

Foreign Exchange Budgeting And Monitoring In Nigeria

by

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Introduction

It was once observed that the character of a nation is written in its budget. Although this may be an overstatement, there is no doubt that the national budget is a plan or blue print for guiding the activities of the government over a period of time, usually one year. Accordingly, the budget embodies government intentions and policies that it would like to pursue in the coming year together with a financial plan describing in detail the estimated receipts and proposed expenditures/disbursements under various heads.

The focus of this paper is on foreign exchange budget, in other words, budgeting for expected foreign exchange earnings and allocation among various possible uses. To a large extent, foreign exchange budget is associated with foreign exchange control regimes. Since exchange control is adopted primarily because of shortage or inadequacy of foreign exchange resources, the need to optimally use the available resources necessitates the drawing up of a foreign exchange budget.

For ease of analysis, the rest of the paper is structured as follows:

In the next section the principle of foreign exchange budgeting in general is examined. Here the rationale and elements of foreign exchange budget are briefly discussed. Foreign exchange budgeting, in Nigeria is discussed in section three. In section four, the focus is on the need for monitoring and the arrangement put in place for monitoring foreign exchange budget in Nigeria. Section five appraises foreign exchange budgeting and monitoring in Nigeria while concluding remarks are contained in section six.

2.0 Principles of Foreign Exchange Budgeting:

2.1 Rationale for Foreign Exchange Budget

The foreign exchange budget is not different from the conventional annual budgets of the government. Like the conventional budget, the foreign exchange budget is a statement of government intentions and policies in the area of foreign exchange receipts and payments. The foreign exchange budget, where-ever it is adopted, is usually incorporated into the conventional budget.

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The rationale for the foreign exchange budget is rooted in the fundamental nature of our economic problems, namely the scarcity of foreign exchange resources to meet the multidimensional requirements of the society. This, of course, is the basis for the imposition of exchange controls in the first instance. The foreign exchange budget becomes a veritable instrument for policy formulation under exchange control regimes. Such a budget is expected to indicate the level of earnings and allocations both aggregatively and sectorally. Since the available foreign exchange resources are inadequate to meet the various competing claims on them, the need arises for an ordering of priorities based on a critical appraisal of the relevance and benefits derivable from the different items of expenditure. This implies that there are tradeoffs among the competing claims. The foreign exchange budget therefore seeks to ensure that once choices are made, foreign exchange is allocated to the various end users in order of priorities. In principle, utilisation of foreign exchange is expected to be kept within the budget limits.

The foreign exchange budget also serves as a basis for establishing a framework within which import licensing takes place. Essentially import licensing is meant to assure budget discipline as the licences are in principle tied to the budget and the priorities of the economy. In other words, payment for imports entails that licence be obtained in the first instance. In this way, import licensing is used to strengthen the effectiveness of the foreign exchange budget.

There is also the economic development argument for foreign exchange budgeting. According to this line of reasoning, the foreign exchange budget can be used to foster economic development. This is because through budgeting, resources can be channelled away from non-essential consumer goods in order to meet the demand of the industrial sector for imports of machinery, spare parts, raw materials and other essential goods required to execute development programmes without which economic growth may be retarded. Thus with foreign exchange budget, adequate foreign exchange can be allocated to foster industrial growth.

2.2 Elements of a Foreign Exchange Budget

Although the budget is a statement of expectations and intentions on the basis of assumed aggregates and variables, the values of which may diverge widely from actuals, there are standard criteria for formulating and implementing a budget. The following stages of decision making are common features of any budgetary process:

- the formulation of budget proposals.
- appraisal of the budget.
- execution or implementation of the budget.
- auditing and/or monitoring in order to determine result or performance in comparison with the estimates.

The formulation of a realistic foreign exchange budget would invariably imply setting of priorities and weighing of alternatives and preparation of detailed information on expenditure items both for control purposes and also to facilitate periodic assessment of the impact of the budget on economic activity. This would also enhance the presentation of the foreign exchange proposals in a meaningful manner to enable the public see the relevance or otherwise of the proposals. To this end, the proposals are accompanied by an analytical description of current economic situation of the country. This involves a critical appraisal of the performance of the foreign exchange budget in the outgoing year compared with the preceding year. Although complete accuracy cannot be expected, a good budget should not produce very wide divergence; the actual outcome should be close to the estimates under normal circumstances. In the event that actual foreign exchange expenditure outstrips receipts, the country's external resources are either depleted or arrears on external payments are accumulated. This is why close monitoring is essential for purposes of reviewing the performance of the budget so that appropriate measures can be taken in order to achieve the broad objectives of the budget.

The execution or implementation of the budget is also crucial. Invariably, the implementation lies with the Ministry of Finance and the Central Bank. There is therefore the need for co-ordination between these agencies of government.

3.0 Genesis of Foreign Exchange Budget in Nigeria

Foreign exchange budgeting is relatively new in Nigeria. While exchange control practices in Nigeria could be traced to the outbreak of World War II in 1939, foreign exchange budgeting was not introduced until much later. The reason for this is not far to seek. Even with the enactment of the Exchange Control Act 1962, the provisions of the Act were not implemented until 1967 following the outbreak of the civil war in Nigeria. In order to arrest the incidence of massive outflow of foreign exchange as a result of the war, it became necessary to activate the dormant Exchange Control Act of 1962. During the 30 months war, stringent exchange control measures were therefore imposed.

