



**BUDGET OFFICE OF THE FEDERATION,
FEDERAL MINISTRY OF FINANCE
WORKSHOP ON
'ENHANCING INTERNALLY GENERATED REVENUE COLLECTION &
REMITTANCE SYSTEM IN THE FEDERAL PUBLIC SERVICE'**

*Welcome Address by Dr. Bright Okogu
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Protocol

It is my pleasure to extend a warm welcome to you all at this Workshop on “Enhancing Internally Generated Revenue Collection and Remittance System in the Federal Public Service”. I thank you all for attending this important forum and, particularly wish to appreciate the presence of our Distinguished and Honourable Legislators who have been our committed partners in this cause.

Non-Oil Taxes & Customs Revenue

It has been the express intention of the Federal Government for many years now to increase remittances from non-oil revenue sources to diversify our revenue base and reduce our reliance on oil revenues. Indeed, in recent years, revenue from non-oil taxes has been on the increase, being driven by economic growth, more effective revenue remittance systems and recent reforms by our revenue collecting agencies, such as the Federal Inland Revenue Service and the Nigerian Customs Service. Encouraged by these

rising non-oil revenues, the Federal Inland Revenue Service and the Nigerian Customs Service adopted an aggressive revenue collection strategy in the 2009 fiscal year to increase their operational efficiency and achieve aggressive revenue targets.

However, the 2009 fiscal year proved to be a very challenging one in terms of non-oil revenue collection. While higher levels of revenue were achieved than the outturns recorded in 2008, the ambitious revenue targets we set for 2009 were generally not realised for a variety of reasons. Although actual Companies Income Tax remittances came close to the N587 billion projected (underperforming by only N21.93 billion or 3.7%), Value Added Tax collections underperformed by N111.61 billion (or 19.2%) of the N580 billion target. Similarly, Customs and Excise Duties were N200.06 billion (or 40%) short of the N500 billion projected.

These outturns reflect the impact of the global economic downturn on the domestic economy in general, and specifically on the drivers of our non-oil tax revenues: corporate profits, consumption and imports. While the targets were ambitious, these revenue collecting agencies were able to rise to the challenge against the backdrop of the global economic downturn and exceed their 2008 performance. We expect them to be more successful in their efforts as the economic recovery continues. Indeed, it has been said that “nothing in the world can take the place of persistence... The slogan ‘press on’ has solved and will always solve the problems of the human race.”

Independent Revenue

The situation is quite different for Independent Revenue, which comprises operating surpluses from Federal corporations and

agencies; dividends from the FGN's investment in business undertakings; and the internally generated revenue of Federal Ministries, Department and Agencies. Although we programmed an expected N305.97 billion into 2009 Fiscal Framework, as at 31 December 2009 only a paltry N71.24 billion had been achieved, representing a shortfall of N234.73 billion (or 76.72%). Indeed, the 2009 outturn was only 62.15% of the N114.63 billion actually achieved in 2008. We recognise that there is often a lag in remittances and we are optimistic that when the final returns are made this recorded performance will improve.

However, this poor performance of independent revenue is inexcusable and cannot be allowed to continue.

The law is abundantly clear on the issue of remitting independent revenue to the Treasury. Under Section 80 of the *1999 Constitution*, all revenue or other moneys raised or received by the Federation are to be paid into the Consolidated Revenue Fund and no moneys shall be withdrawn from the Consolidated Revenue Fund except as is authorised by an Appropriation Act duly passed into law by the National Assembly and assented to by Mr. President.

The provisions of the *2007 Fiscal Responsibility Act* provide further guidance on the issue of independent revenue. Section 21 of that law requires certain Federal corporations, agencies and public enterprises to submit their annual budgets and forward estimates of revenue and expenditure for the following three financial years, to the Minister of Finance, and subsequently, to the National Assembly for independent scrutiny.

Section 22 of the Act further provides that each of these entities must establish a General Reserve Fund, in which it shall save 20% of its operating surplus. This operating surplus is the difference between the revenue receipts of these Federal entities and their approved expenditures. The balance of 80% of these operating surpluses are to be paid into the Consolidated Revenue Fund no later than 1 month after the statutory deadline for the publication of these entities' financial accounts. These operating surpluses, when remitted, constitute Federal Treasury Revenue.

Regrettably, these extant laws and regulations have been honoured more in the breach than in the observance as the statistics clearly show. These regulations were duly passed into law by our Distinguished and Honourable lawmakers to ensure that the material resources of the nation are harnessed and distributed to serve the common good in line with Section 16 of the *1999 Constitution*. Accordingly, they should be strictly complied with by all our Federal corporations, agencies and public enterprises.

Going forward, we shall no longer tolerate the flagrant disregard of these fiscal rules or the lack of accountability of agencies that believe that they can incur expenditures out of their independent revenue without recourse to the National Assembly and other authorities. We appreciate the need for Federal entities to have adequate financial resources to meet their legitimate financial commitments; indeed the law provides for this. However, independent revenue in excess of these legitimate needs is meant to fund operating surpluses and our Federal Treasury Revenue.

We, at the Ministry of Finance, intend to adopt a three-pronged approach to address these issues in the immediate future. Firstly,

preparations to conduct audits of non-oil revenue remittances, with a specific focus on independently generated revenue, are at an advanced stage. These audits shall be concluded in due course. Secondly, the Ministry of Finance will drive appropriate strategies to ensure that the relevant Federal corporations and agencies remit their operating surpluses to the Treasury as and when due. Finally, from these interventions, loopholes and other impediments to an effective internally generated revenue collection and remittance system will be systematically identified and purposefully addressed to minimise revenue leakages.

We will continue to work closely with the Office of the Accountant-Generation of the Federation, the Revenue Mobilisation, Allocation and Fiscal Commission, the Fiscal Responsibility Commission, and others to address these challenges. We will also intensify our ongoing collaboration with the National Assembly, particularly with the Finance Committees of both the Senate and House of Representatives, to encourage compliance with these extant rules and regulations.

Conclusion

Distinguished ladies and gentlemen, in closing I urge you to maximise the opportunity presented by this Workshop to constructively address these challenges to arrive at practical solutions that may be rapidly implemented. Let me conclude by thanking the Distinguished Senators and Honourable Members of the House of Representatives, the Accountant-General of the Federation, the Chairmen and members of the Commissions here represented, the media and all of you for your support.

Thank you very much for your attention.