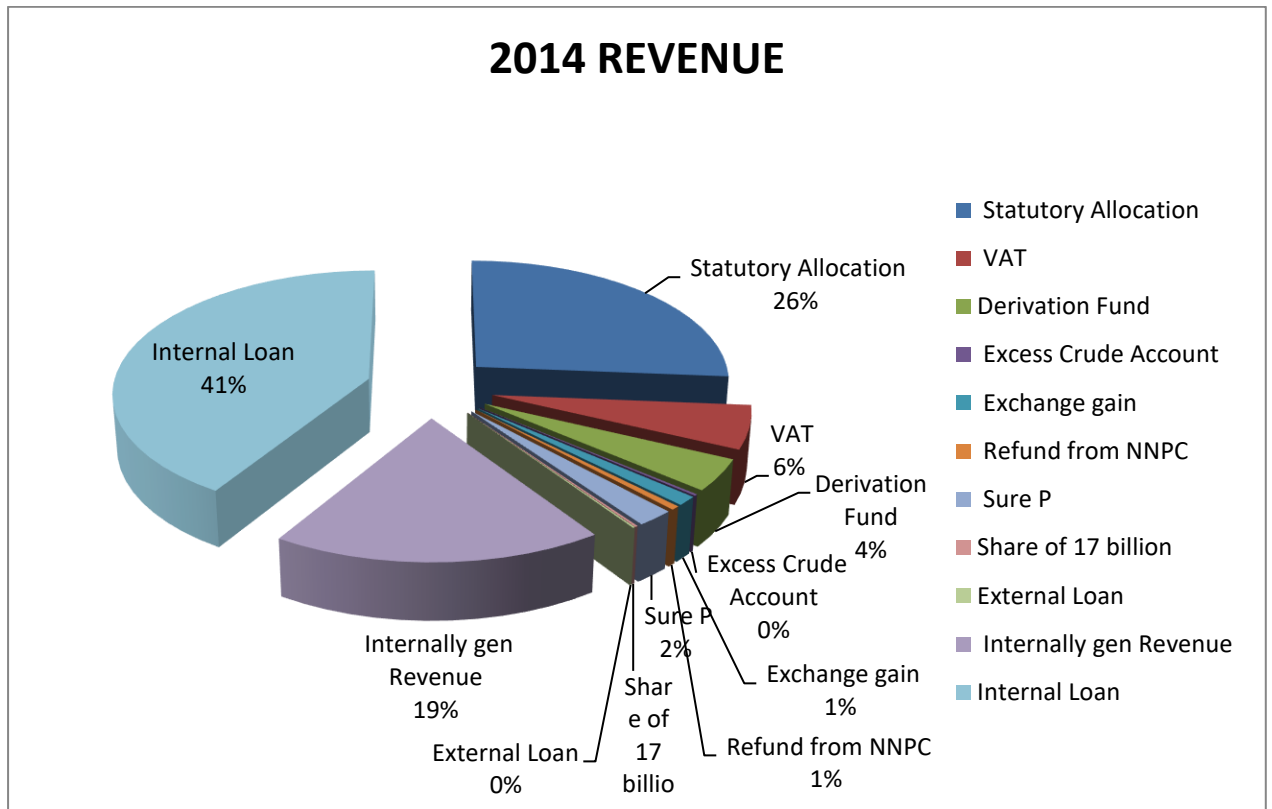


Figure 5 represents percentage analysis of total revenue generated in 2014 fiscal year

The diagram above depicts various revenues earned by the State during the year 2014. It revealed that substantial part of the revenue earned was in respect of Statutory Allocation received from the Federation Account amounting to N57 billion or 40% of the total revenue. The State internally generated revenue and internal loan amounted to N26 billion and N58 billion and represented 18% and 41% of the total revenue respectively.

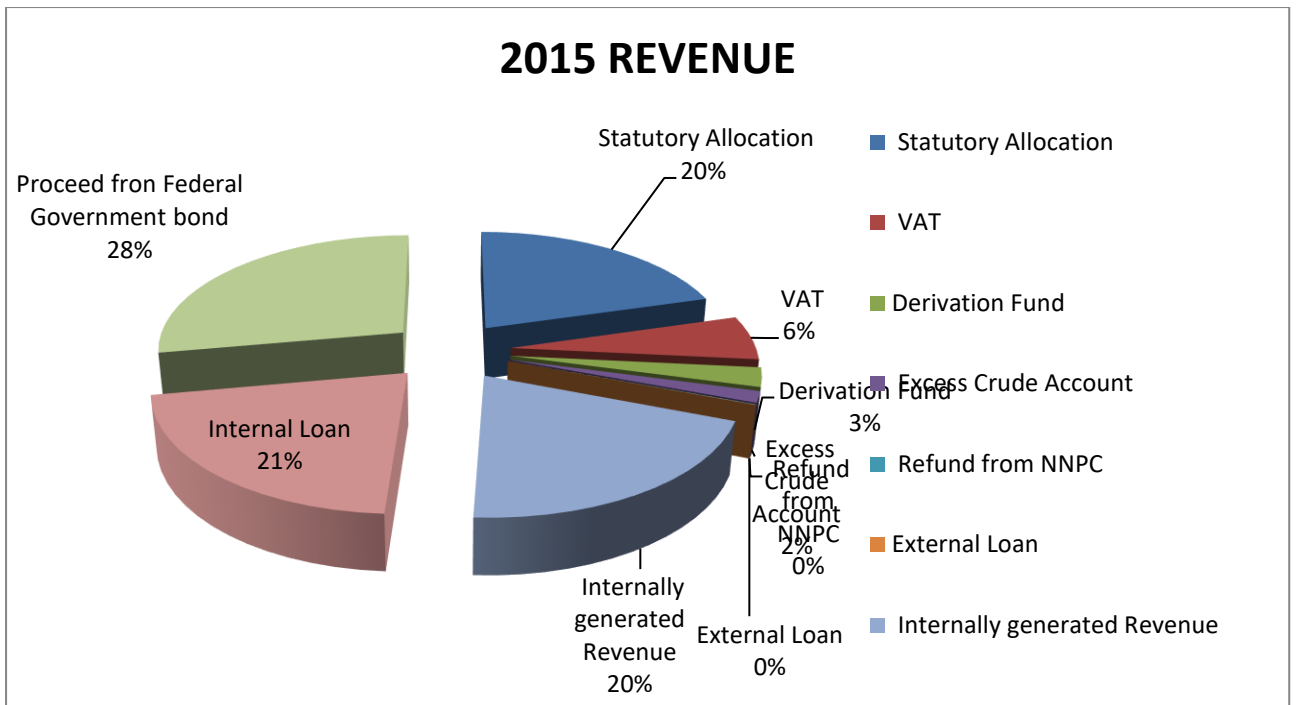


Figure 6 represents percentage analysis of total revenue generated in 2015 fiscal year

The diagram above depicts various revenues earned by the State during the year 2015. It revealed that substantial part of the revenue earned was in respect of Statutory Allocation received from the Federation Account amounting to N41 billion or 31% of the total revenue. The State's internally generated revenue, internal loan and proceeds from Federal Government Bond amounting to N27 billion, N28 billion and N37 billion represented 20%, 21% and 28% of the total revenue respectively.