With the benefit of hindsight, the prosecution of the war without resorting to external borrowing on a large scale could be attributed to the efficacy of the exchange control measures put in place. But that was not achieved without costs in terms of general scarcity of goods and the accumulation of payment arrears. In order to cushion the harsh effects brought about by the war, the stringent exchange control measures were relaxed after the war in 1970. The result of the relaxation was an unprecedented increase in the level of imports and consequent pressure on external reserves. Foreign exchange budget was therefore introduced during the 1971/72 fiscal year to make the exchange control measures more effective through reordering of government priorities in the use of foreign exchange.

Initially, the budget was prepared on a rather detailed format, sectorally and item by item (See Table 1). Allocation of foreign exchange on sectoral basis was adopted in order to ensure that the scarce resources were channelled to the priority areas of manufacturing and agriculture.

It was also aimed at ensuring an economic and functional classification of the foreign exchange budget. Thus at a glance, the amount of foreign exchange allocated to the different sectors of the economy could easily be ascertained. The performance of the budget could also be assessed along that line. However, after 1986, the foreign exchange budget

became rather aggregative, showing only broad items of foreign exchange receipts and expenditure. The budget which was hitherto denominated in Naira up to 1986, was thereafter expressed in the US Dollar (see tables 1 and 2).

3.1 Foreign Exchange Budgeting in Practice

The preparation of the foreign exchange budget devolves mainly on the Central Bank of Nigeria and the Federal Ministry of Finance. However, the Ministry of Petroleum Resources and the NNPC are also brought in at the initial stages of discussion preparatory to the drawing up of the budget. The starting point is a review of economic performance and the outlook for the coming year. The size of the budget depends crucially on expectations with regard to crude petroleum production and price since about 90% of the foreign exchange earnings is derived from crude petroleum export.

Basically, the foreign exchange budget is made up of two broad categories, namely inflow and outflow, and a residual which represents movement in reserves. Inflow records official and private sector projected foreign exchange receipts. Public sector receipts are further broken down into receipts from crude oil, draw-down on external loans, grants etc. as well as interest on reserves and miscellaneous receipts and since 1987, interest on FEM funds. Inflow to the private sector comprises: non-oil export earnings, receipts from services and miscellaneous receipts.

On the other hand, outflow consists of official disbursement and utilisation of private sector receipts. The official disbursement is further broken down into allocation to external debt service and domestic utilisation.

For example the summary of sectoral distribution of the 1984 Foreign Exchange Budget was as follows:

1.	VISIBLE TRADE:	
	Private Sector Imports	₦ 3.26 billion
	Public Sector Imports	
	(i) Federal Government ₦ .8)	
	(ii) State Government ₦ .07)	₦ 0.87 billion
2.	INVISIBLE TRADE	
	Public Sector:	
	(i) Federal Government ₦ .4)	
	(ii) States Government ₦ .03)	₦ 0.43 billion
	Private Sector:	₦ 0.44 billion
3.	LOAN SERVICING	₦ 2.8 billion
4.	CONTINGENCY	₦ 0.2 billion
	Total	<u>₦8.0 billion</u>

The foreign exchange budget was re-inforced by the use of import licensing. As earlier indicated the use of import licence implies that importation is tied to issuance of specific licence for that purpose. In principle, by linking the import licence to the budget, the achievement of budget objective is enhanced since once goods are subject to specific import licence, nobody can import such goods without first obtaining a licence for that purpose. By 1982, the total number of items subject to Specific Import Licence (SIL) was 231 and in 1984, all goods then on Open General Licence (OGL) were brought under SIL. In other words, except otherwise exempted, all goods became subject to specific import licence.

Using the import licence framework, the proportion of foreign exchange allocation for the broad import groups was fixed as follows for 1984.

(i) Industrial raw materials, machinery, CKD components and spare parts	–	58%
(ii) Food Items	–	18%
(iii) General Merchandise (including machinery and spare parts for non-manufacturers, building materials, tyres and tubes, components and other consumer goods other than food)	–	12%
(iv) Invisibles	–	12%
Total	–	100%

Keeping within the sectoral allocations each bank was required to tailor its foreign exchange approvals to given prescribed ceilings. Thus, the four big banks were expected to keep to the following ceilings in 1984:

(i) Union Bank of Nigeria Plc.	–	₦ 613,080,000
(ii) United Bank for Africa Plc.	–	₦ 493,920,000
(iii) First Bank of Nigeria Plc.	–	₦ 430,560,000
(iv) International Bank for West Africa (Later Afribank)	–	₦ 336,960,000

The details are shown in Table 3.

A major decision taken in 1984 was to decentralise foreign exchange approvals to the Commercial and Merchant banks. Under the arrangement, the CBN delegated its approving authority in respect of imports of government parastatals and the private sector to the banks.

With this arrangement, three layers of the foreign exchange budget was created namely: allocation, approval and disbursement. In the first place, there was the allocation for each bank. In principle, the banks were expected to keep within the ceilings allocated to them such that the approvals they granted in any particular month did not exceed 1/12th of their allocations for the whole year. The allocations and approvals were to have been tailored to foreign exchange availability as in the budget. The third layer involved actual disbursement of funds by the Central Bank. Invariably, there were divergencies between allocations and foreign exchange approvals and between approvals and foreign exchange disbursements. Since disbursement was the final stage, in a situation where approvals exceeded disbursement, trade arrears accumulated. Such trade arrears became a real problem for the country in the 1980s.

