

# PUBLIC FINANCE STATISTICS

## 1. Introduction

Public Finance [or Government Financial Accounts] statistics generally refer to data on the various types and forms of revenue and expenditure of Government. The public sector in Nigeria consists of the three tiers of Government [Federal, State and Local] and their parastatals.

There are 36 States, a Federal Capital Territory (FCT) at Abuja and 774 Local Government Areas (LGAs) in the Federation of Nigeria. All the Governments in the country are required by law to prepare annual budgets and render accounts of their financial operations. The relevant laws in this regard are “The Finance [Control and Management] Ordinance of 1958, the Constitution of the Federal Republic of Nigeria, 1999, and the Civil Service [Re-Organisation] Decree/Act 43 of 1988”. By law, the Minister in charge of Finance is required to make a full financial disclosure to the legislature, prepare estimates of revenues and expenditures [that is, the budget] on a yearly basis, while the Accountant-General is enjoined to sign and present to the Director of Federal Audit the financial position of Government on the last day of each financial year.

Furthermore, the law demands that “the public accounts of the Federation and of all offices, courts and authorities of the Federation (including all persons and bodies established by law and entrusted with the collection and administration of public moneys and assets) shall be audited and reported by the Auditor-General, and for that purpose, the Auditor-General or any person authorised by him or acting on his behalf shall have access to all books, records, returns and other documents relating to those accounts”.

Finally, for the sake of accountability, the relevant Nigerian laws also direct that:

(a) all instructions relating to expenditure of public funds by Accounting Officers shall be in writing.

(b) all Ministers and Chief Executive and Accounting Officers shall render Annual Reports of their Ministries in order to ensure accountability and enforce performance ethics.

(c) Ministries shall render monthly returns of receipts and expenditures to the Accountant-General with copies to the Budget Department and the Auditor-General not later than three weeks of the following month”.

It is important to note that the Civil Service Reforms Act 43 of 1988 is applicable to all the three tiers of Government.

## **2. Coverage, Scope, Uses and Users of Public Finance Statistics**

The Nigeria public sector is large covering the activities of the Federal, State and Local Governments and their parastatals. These activities demand substantial resources. Over 50 per cent of the nation's Gross Domestic Product [GDP] is accounted for by the sub-sector's fiscal, monetary, investment, income and other policy actions. Through these activities, the Government is able to influence developments in other sectors of the economy.

The formulation and implementation of these policies require large amounts of data. Public Finance statistics, which cover all Government financial transactions at all tiers, constitute one of the datasets in NBS's Time-Series Data Base [TSDB].

The major users of public finance statistics in Nigeria are policy makers responsible for finance, economic development and planning at all tiers of Government, the Presidency, Central Bank of Nigeria, research institutes, individual researchers and international aid agencies.

## **3. Sources and Methods of Compiling Public Finance Statistics**

The major producers of public finance statistics are:

- (a) The Offices of the Accountants-General of the Federation and States
- (b) The National Bureau of Statistics (NBS).
- (c) The Central Bank of Nigeria (CBN).

### **Offices of the Accountants-General of the Federation and the States**

The Treasury Departments of the Federal Ministry of Finance (the Office of the Accountant-General of the Federation) and of the State Ministries of Finance (the Accountants-General of the States) are statutorily required to produce statistical data on the flow of funds in the country. The Annual Reports of the Accountants-General of the Federation and the States are supposed to contain audited data on actual revenue and expenditure of the Federal and State Governments. Their reports do not usually contain data for individual Local Governments. The sources of data for Local Government accounts are the estimates prepared by each Local Government. These are usually submitted to the ministries or departments responsible for Local Government affairs in the States.

The Annual Reports are records of details of final transactions of Government on a cash receipt and payment basis, rather than on a

payable receivable or accrual basis. Hence, the annual reports are the most appropriate and reliable sources of statistical data for the analysis of Government transactions.

The major drawback of the reports is the long delay in their preparation and publication. In the 1960s and early 1970s, the delay did not exceed two years. But the situation deteriorated sharply as from the mid-1970s due to the growth in the number of Governments. As a result, coupled with scarcity of manpower (especially in accounting), most Governments, particularly the young ones, have been unable to prepare and publish their audited reports on a regular and timely basis.

The reports of the Accountants-General are usually compiled to satisfy public finance requirements of control and accountability. For the purposes of economic analysis and national income accounting, the data contained in the reports have to be subjected to further analysis as is done by the NBS.

For the preparation of the Report of the Accountant-General of the Federation, the primary sources of data are the Monthly Transcripts of Receipts and Expenditures which every self-accounting Ministry is statutorily required to render to the Treasury Department not later than three weeks into a new month. Returns that are not well completed are usually returned. The Final Accounts Unit of the Department utilizes these returns in compiling the revenue and expenditure accounts of the Federal Government.