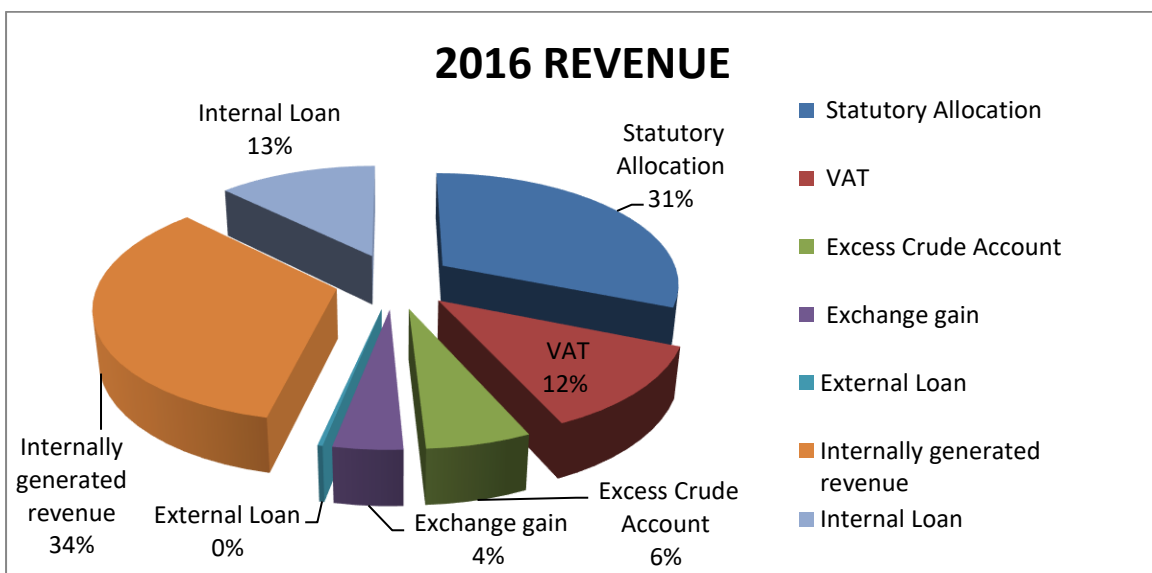


Figure 7 represents percentage analysis of total revenue generated in 2016 fiscal year

The diagram above depicts various revenues earned by the State during the year 2016. It revealed that substantial part of the revenue earned was in respect of Statutory Allocation received from the Federation Account amounting to N42 billion or 53% of the total revenue. The State's internally generated revenue and internal loan amounting to N26 billion and N10 billion represented 34% and 13% of the total revenue respectively.

3.0 RECURRENT EXPENDITURE

3.1 Recurrent Expenditure

Recurrent expenditure refers to the expenses incurred by the Government for the day-to-day running of the business of governance. It mainly includes money spent for the settlement of liabilities that are of recurring nature such as payment of bills and administrative overheads. It also includes payment of salaries and overhead costs to various Ministries, Departments and Parastatals. The recurrent Expenditure heads include the following:

- **Personnel Emolument:**

This represents the salaries and wages bill and other personnel related expenses incurred by the State Government on the employees within the State Civil service.

- **Overhead Costs:**

This is the major item of recurrent expenditure incurred by the State. This is used for the execution of the day-to-day administrative activities of the Government. It comprises such expenditure as transport and travelling, telephone and postal services, stationery and printing, entertainment and hospitality, consultancy and professional services, repairs and maintenance of government assets, etc.

- **Pensions and Gratuity:**

This is the payment made by the State Government to retired employees of the State Civil Service as well as the portion of the State Government's obligation of the contributory pension scheme in line with the Pensions Reform Act, 2004.

- **Grants and Subvention:**

This represents the amounts given by the State Government to the State owned institutions and Agencies towards the realisation of specific objectives.

- **Public Debt Charges:**

This represents the monies spent by the State Government for the purpose of servicing and managing the State's debts both the internal and external loans and other public debts.

3.2 Distribution of Total Recurrent Expenditure from 2012 - 2016

The table below shows the distribution of total recurrent expenditure incurred by the State in the years 2012 to 2016.

Table 4: Total Recurrent Expenditure from 2012 -2016

Year	Total Recurrent Expenditure(₦'m)
2012	91,142
2013	80,262
2014	96,444
2015	93,911
2016	47,226
Grand Total	408,985

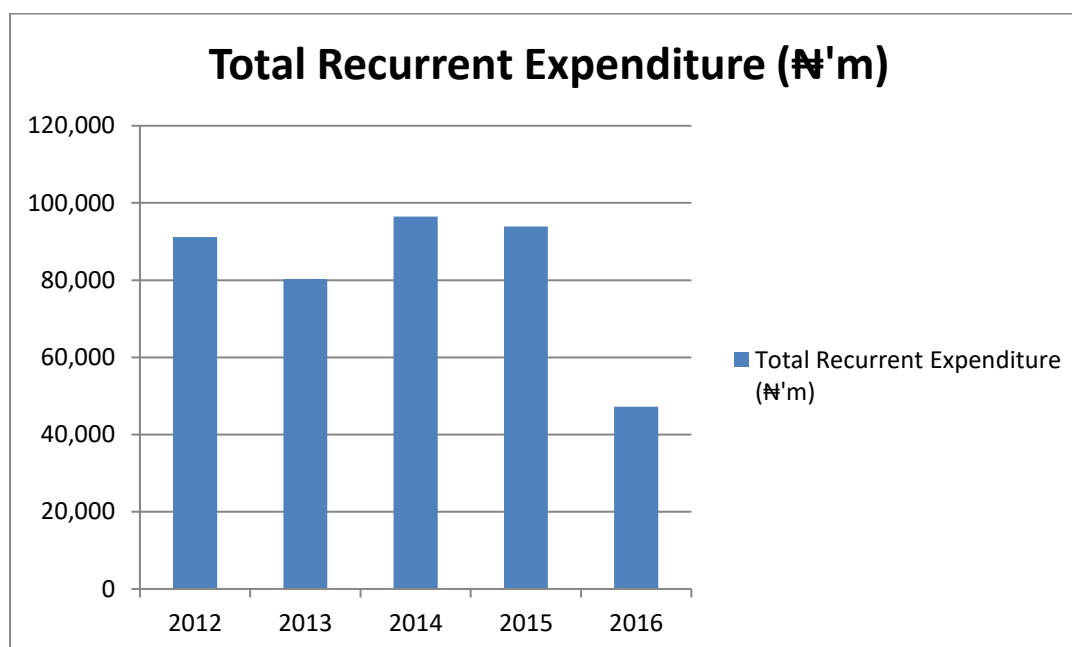


Figure 8: Distribution of Total Recurrent Expenditure for Imo State (2012-2016)

3.3 Comparison of Total Revenue to Total Recurrent Expenditure 2012-2016

The table below compares total revenue to total recurrent expenditure of Imo State between the years 2012 to 2016.