As earlier indicated, the foreign exchange budget was prepared, initially on sectoral basis, item by item. The detailed itemisation was discarded after 1986.

In recent years, the budgetary process involves allocating projected official receipts in the following proportions:

Debt service	–	30%
Domestic utilisation including funding of FEM	–	60%
Accretion to reserves	–	10%.

This is the residual which represents movement in reserves and the difference between inflow and outflow.

The share of 30% to debt service is in consonance with the government policy of limiting debt service ratio at that level in order to ensure that the productive sectors of the economy are not starved of foreign exchange. Also, at least 70% of allocation for domestic use goes to funding of the FEM while the balance is applied for other public sector uses. All the receipts in the private sector have, since 1987, been retained for use in that sector.

Since 1991, the practice has been to develop about two or three scenarios under different assumptions for the purpose of projecting foreign exchange receipts and expenditure. The choice from the scenarios would depend on the weight assigned to the different factors on which the assumptions are based. For purposes of illustration, we consider the assumptions made in preparing the 1991 foreign exchange budget as follows.

A. FOREIGN EXCHANGE RECEIPTS

(i) The estimated oil revenue was based on the following assumptions:

Average crude oil production	–	1.611 mbd
Average condensate production	–	0.05 mbd
Local consumption	–	0.3 mbd
Dedication to projects	–	0.07 mbd
Export	–	1.291 mbd
Official selling price - \$19.0, \$20.0 and \$21.0 per barrel	–	Exchange rate
	–	₦8.5/\$

- (a) The production level of 1.611 mbd, being Nigeria's OPEC quota prior to the Gulf crisis was used, on the assumption that after the resolution of the crisis, Nigeria would revert to its original quota.
 - (b) On the basis of OPEC benchmark, three price scenarios were used with US\$19.0, US\$20.0 and US\$21.0 per barrel as the worst case, middle case, and the best case respectively.
 - (c) The exchange rate of ₦8.50/\$ reflected the trends in the Naira exchange rate.
- (ii) It was assumed that the World Bank Budgetary and Financial Policy loan (BFPL) that was being negotiated would be fully drawn down in 1991.
 - (iii) It was also assumed that other loans and donor grants up to 1990 from the U.K., Germany, the U.S.A., the EEC and USAID, etc. that were not fully drawn down as well as expected co-financing with the World Bank from the U.K. and Japan would be fully drawn in 1991.
 - (iv) The 1990 budget provided for \$309.0 million from non-oil export receipts but could not be realised because of the uncertainty regarding cocoa exports arising from the ban on the exportation of raw cocoa from 1991. With the lifting of the ban, it was assumed that the 1991 budget estimate of \$309.00 million from non-oil exports could be realised.
 - (v) The projection of receipts from private sector services was based on the actual receipts up to September, 1990 and estimates for October to December, 1990.
 - (vi) Other private sector receipts which included return of capital, direct capital investments, etc. were projected on an anticipated 50.0 per cent increase over the actual receipts for 1990.

B. FOREIGN EXCHANGE DISBURSEMENT

- 1. Disbursements on debt servicing were based on the following assumptions:
 - (a) Cost of repurchase of 60.0 per cent of debt and arrears of interest owed to the London Club at 31.5 per cent, and the issue of zero coupon bond for the remaining debt and arrears of interest owed to the London Club under the current Deal with them amounted to \$1,428.0 million. The expectation was that the Deal would come through in 1991; or

- (b) Payment of principal, interest and arrears to the London Club of \$971.0 million in 1991 was based on the existing agreement.
- (ii) Payment of principal and interest (including moratorium interest) to the Paris Club of \$2,251.0 million was based on the assumption that only previously rescheduled debts would be rescheduled.
- (iii) The Non-Paris Club debt service of \$378.0 million was based on the following assumptions:
 - Principal and interest on Ajaokuta Steel project were based on drawdown for non-rescheduled debt.
 - Interest rate of 10.0 per cent is assumed, but there would be no principal repayments for arrears.
- (iv) Debt service payments to Multilateral Institutions of \$546.0 million comprise principal, interest and charges of \$514.3 million to the IBRD and \$31.7 million to the ADB and ECOWAS.
- (v) (a) The funding of FEM is based on a daily allocation of \$12.0 million, for 250 days, being a 19.0 per cent increase over the 1990 allocation; or
 - (b) The funding of FEM is based on a daily allocation of \$11.0 million, for 250 days, being a 11.6 per cent increase over the 1990 allocations.
- (vi) (a) The allocation for NNPC cash calls was based on their total estimated expenditure of \$1,314.0 million in 1991. For two years running, they had always obtained a post-budget approval for an additional amount equal to the shortfall between their approved budget expenditure and total estimated expenditure; or
 - (b) NNPC cash calls of \$725.0 million was based on similar provisions in the 1990 Budget. It was, however, assumed that this provision would be supplemented from possible additional revenues from oil sales above the \$21.0 per barrel reference price and any additional production above the 1.611 mbd level.
- (vii) (a) Disbursements for other domestic uses were estimated on the basis of the trend in the past; or

- (b) Disbursements for other domestic uses were estimated on the basis of actual figures up to September, 1990 and projections up to December 1990.
- (viii) Accretion to reserves would remain at the same level of \$300.0 million as in 1990.
- (ix) Foreign exchange receipts of the private sector would be utilised to supplement the official funding of FEM.

The assumptions are critical as the outcome of the foreign exchange budget depends crucially on whether or not the assumptions turn out to be valid. For example, any wrong assumption about developments in the oil sector would invariably make the budget unrealistic.