Table 5: Comparison of Total Revenue to Total Expenditure 2012 -2016

Year	Total Revenue(₦)	Total Recurrent Expenditure(₦)	Recurrent expenditure as a percentage of total revenue
2012	119,192	91,142	76%
2013	126,152	80,262	64%
2014	142,654	96,444	68%
2015	133,263	93,911	70%
2016	79,066	47,226	60%
Grand Total	600,327	408,985	68%

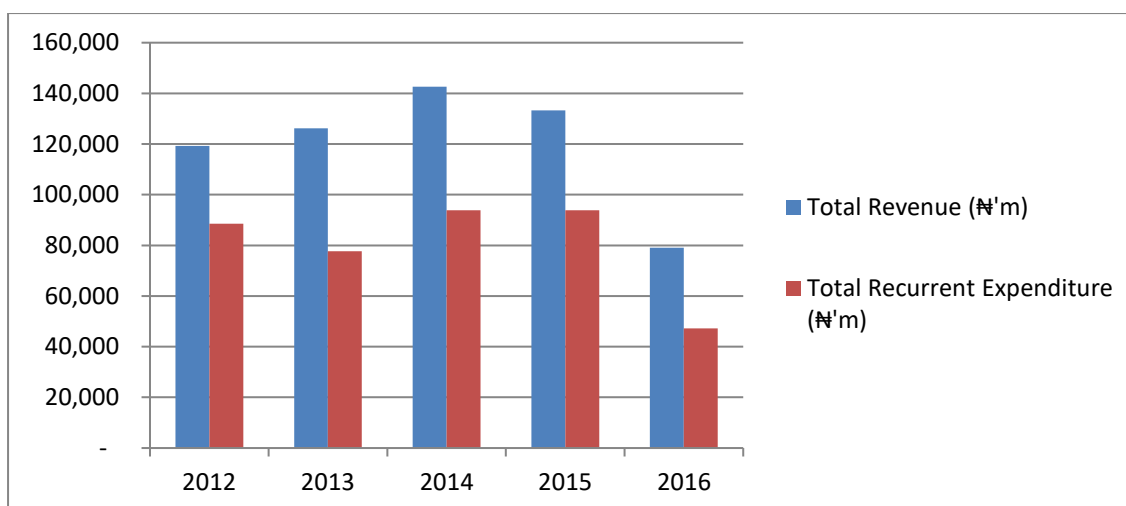


Figure 9: Comparison of Total Revenue with Total Recurrent Expenditure

Table 6: Comparison of Total Revenue with Total Recurrent Expenditure

Year	Total Revenue(₦)-A	Total Recurrent Expenditure(₦)-B	Funds available for Capital expenditure
2012	119,192	91,142	28,050
2013	126,152	80,262	45,890
2014	142,654	96,444	46,210
2015	133,263	93,911	39,352
2016	79,066	47,226	31,840
Grand Total	600,327	408,985	191,342

The above table shows the proportion of the revenue left for capital expenditure after settlement of recurrent expenditure.

3.4 Financial review

- The recurrent expenditure distribution showed that the expenditure incurred by the State over the period under review decreased by N10.9 billion or 14% from N91.1 billion in 2012 to N80.2 billion in 2013. This was mainly because of decrease in debt servicing charges for both local and international loans during the year.
- Recurrent expenditure increased by 17% or N16.2 billion from N80.2 billion in 2013 to N96.4 billion in 2014. This was mainly because of increase in personnel emoluments and also increased debt servicing charges for both local and international loans during the year.
- Recurrent expenditure also decreased by 3% or N2.5 billion from N96.4 billion in 2014 to N93.9 billion in 2015. The major decrease was because of the reduction in grant and subventions during the year.
- Recurrent expenditure decreased by 50% or N46.7 billion from N93.9 billion in 2015 to N47.2 billion in 2016. The major reduction was because of a decrease in internal loan servicing during the year as well as grants and subventions during the year.

3.5 Composition of Recurrent Expenditure

Detailed below is the composition in summary of the major components of recurrent expenditure.

Table 7: Composition of Recurrent Expenditure 2012 -2016

Year	2012	2013	2014	2015	2016	Total
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
Personnel Emolument	9,779	9,789	10,196	9,066	5,319	44,149
Overhead Costs	8,143	7,570	5,181	8,634	10,463	39,991
Pension & Gratuities	4,509	5,510	6,219	1,144	4,500	21,882
Grants & Subventions	15,685	15,798	15,934	9,019	1,858	58,294
International Loan Servicing	242	219	279	349	522	1,611
Local Loan Servicing	37,137	21,618	41,715	11,589	2,919	114,978
Consolidated revenue fund charges	3,666	4,938	1,034	1,179	632	11,449
Public Debt Charges	3,349	5,095	7,765	7,783	9,113	33,105
Statutory Obligation(ISPO)	4,301	4,301	4,301	3,943	358	17,204
Repayment of Bond	2,643	2,643	2,643	2,519	1,732	12,180
13% Derivation Indices Refund	232	232	213	213	229	1,119
Statutory Obligations(Payment for fertilizer supply)	168	25	-	20	-	213
Premium Subsidy	312	312	260	-	629	1,513
Bank Loans converted to Federal Government Bond	-	-	-	37,116	-	37,116
Other refunds & expenses	976	2,212	704	1,337	8,952	14,181
TOTAL	91,142	80,262	96,444	93,911	47,226	408,985