4.0 Budget Monitoring and Control

Monitoring is also a critical aspect of foreign exchange budgeting. This affords the authorities the opportunity to know whether the budget is on course and what factors would have accounted for any divergence from budget targets.

The formulation of budget proposals has to be directly related to the extent to which they can be implemented. The success achieved at implementing the budget depends crucially on the inherent soundness of the proposals, the efficiency, adequacy and integrity of the machinery put in place for the implementation. Since the actual results of the budget may not ordinarily conform to the estimates or projections, a system of assessment becomes necessary. Ideally, the performance appraisal should be an ongoing process i.e. on monthly, quarterly, half yearly and annual basis.

The objective is to improve the process of decision making by the authorities. Monitoring therefore assures whether the objectives of the budget are achieved. This is done through a system that highlights areas of variances in the budget and proposing measures for improvement. Monitoring of the budget therefore makes it possible to see whether a review of the budget is necessary.

For monitoring to be effective it has to be purposeful. In other words, it is not just sufficient to highlight areas of variances in the budget. Appropriate steps should thereafter be taken to effect adjustments. For example, where an off-shooting of the budget is observed, arising from higher level of disbursement compared with the estimates, the need arises for action to be taken to curtail foreign exchange disbursements since the authorities may not be able to influence the level of receipts at least in the short term. When the foreign exchange budget is exceeded, this translates to drawing down of external reserves and increased pressure on the economy's external sector. If the reserves are not buoyant, such a drain on the reserves cannot be sustained for long. Deficit financing either in the conventional sense or in terms of overshooting of the foreign exchange budget is therefore, a major macro-economic problem.

In Nigeria, foreign exchange budget monitoring is undertaken in various ways. For example, returns are obtained from the banks showing the foreign exchange inflow to them as well as the utilisation of the funds. In the early 1980's when each bank was given specific

allocation that should not be exceeded, it was possible to impose sanctions, for example suspension from dealing in foreign exchange for a given period of time, on any bank that did not keep within approved ceiling of foreign exchange allocated to it. Under the present dispensation, the imposition of sanctions has become irrelevant in respect of levels of disbursement by banks since the foreign exchange system has been liberalised. Banks can still be penalised for flouting the rules in the Foreign Exchange Market. Thus the returns that banks now render give broad indications as to whether the budget in aggregate terms, is on course. The budget is now more of a macro policy tool for the authorities to gauge the performance of the external sector in order to adopt appropriate policies when considerable trends emanate.

5.0 Appraisal of Foreign Exchange Budgeting Process in Nigeria

Tables 1 and 2 show the budgets and actual outcome for a selected number of years. The tables reveal that the size of the foreign exchange budget had increased over the years. They also show that there had been divergencies between foreign exchange budget estimates and the actual. The increase in the size of the budget confirms the conclusion drawn by a perceptive observer of the budgetary process that the largest determining factor of the size of this year's budget is last year's budget. This implies that the current year's foreign exchange budget is built largely on the outcome of the preceding year's budget. The size of the receipts is usually predicated on developments in the oil sector particularly the movement in the price of oil in the international market. Any improvement in foreign exchange receipts would invariably translate to higher allocations to the various sectors.

With regard to divergencies of the budget, the problem has to do largely with the weaknesses in the budgetary process. Since budgets are prepared on the basis of performance in the preceding period, if records of such performance are either not readily available or available data are not accurate, the estimates that are made using such data may not be very reliable. This problem is compounded by the method of projection adopted. For example, some of the estimates are pre-determined. Thus, in the case of external debt service, following government policy, projection for external debt service has since 1986 been fixed at 30% of foreign exchange earnings. Such estimates invariably exclude some payments that are due during the year. In the course of the year, pressures from some of the external creditors whose payments are not included in the budget may force the authorities into yielding ground thereby causing the estimates to be exceeded.

Of course, it should also be noted that the assumptions on which the budget estimates are based may not be realised. If the assumptions are faulty or not realised, the outcome of the budget will also be at variance with the estimates.

One important weakness in the foreign exchange budgetary process is the lack of co-ordination among the various authorities that are involved in the implementation of the budget. This was clearly demonstrated during the import licence era. Available data show that import licensing as an instrument of import control was not effective in keeping import bills within the budget, not even after all goods had been brought under specific import licence. Rather than act as a check on the rate of importation, import licences were issued recklessly with little regard to any ceiling imposed in the budget. This was largely attributable to lack of co-ordination between the Federal Ministry of Commerce and Trade that was responsible for issuing import licences on the one hand and the Federal Ministry of

Finance and CBN on the other hand. Although the era of import licensing has gone, lack of co-ordination in the budgetary process remains a problem.

Table 2 shows the performance of the foreign exchange budget between 1990 and 1994. The table shows that during the five-year period, 1990-1994, actual foreign exchange receipts were lower than the budget estimates except in 1990. The shortfalls ranged between US\$507.5 million (4.3%) in 1991 and US2,009.8 million (24.7%) on 1994. The shortfalls cut across the various broad items of foreign exchange receipts. On the disbursements side, actual official disbursements exceeded the budget estimates in 1990, 1991 and 1992.

A disaggregation of the data also shows that actual external debt service was higher than the budgetary provisions in 1990 through 1992. In the two years, 1993 and 1994 when actual debt service fell short of the estimates, debt service accounted for 21.4% and 27.7% of total official foreign exchange receipts' which were lower than the 30% threshold imposed by the government.