Sources: Audited financial statements 2012 to 2016

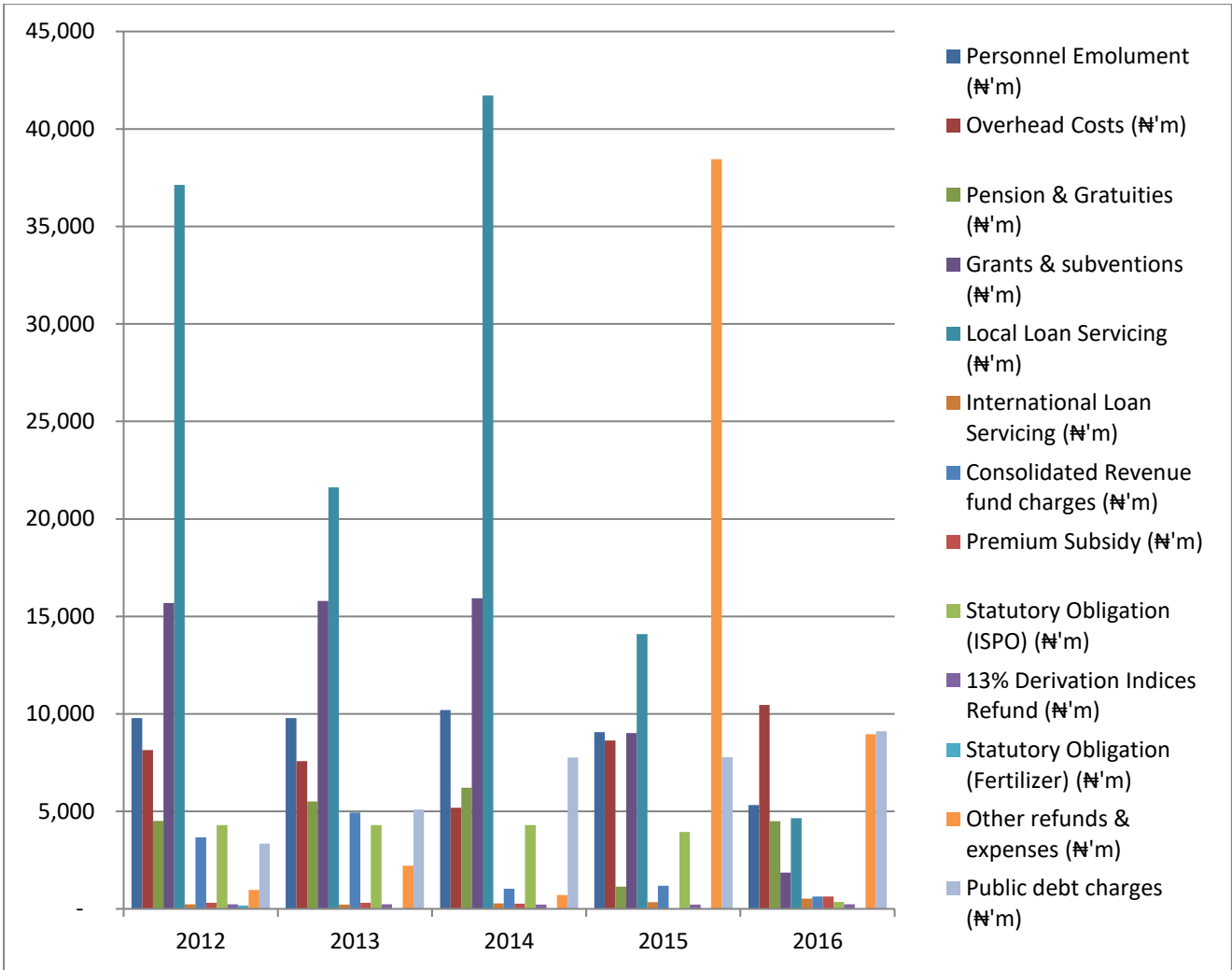


Figure 10: Distribution of Components of Recurrent Expenditure

The chart above shows the proportion of recurrent expenditure incurred during the year. Based on the above graph, it could be deduced that majority of the State’s recurrent expenditure was utilized on grants and subventions and local loan servicing.

The pie charts below give better illustration of the fact highlighted above.

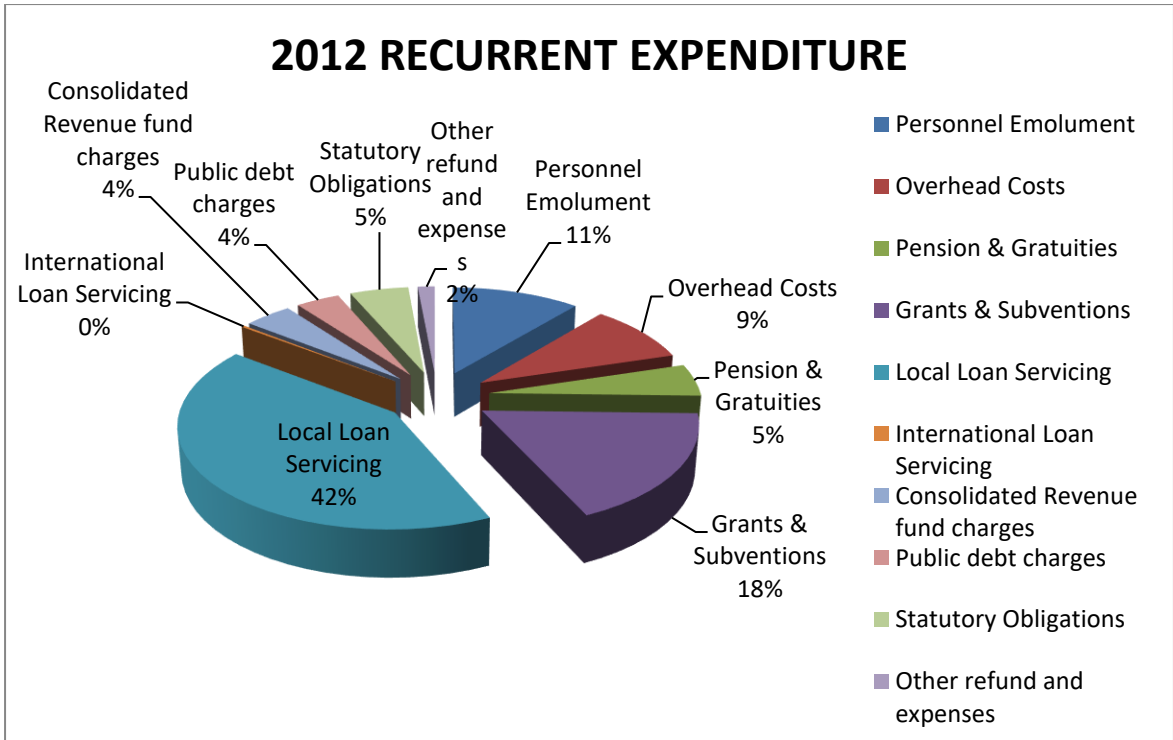


Figure 11: Percentage distribution of recurrent expenditure in 2012

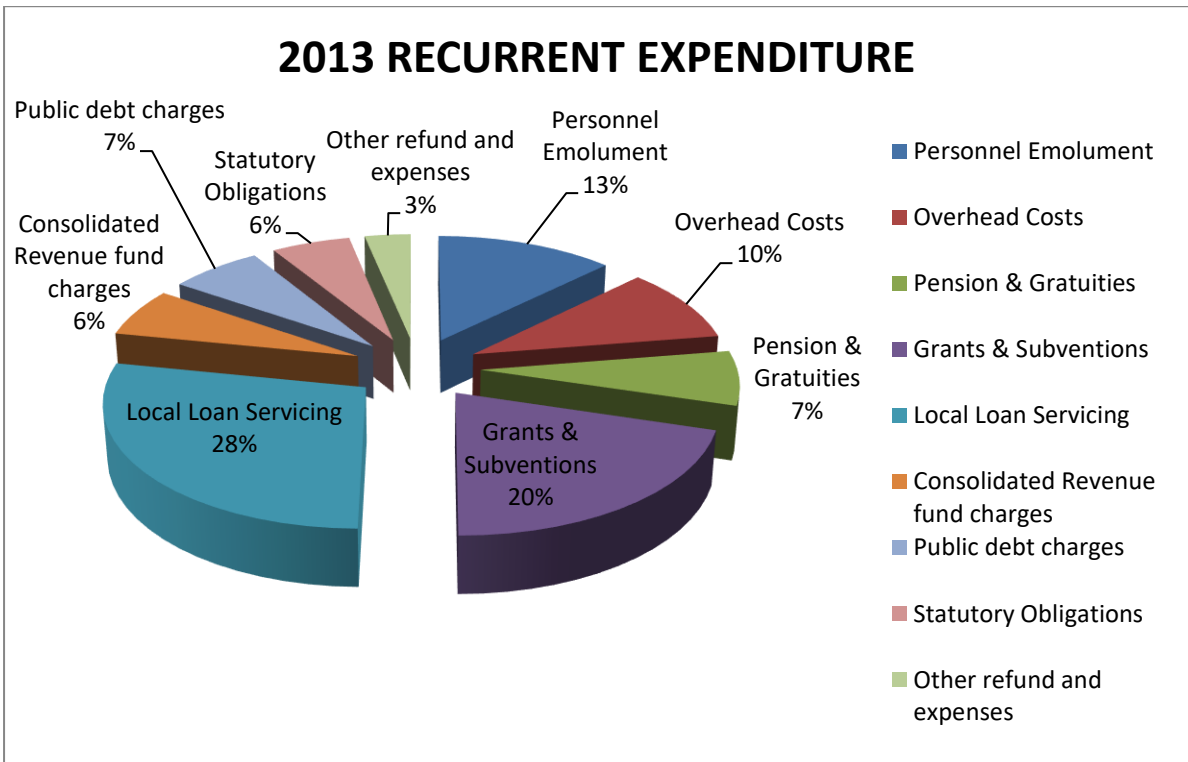


Figure 12 Percentage distribution of recurrent expenditure in 2013

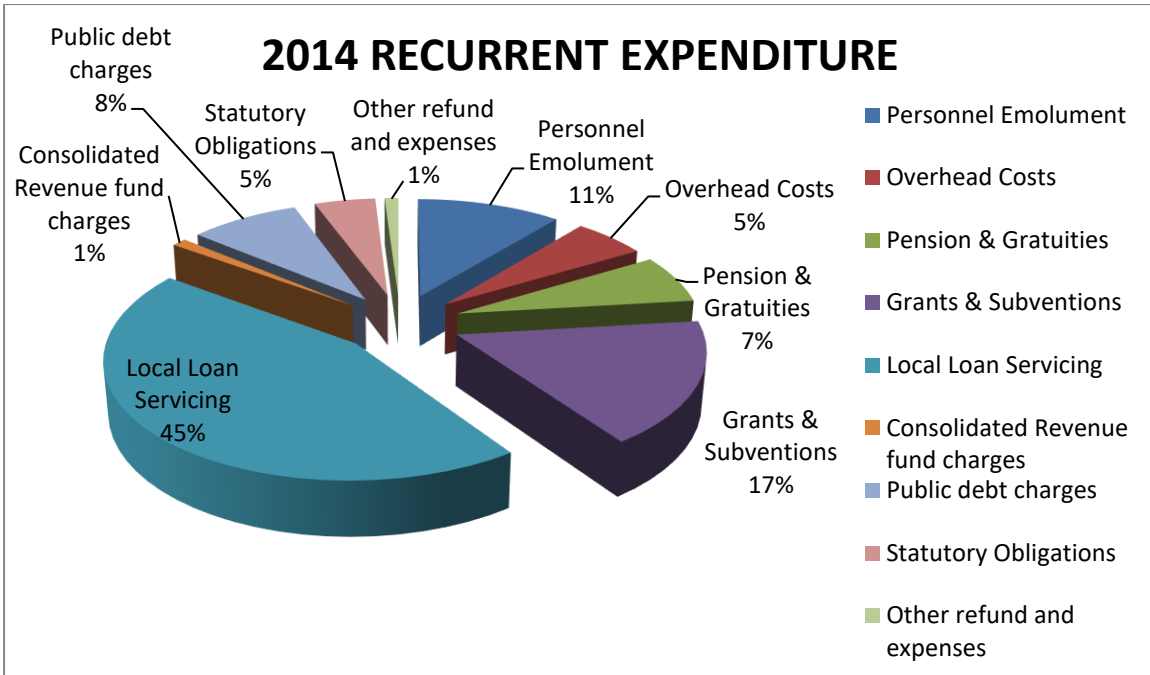


Figure 13 Percentage distribution of recurrent expenditure 2014

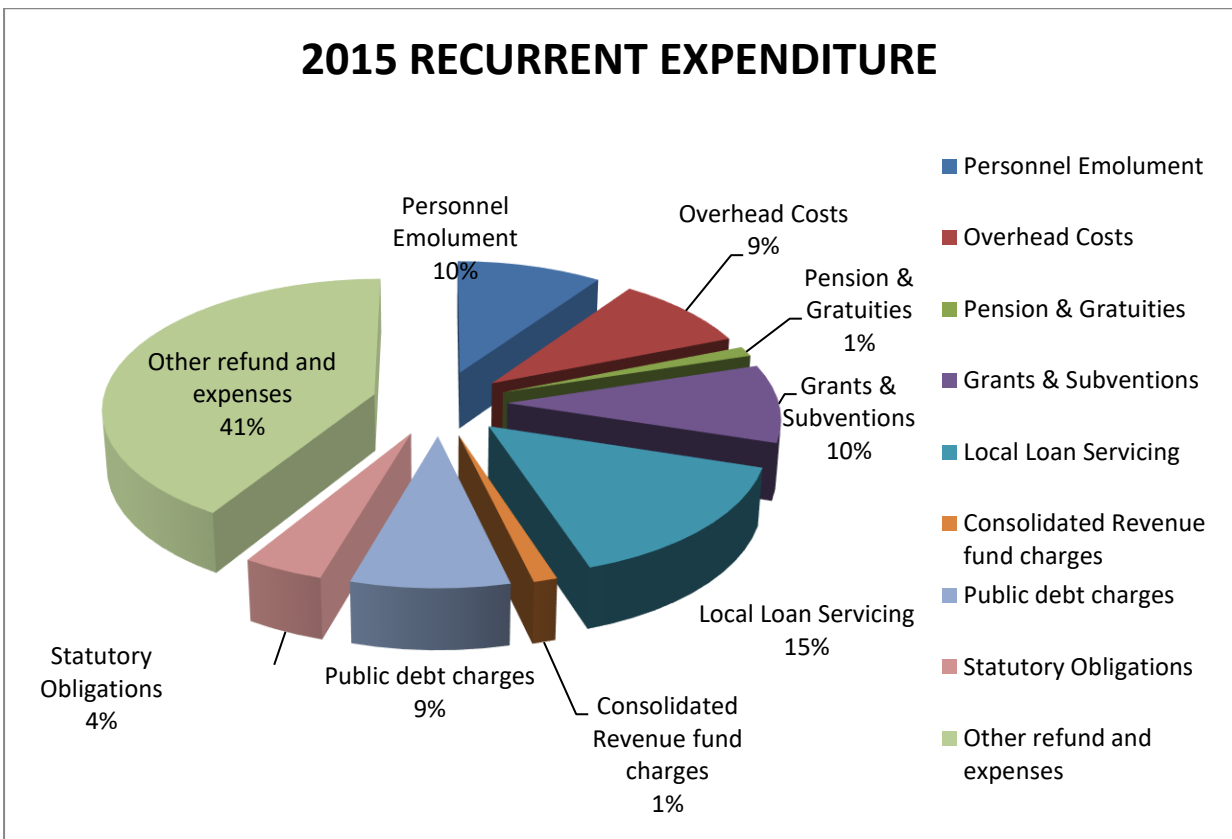


Figure 14: Percentage distribution of recurrent expenditure in 2015

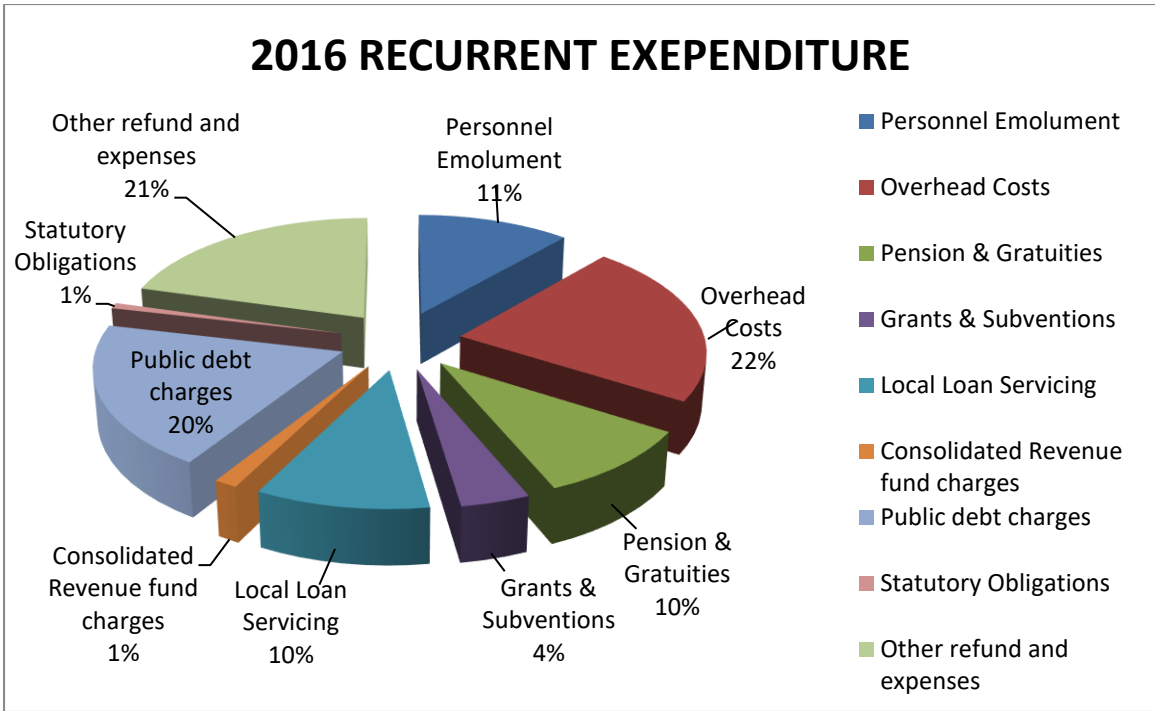


Figure 15: Percentage distribution of recurrent expenditure in 2016

The pie charts above illustrate the percentage of utilization of the government’s spending on recurrent expenditure from 2012 to 2016 fiscal years. A large portion of the State’s recurrent expenditure was expended on both grant and subventions and local loan servicing as seen in the pie charts of the various years.