Even without official prescription of sectoral allocation of foreign exchange, since 1987, the banks have continued to disburse a greater proportion of foreign exchange to the productive sectors of agriculture and industry. Table 5 shows that the proportion of foreign exchange allocated to the industrial sector for imports of machinery and raw materials between 1991 and 1994 ranged between 63.1% and 70.6%.

6.0 Concluding Remarks

In this paper, it has been shown that the rationale for the foreign exchange budget is not different from the conventional national budget. In both cases, attempt is made to distribute scarce resources in a rational manner in order for such resources to be optimally utilised. Foreign exchange budget is, however, more appropriate in countries that practise exchange controls. The genesis of foreign exchange budgeting in Nigeria was traced to the post civil war development that resulted in large scale importation which exerted severe pressure on the external sector.

The appraisal of the foreign exchange budget shows that there have been wide divergencies between the actual results and the budget estimates. This has also been the experience with the conventional budget. However, while the persistent annual budget deficits have elicited a lot of attention, not as much concern has been shown with regard to the foreign exchange budget. It can be postulated that measures adopted to deal with budget deficits will also impact favourably on the foreign exchange budget, since it is a subset of the national budget.

This leads to the question whether there is any economic justification for continued use of the foreign exchange budget in Nigeria. Related to this is the relevance of foreign exchange budget in a situation where, with the abrogation of the Exchange Control Act, 1962, foreign exchange controls are no longer practised. The submission in this paper is that the foreign exchange budget is not only necessary in the current dispensation but it is also relevant for a number of reasons, some of which are discussed below.

In the first place, foreign exchange is still scarce. Therefore there is still the need to make realistic estimates of expected earnings and disbursements to ensure that the available resources are judiciously utilised. Moreover, the bulk of foreign exchange earnings is derived from crude petroleum. At present such earnings accrue exclusively to the Federal

Government. Private sector foreign exchange earnings account for only a small percentage of the total foreign exchange requirements of that sector. Therefore it is still necessary to have a mechanism through which part of the crude oil earnings will be channelled to the private sector. Furthermore, in a situation of scarcity, planning the utilisation of the available resources cannot be over-emphasised. In the circumstance, the foreign exchange budget is still necessary and relevant if only to serve as guide to decision making.

Above all, the foreign exchange market starved of official funds derived from crude petroleum earnings, will not be able to serve the needs of the economy. Thus, until a different formula is designed for ejecting official funds to the market, foreign exchange budgeting will be relevant. However, the observed weaknesses in the foreign exchange budgetary process need to be addressed so as to enhance the economic relevance of the budget in Nigeria.

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TABLE 1
FOREIGN EXCHANGE BUDGET & DISBURSEMENT
FOR 1981 & 1982 FISCAL YEARS - (N'000)

ITEMS	1981		1982	
	BUDGET	ALLOCATIONS	BUDGET	ALLOCATIONS
VISIBLE TRADE	10,060,131	12,840,417	6,522,627	10,084,581
<u>PRIVATE SECTOR REPORTS</u>	7,474,000	11,073,487	5,482,732	8,495,514
1. Consumer Goods	4,110,000	4,865,580	2,406,211	3,456,252
(a) Durable	—	1,286,502	627,717	813,717
(b) Non-Durable	—	—	(1,778,494)	(2,643,807)
(i) Food	582,000	1,400,444	785,394	909,694
(ii) Fish Trawlers - Charter	—	28,912	12,336	4,798
(iii) Others	—	2,149,722	980,764	1,728,315
2. Capital Goods	2,782,000	6,207,907	3,076,521	5,039,262
(a) Equipment	—	3,500,848	1,729,470	2,995,412
(b) Raw Materials	—	2,707,059	1,347,051	2,043,850
<u>PUBLIC SECTORS IMPORTS</u>	2,586,131	1,766,930	1,039,895	1,589,067
3. Federal Government	—	—	—	—
Consumer Goods	1,082,131	486,178	268,418	549,241
(a) Durable	—	222,606	124,587	239,141
(b) Non-Durable	—	—	(143,831)	(310,100)
(i) Food	—	106,359	63,168	128,649
(ii) Others	—	157,283	80,663	181,451
Capital Goods	1,504,000	630,831	355,429	611,419
(a) Equipment	—	468,884	266,200	605,278
(b) Raw Materials	—	161,947	89,229	206,141
4. Ministry of Defence	—	138,927	84,895	197,895
5. State Governments	—	133,979	78,964	201,079
6. Statutory Corporations	—	332,979	210,435	71,845
7. Higher Educational Institutions	—	44,900	41,754	10,686
INVISIBLE TRADE:	1,839,869	2,020,171	2,329,773	1,914,456
(i) Freight and Insurance	—	—	—	—
8. Freight Charges (Sea and Air)	24,960	13,304	5,830	8,063
9. Insurance (Export and Import)	4,200	185	115	—
10. Other Insurance	22,798	14,778	13,408	90,412
(ii) Other Transportation	—	—	—	—
(11) Passenger Fares (Sea and Air)	82,650	130,626	97,184	149,073
(12) Pilgrim Charter Fees	47,330	—	2,131	—
(13) Other Charter Fees	22,000	10,708	13,583	12,021
(14) Port Expenditure	540	12,649	7,321	2,088

TABLE 1 (Cont'd)
FOREIGN EXCHANGE BUDGET & DISBURSEMENT
FOR 1981 & 1982 FISCAL YEARS - (N'000)