4.0 CAPITAL EXPENDITURE

4.1 Capital Expenditure

Capital expenditure represents the capital outflows used for the improvements and acquisition of assets and other long term construction for infrastructural development. The table below shows the summary of the total Capital expenditure incurred by Imo State Government between 2012 to 2016.

Table 8: Summary of Capital Expenditure 2012 -2016

Year	Total Capital Expenditure(₦)
2012	46,152
2013	49,247
2014	68,213
2015	42,001
2016	33,580
Grand Total	239,193

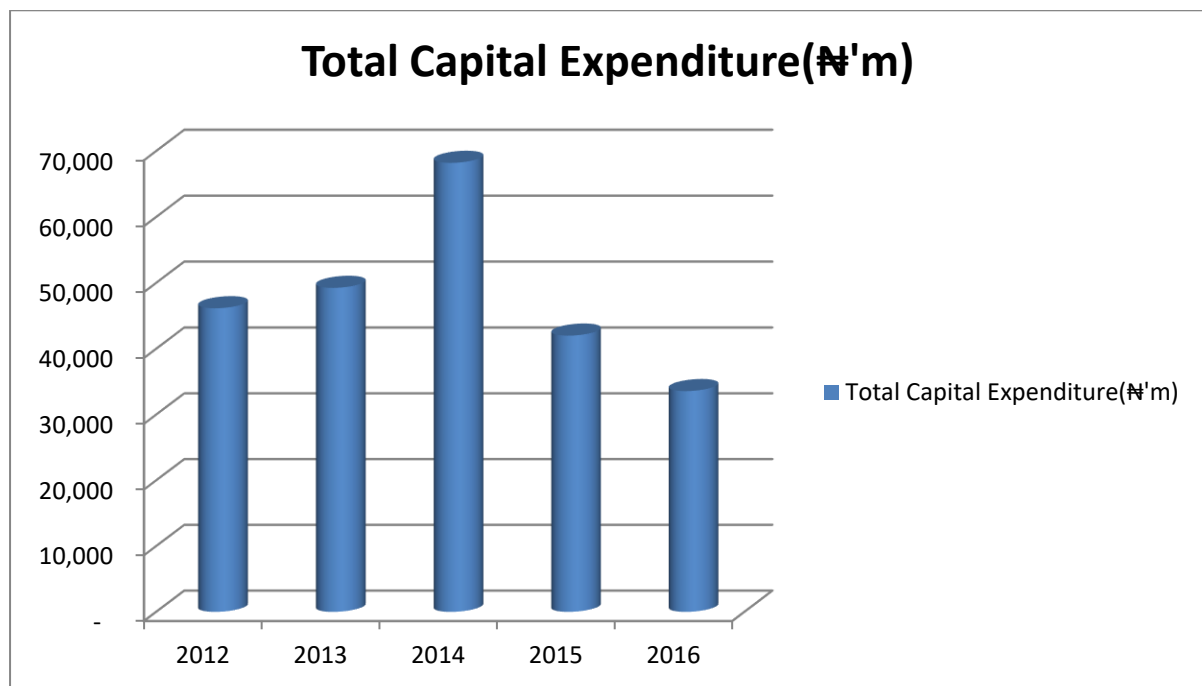


Figure 16: Distribution of Capital Expenditure from 2012 -2016

4.2 Sectorial Breakdown of Capital Expenditure

The table below shows the breakdown of various amounts incurred on capital expenditure in different sectors in Imo State between the period 2012 and 2016.

Table 9: Distribution of Capital Expenditure

Sector	2012	2013	2014	2015	2016
	(₦'m)	(₦'m)	(₦'m)	(₦'m)	(₦'m)
Economic	35,606	21,665	646	38	13,005
General Administration	10,220	26,338	67,390	41,938	20,518
Social	326	1,244	177	25	57
TOTAL	46,152	49,247	68,213	42,001	33,580

Sources: Audited financial statements 2012 to 2016

The graph below depicts the sectorial distribution of capital expenditure between 2012 to 2016. It is evident that the State committed so much of its capital expenditure on General administration between the period 2014 to 2016.

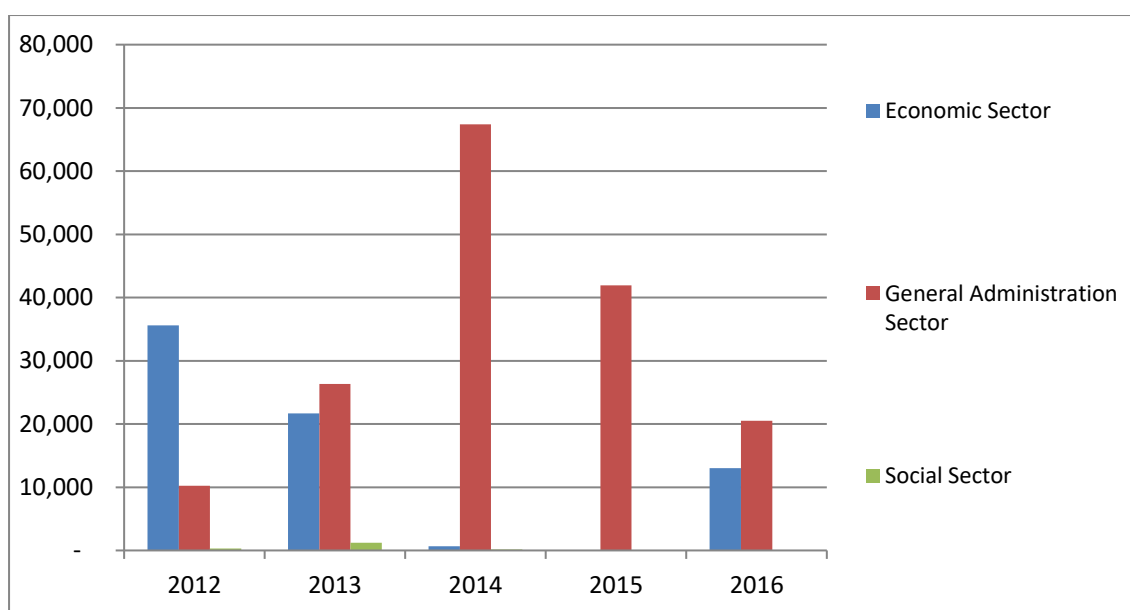


Figure 17: Sectorial Distribution of Capital Expenditure from 2012 to 2016

During the period under review, Imo State incurred N239 billion, on capital expenditure.

- The capital expenditure distribution showed that the expenditure incurred by the State over the period under review grew by N3.1 billion or 6% from N46.1 billion in 2012 to N49.2 billion in 2013. The increase was due to expenses on General Administration and Social Sectors in the year.
- Capital expenditure increased significantly by 28% or N19 billion from N49.2 billion in 2013 to N68.2 billion in 2014. The increase was because of the N67 billion spent on General Administration sector during the year when compared with N26 billion in 2013 fiscal year.
- Capital expenditure decreased significantly by 62% or N26.2 billion from N68.2 billion in 2014 to N42 billion in 2015. The decrease was because of the reduction in Federal Allocation received from the Federal Government in the year.
- Capital expenditure decreased by 25% or N8.5 billion from N42 billion in 2015 to N33.5 billion in 2016. The decrease was due to significant expenditure on the various sectors in the year.

4.3 Comparison of Total Revenue to Total Capital Expenditure 2012-2016

The table below compares total revenue to total capital expenditure of Imo State between the years 2012 and 2016.

Table 10: Comparison of Total Revenue to Total Capital Expenditure 2012 -2016

Year	Total Revenue(₦)-A	Total Capital Expenditure(₦)-B	Percentage movement (B/A)
2012	119,192	46,152	39%
2013	126,152	49,247	39%
2014	142,654	68,213	48%
2015	133,263	42,001	32%
2016	79,066	33,580	42%
Grand Total	600,327	239,193	40%

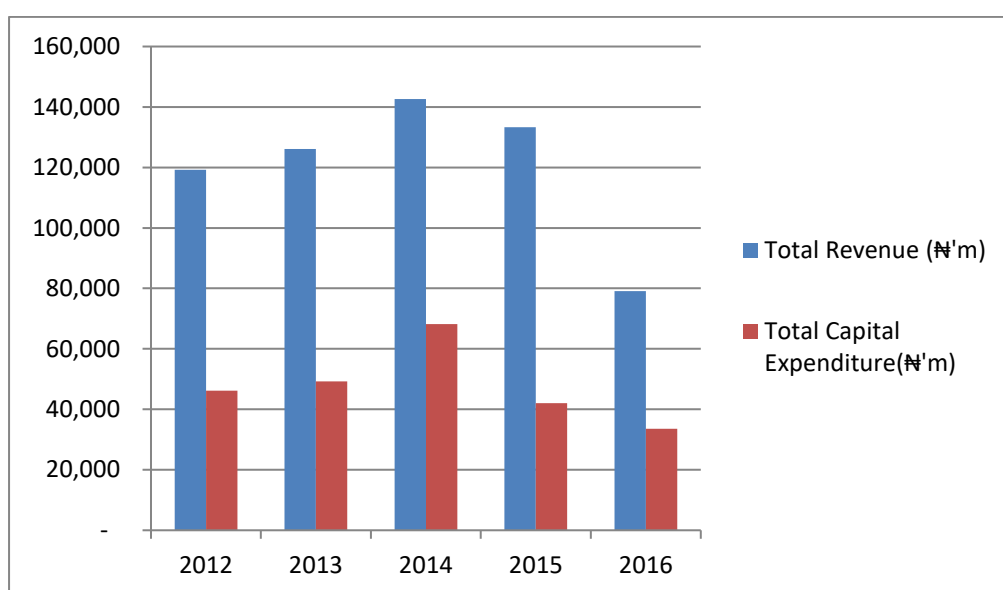


Figure 18: Comparison of Total Revenue with Total Capital Expenditure

4.4 Analysis of Recurrent and Capital Expenditure

Table 11: Analysis of Recurrent and Capital Expenditure

Year	Total Recurrent Expenditure(₦m)	Total Capital Expenditure(₦m)-B	Total Expenditure(Nm)
2012	88,499	46,152	134,651
2013	77,619	49,247	126,866
2014	93,801	68,213	162,014
2015	93,890	42,001	135,891
2016	47,227	33,580	80,807
Grand Total	401,036	239,193	640,229