ITEMS	1981		1982	
	BUDGET	ALLOCATIONS	BUDGET	ALLOCATIONS
(iii) Travels	—	—	—	266,066
(15) Business Travels	50,756	43,227	20,734	25,056
(16) Official Tours	—	—	28,697	23,010
(a) Federal	34,368	26,697	4,602	2,012
(b) Parastatals	26,742	30,109	13,883	18,007
BASIC TRAVEL ALLOWANCE	382,123	324,491	138,034	208,524
(a) Public	864	8,405	1,892	589
(b) Private	9,408	6,622	5,343	8,387
TRANSFER FEES	—	—	228,594	285,212
HOME REMITTANCE	223,920	258,229	218,595	277,785
PENSION	15,121	23,685	9,871	7,223
CASH GIFTS (PRIVATE)	600	474	128	204
INVESTMENT INCOME	—	—	849,352	615,156
PROFITS AND DIVIDENDS	120,540	59,233	119,427	64,180
Interest Charges (Private)	18,984	4,567	4,525	16,274
Interest Charges (Public)	35,695	12,320	752,400	34,702
OTHER SERVICES	—	—	890,760	564,702
Nigerian Embassies	71,791	43,890	28,667	50,628
Exam Fees (Private)	8,160	6,451	3,492	8,195
Membership, Subscription (Public)	5,700	12,573	5,048	2,354
Correspondence	10,900	4,525	2,948	9,940
Education - Students etc. (Private)	111,599	197,749	178,865	230,005
Education - Students etc. (Public)	19,068	72,839	84,751	25,888
Commission and Brokerages	7,800	465	338	1,033
Copyright Patent and Royalties	10,200	4,394	7,073	546
Contract - Service Charges (Public)	94,200	269,842	257,043	91,967
Contract - Service Charges (Private)	200,200	147,393	103,608	108,580
NNPC Joint Venture Expenses	146,960	235,410	213,767	5,119
Miscellaneous	9,399	10,942	4,324	30,310
TOTAL TRANSFER	<u>600,000</u>	<u>440,650</u>	<u>747,600</u>	<u>697,360</u>
Capital Transfer (Public)	—	—	—	662,368
Federal Govt - Repayment of Loans	300,000	286,765	482,760	571,435
State Govt - Repayment of Loans	24,000	40,756	48,889	46,709
Statutory Corp. - Repayment of Loans	14,400	27,575	29,669	2,830
Investment	300	740	690	495
Official Contribution - Multi and Bi-Lateral	24,000	10,614	28,175	4,947
Other Capital Transfers: ACG. of Shares	120,900	44,417	53,423	35,952
Capital Transfer (Private)	116,400	29,783	104,594	34,992
Repatriation of Capital: Indegenisation	—	—	—	—
Acquisition of Shares	84,450	7,071	24,660	6,592
Repayment of Loans	31,950	22,713	70,934	28,400
Special Transfers	—	—	—	—
External Accounts	—	10,713	—	11,733
TOTAL	12,500,000	15,311,540	9,600,000	12,708,130

TABLE 2

FOREIGN EXCHANGE BUDGET, 1990 - 1994
(US\$ MILLION)

SOURCES	BUDGET					ACTUAL					DIVERGENCE (ACTUAL - BUDGET)				
	1990 (1)	1991 (2)	1992 (3)	1993 (4)	1994 (5)	1990 (6)	1991 (7)	1992 (8)	1993 (9)	1994 (10)	1990 (11)	1991 (12)	1992 (13)	1993 (14)	1994 (15)
A.OFFICIAL	6,678.0	9,908.0	7,595.0	7,400.0	6,199.0	7,905.9	9,907.5	6,730.2	5,951.1	5,386.1	1,227.9	-0.5	-864.8	-1,448.9	-812.9
1 CRUDE OIL	5,793.0	8,190.0	7,350.0	6,400.0	5,579.0	7,437.1	9,662.3	6,489.6	5,658.4	4,668.4	1,644.1	1,371.8	-868.4	-741.6	-910.6
2 EXTERNAL BORROWING GRANT	500.0	1,447.5	-	800.0	620.0	197.8	29.9	-	63.2	-	(302.2)	1,417.6	-	-736.8	-
3 PUBLIC SECTOR SERVICES	385.0	270.0	237.0	200.0	200.0	271.0	315.3	240.6	229.6	717.7	(114.0)	45.3	3.6	29.5	-97.7
(i) INTEREST ON FEM FUNDS	(61.0)	(63.0)	(33.0)	(30.0)	(62.0)	57.4	(36.2)	(27.3)	(17.2)	(12.8)	118.4	-26.8	-5.7	12.8	-50.0
(ii) INTEREST ON EXTERNAL RESERVE INVESTMENT	(223.0)	(146.0)	(187.0)	(102.0)	(372.0)	(152.8)	(174.5)	(101.1)	(39.7)	(35.8)	70.2	28.5	85.9	-62.3	-336.2
(iii) OTHERS	(101.0)	(61.0)	(17.0)	(68.0)	(186.0)	(60.8)	(104.6)	(112.3)	(172.6)	(669.1)	40.2	43.6	95.2	104.6	483.1
B.PRIVATE	1,111.0	1,947.0	1,403.0	1,830.0	1,932.0	1,453.3	1,440.0	1,679.1	1,726.5	735.1	342.3	-507.0	276.1	-103.5	-1,196.9
1 NON-OIL EXPORTS	(309.0)	(309.0)	(347.0)	(318.0)	(280.0)	284.4	(326.7)	(281.1)	(231.1)	(122.3)	593.4	17.7	-65.9	-86.9	-158.5
2 SERVICES	(164.0)	(145.0)	(376.0)	(694.0)	(980.0)	156.6	(430.1)	(690.3)	(861.1)	-	320.6	285.1	314.3	167.1	-980.0
3 OTHERS	(638.0)	(1,493.0)	(680.0)	(818.0)	(671.2)	1,012.3	(683.2)	(707.7)	(634.3)	(612.8)	1,650.3	-809.8	27.7	-183.7	58.4
TOTAL	7,789.0	11,855.0	8,998.0	9,230.0	8,131.0	8,131.0	11,347.5	8,409.3	7,677.6	6,121.2	1,570.2	-507.5	-588.7	-1,557.4	-2,009.8
APPLICATION															
A.OFFICIAL DISBURSEMENTS	6,378.0	8,421.0	6,533.0	6,700.0	6,199.0	7,553.7	9,349.7	8,369.9	5,621.4	5,177.3	1,175.1	928.7	-1,856.9	-1,078.6	-271.7
1 DEBT SERVICE	2,114.0	2,972.0	2,279.0	2,400.0	1,800.0	3,746.6	3,573.8	2,726.3	1,644.7	1,694.9	1,632.6	601.8	447.3	-755.3	-163.4
2 DOMESTIC USE	4,264.0	5,449.0	4,254.0	4,300.0	4,074.9	3,806.5	5,775.9	5,663.6	3,976.7	3,482.4	(457.5)	326.9	1,409.6	-323.3	-108.3
(i) FUNDING OF FEM	(2,520.0)	(3,000.0)	(3,200.0)	3,700.0	2,500.0	(2,525.4)	(3,026.4)	(4,045.7)	(2,957.3)	(1,961.1)	(5.4)	(26.4)	(845.7)	-242.9	(552.3)
(ii) NNPC CASH CALLS	(725.0)	(1,314.0)	(500.0)	(3,200.0)	(3,200.0)	-	(1,002.8)	(1.1)	-	-	725.0	(311.2)	(-498.9)	-	-
(iii) PRE-SFEM ARREARS	(100.0)	(200.0)	(94.0)	850.0	1,574.9	(230.2)	(241.3)	(164.5)	(82.1)	-	(130.2)	(41.3)	(70.5)	-32.1	-
(iv) PUBLIC SECTOR USES	(919.0)	(935.0)	(460.0)	(50.0)	(50.0)	(1,050.9)	(1,505.4)	(1,452.3)	(937.5)	(1,521.3)	(131.9)	(570.4)	(992.3)	(82.5)	(444.1)
(a) CONTRIBUTION TO INTERNATIONAL ORGANISATIONS AND EMBASSIES	112.0	(175.0)	(90.0)	-	-	213.4	(155.0)	(183.2)	(161.4)	162.2	101.4	-20.0	93.2	-	-
(b) DRAWINGS ON LETTERS OF CREDIT	400.0	(300.0)	(200.0)	-	-	300.0	(424.5)	(435.5)	(436.5)	(368.3)	451.5	-100.0	124.5	235.5	-
(c) OTHERS	407.0	(460.0)	(170.0)	-	-	537.5	(925.9)	(833.6)	(407.8)	907.6	130.5	465.9	663.8	-	-
B.ACCRETION TO RESERVES	300.0	1,487.0	(1,062.0)	700.0	324.1	352.8	557.8	-1,659.7	329.7	208.8	52.8	-790.4	-2,721.7	-370.3	-291.2
TOTAL	6,678.0	9,908.0	7,595.0	7,400.0	6,199.0	7,905.9	9,907.5	6,730.2	5,951.1	5,386.1	1,227.9	-0.5	-864.8	-1,448.9	-812.9

THE APPLICATION OF FUNDS COVERS ONLY OFFICIAL FUNDS.

TABLE 3

FOREIGN EXCHANGE ALLOCATION TO BANKS IN 1984

BANKS	AMOUNT ₦
1. Union Bank of Nigeria Limited	613,080,000.00
2. United Bank for Africa Limited	493,920,000.00
3. First Bank of Nigeria Limited	430,560,000.00
4. International Bank for West Africa	336,960,000.00
5. Inter Merchant Bank	229,320,000.00
6. I.C.O.N Merchant Bank	195,840,000.00
7. Chase Merchant Bank	178,200,000.00
8. Bank of Credit & Commerce Int.	168,840,000.00
9. Savannah Bank of Nigeria	140,760,000.00
10. Societe Generale Bank of Nigeria	126,720,000.00
11. Nigeria Acceptances Limited	109,152,000.00
12. Allied Bank Nigeria Limited	100,440,000.00
13. National Bank of Nigeria	70,560,000.00
14. Nigerian American Merchant Bank	66,240,000.00
15. Nig. Merchant Bank Limited	56,880,000.00
16. Bank of the North Limited	52,560,000.00
17. Nigerian Arab Bank Limited	50,040,000.00
18. African Continental Bank	46,080,000.00
19. Owena Bank Limited (Nigeria)	30,240,000.00
20. New Nigerian Bank Limited	27,720,000.00
21. Mercantile Bank Limited	18,000,000.00
22. Co-operative Bank Limited	12,960,000.00
23. Coop. & Commerce Bank Limited	12,240,000.00
24. Wema Bank Limited	10,440,000.00
25. Pan African Bank Limited	9,504,000.00
26. Nig. Bank for Commerce & Ind.	6,984,000.00
27. Indo-Nigeria Merchant Bank	5,000,000.00
28. Habib Nigeria Bank Limited	5,000,000.00
29. Lobi Bank Nigeria Limited	5,000,000.00
30. Progress Bank of Nigeria Limited	5,000,000.00
31. Merchant Banking Corp. (Nigeria)	5,000,000.00
32. Merchant Bank of Africa Limited	5,000,000.00
33. First City Merchant Bank Limited	5,000,000.00
34. Commercial Bank (Credit Lyonnais)	5,000,000.00
35. Kano Co-operative	2,500,000.00
36. Nig. Industrial Development Bank	1,760,000.00
37. Kaduna Co-operative Bank Limited	1,500,000.00