From the table above, it can be concluded that the State spent the sum of N640 billion as total expenditure from 2012 to 2016, made up of recurrent expenditure of N401 billion and capital expenditure of N239 billion.

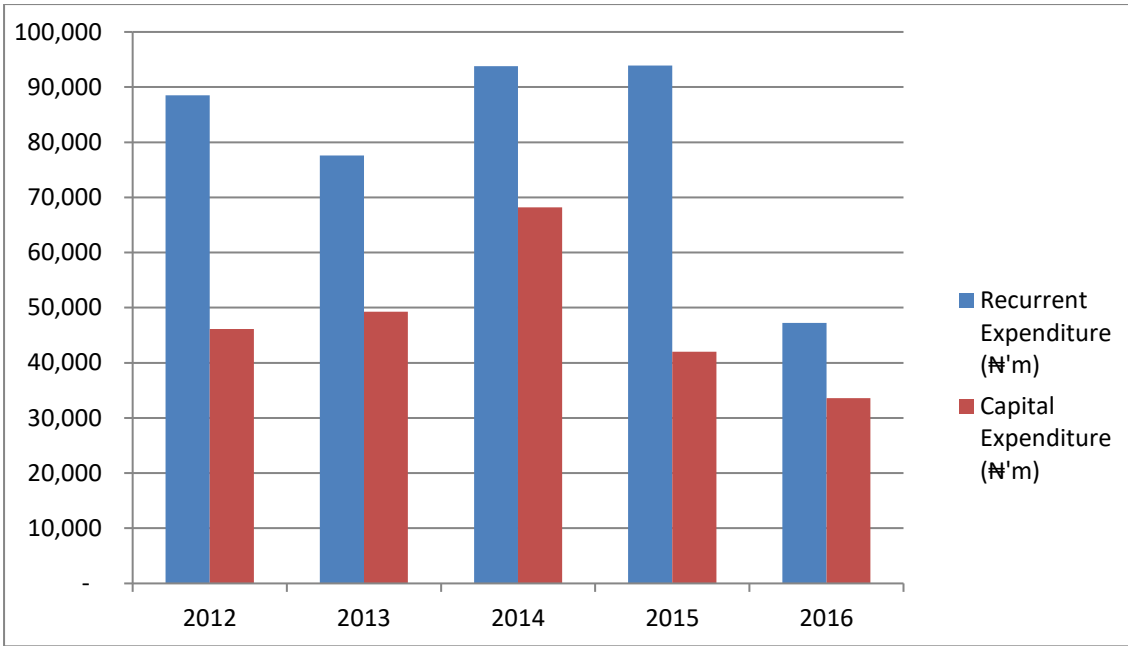


Figure 19: Comparison of Recurrent Expenditure with Capital Expenditure

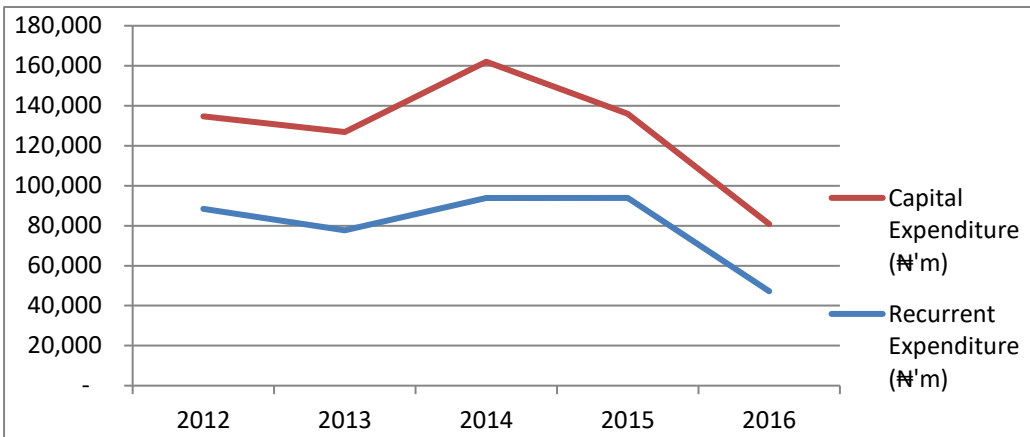


Figure 20: Trend analysis of Recurrent and Capital Expenditure

The above figure shows the trend between recurrent expenditure and capital expenditure of Imo State in the years 2012 to 2016.

5.0 RECOMMENDATIONS AND CONCLUSION

5.1 Key Findings

- The State budgeted for and spent the larger part of its resources on recurrent expenditure to the detriment of some key sectors in need of capital investment, which should have facilitated economic development and consequently result in improved standard of living for Nigerians in the state.
- The State has not fully tapped opportunities that abound within to achieve sufficient inflows through internally generated revenue; it relied heavily on domestic, foreign loans as well as salary bailouts to meet the needs of recurrent and capital expenditure. In addition, the State was unable to meet up with its counterpart funding responsibility of some humanitarian intervention programs instituted by International Development Association (IDA) in conjunction with the Federal government. For example, it has not fulfilled its counterpart funding responsibility for HIV/AIDS FMAP II programme since 2009.
- The State's financial management information system is deficient and does not adequately allow for transparency; the financial information system currently in operation in the state is manually done, implying that adequate records of state financial transactions may not be readily available and accessible.

5.2 Recommendations

- We recommend the rejigging of the State's expenditure process in order to achieve effective and efficient allocation of state resources such that, sectors in need of capital investment are given the required level of attention.
- The state should pursue alternative strategies to increase its internally generated revenue. For instance, the state has a unique topography and landscape that affords opportunity to develop into a top tourist destination and thus, substantially increase its internally generated revenue capacity.
- We recommend the computerisation of the State's financial management information system, and quicken the operationalisation and enforcement of the financial and accounting procedural manuals in line with best practice to ensure transparency and accountability of the state resources.