TABLE 4

FOREIGN EXCHANGE BUDGET
(US\$ MILLION)

SOURCES	BUDGET	ACTUAL	DIFFERENCE	
	JAN - JULY	JAN - JULY	(2) AMOUNT	(4) %
	(2) 1995	(4) 1995		
A. OFFICIAL	5,598.74	4,522.26	-1,076.48	-19.2
1. CRUDE OIL	4,083.92	4,224.30	140.38	3.4
2. EXTERNAL BORROWING GRANT	-	--	-	-
3. PUBLIC SECTOR SERVICES	<u>1,514.82</u>	<u>297.96</u>	<u>-1,216.86</u>	<u>-80.3</u>
(i) INTEREST ON FEM FUNDS	6.24	10.30	4.06	65.1
(ii) INTEREST ON EXTERNAL RESERVE INVESTMENT	21.08	29.20	8.12	38.5
(iii) OTHERS	1,487.50	258.46	-1,229.04	-82.6
B. PRIVATE	<u>641.67</u>	<u>673.80</u>	<u>32.13</u>	<u>5.0</u>
1. NON-OIL EXPORTS	68.83	171.00	102.17	-148.4
2. SERVICES	-	-	-	-
3. OTHERS	572.84	502.80	-70.04	-12.23
TOTAL	6,240.41	5,196.06	-1,044.35	-16.74
1. APPLICATION (OFFICIAL)	5,598.74	4,522.26	-1,076.48	-19.20
A. DISBURSEMENTS	<u>5,303.00</u>	<u>4,320.02</u>	<u>982.08</u>	<u>-18.5</u>
1. DEBT SERVICE	1,166.67	1,007.42	-159.25	13.6
2. DOMESTIC USES	<u>2,998.34</u>	<u>3,312.78</u>	<u>-823.55</u>	<u>19.9</u>
i. FUNDING OF FEM	991.67	1,071.48	79.81	8.0
ii. NNPC CASH CALLS	2,006.67	1,173.33	-833.34	-41.5
iii. PRE-SFEM ARREARS	-	--	-	-
3. PUBLIC SECTOR USES	<u>1,137.99</u>	<u>1,067.97</u>	<u>70.02</u>	<u>-0.2</u>
i. CONTRIBUTION TO INT'L ORGANISATIONS & EMBASSY	-	129.75	--	--
ii. DRAWINGS ON LETTERS OF CREDIT	-	269.13	--	--
iii. OTHERS	--	669.09	--	--
B. ACCRETION TO RESERVES	295.74	(202.06)	-93.68	31.68
2. UTILISATION OF PRIVATE SECTOR RECEIPTS	641.67	673.80	32.13	5.0
TOTAL	6,240.41	5,196.06	-1,044.35	-16.74

TABLE 5
ALLOCATION TO IMPORTS UNDER FEM (1991 - 1994)

	1991		1992		1993		1994	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
1. INDUSTRIAL SECTOR	2,301.3	68.8	2,996.7	67.4	2,144.7	63.1	1,257.2	70.6
(i) RAW MATERIALS	1,295.6	38.7	1,760.6	39.6	1,321.9	38.9	839.7	47.2
(ii) MACHINERY, SPARE PARTS AND C.K.D.	1,005.7	30.1	1,236.1	27.8	822.8	24.2	417.5	23.5
2. AGRICULTURAL SECTOR	10.6	0.3	36.2	0.8	3.0	0.1	45.0	2.5
3. FINISHED GOODS	1,028.7	30.8	1,413.5	31.8	1,250.0	36.8	477.6	26.8
(i) FOOD	216.3	6.5	355.5	8.0	395.4	11.6	117.9	6.6
(ii) MOTOR VEHICLES	107.9	3.2	155.4	3.5	143.2	4.2	43.7	2.5
(iii) GENERAL MERCHANDISE	704.5	21.1	902.5	20.3	711.4	20.9	316.0	17.8
(a) DRUGS & PHARMACEUTICALS	73.0	2.2	102.2	2.3	102.3	3.0	48.9	2.7
(b) BOOKS & EDUCATIONAL MATERIALS	46.3	1.4	30.4	0.7	48.0	1.4	23.5	1.3
(c) OTHERS	585.2	17.5	770	17.3	561.1	16.5	243.6	13.7
4. AIRCRAFT, SHIPPING VESSELS	3.8	0.1	1.9	0.0	1.4	0.0	0.1	0.0
TOTAL (1 + 2 + 3 + 4)	3,344.4	100.0	4,448.2	100.0	3,399.1	100.0	1,779.9	100.0