The Cash Supply Section of the Treasury Department provides the necessary information for the preparation of the Weekly/Monthly Cash Management Statement and data on State Government Finances and Public Debt.

### **The National Bureau of Statistics (NBS)**

The National Bureau of Statistics (NBS) is the major producer of Government financial accounts statistics classified according to economic and functional categories. The Government Accounts Unit of the National Accounts Department of NBS is responsible for compiling and analysing public finance statistics obtained from Treasury Departments of both the Federal and State Ministries of Finance. The purpose of the compilation and analysis is to reclassify the annual financial statements of the accounts of the Federal, State and Local Governments into economic and functional categories for use by policy makers, economic planners and researchers.

The National Bureau of Statistics uses the following sources:

(i) Annual Report produced by the Office of the Accountant-General of the Federation for Federal Government Account.

(ii) Reports of the Accountants-General of the State Governments for State Government Accounts.

(iii) Annual Book of Estimates for Local Government Accounts.

The usual practice is to compile and analyse Government account statistics on the basis of the above documents. However, because of the long delay in the publication of the Report of the Accountant-General, the NBS relies on budget estimates in order to have more recent data to work with. These estimates are then updated or revised when actual audited figures become available. The increase in the number of Governments in Nigeria over the years has adversely affected the availability and timeliness of the final accounts of the Governments. For instance, until 1966 the time lag in the publication of audited Government accounts by the Ministries of Finance was two years. By 1972, the situation had so deteriorated that the NBS had to virtually abandon the practice of relying exclusively on the published reports of the Accountant-General. Hence, the NBS started using budget estimates rather than the reports of the Accountants-General in order to have current data.

However, this source of data has been found to be inappropriate due to the lack of uniformity in the presentation of budget estimates by the various Governments. For instance, while the budget estimates for some Governments provide actual data for each item of expenditure in the penultimate year, other state Governments do not provide this information. There are also difficulties in attempting to classify expenditure into economic and functional categories. Furthermore, studies have shown wide disparities between the estimated (budgeted) revenue and expenditure and the actual or realised values. Hence, in recent years, the NBS has tended to rely on unaudited accounts of Governments rather than budget estimates. But here again, many Governments are not able to prepare their accounts as expeditiously as required. With the current reforms at the NBS, the Agency will be better equipped to cope with large amounts of documents from the State, FCT and Local Governments.

The methodology for analysing Government accounts by the NBS is described in the document titled "Guidelines on the Analysis of Government Accounts". The source documents are the Reports of the Accountants-General. In the Reports, the accounts are classified into two broad groups: revenue and expenditure. Revenue account is further sub-divided into recurrent revenue and capital revenue (capital receipts). Similarly, expenditure is broken down into recurrent and capital expenditure.

The analysis is carried out with the aid of code lists that have been prepared in line with the four distinct classifications of Government accounts given above. The code lists are comprehensive

identifications of revenue and expenditure items of Government with similar items classified under an appropriate code. The codes are of two types: functional and purpose codes.

The functional codes are:

Recurrent Revenue	-	Codes 30-47
Capital Revenue (Receipts)	-	Codes 422-433
Recurrent Expenditure 111-126	-	Codes 10-19, 111-126
Capital Expenditure 220-240	-	Codes 20-28, 220-240

The purpose codes are:

General Public Services	-	Code 1
Defence	-	Code 2
Education	-	Code 3
Health	-	Code 4
Social Security & Welfare Services	-	Code 5
Housing and Community Amenities	-	Code 6
Other Community & Social Services	-	Code 7
Economic Services	-	Code 8
Other Purposes	-	Code 9

The extraction of the data begins with the preparation of a summary statement of recurrent revenue, capital receipts, recurrent expenditure and capital expenditure. This is done by listing the items of revenue and expenditure, head by head, serially, and the corresponding amount in Naira value. The figures are usually extracted, correct to the nearest one thousand Naira. The summary is useful for the purpose of cross-checking the source of any doubtful entry in the analysis book.

With the aid of the code list, the extraction begins from the recurrent revenue. Each item under each head is scrutinized and subsequently classified under the appropriate functional code in the analysis book. The same thing is done for capital receipts. The next stage is to go to recurrent expenditure. Each item under each head (Ministry) is also scrutinized and classified under the appropriate functional code in the analysis book. A similar exercise is also carried out in the case of capital expenditure. In addition to classifying each item under an appropriate functional code, a purpose code is also attached to each item of expenditure. This is done by putting the purpose code in an upper case parenthesis in front of the figure already entered in the

analysis book. The purpose code is also attached to each item under the functional codes 34 and 35 in the recurrent revenue.

In addition to generating data on the functional and economic classification of the accounts of the three tiers of Government, the value-added component of each of these Government's three final accounts (Production, Income and Outlay, and Capital Finance) is also prepared and the Gross Domestic Product (GDP) of the Government Sector computed.

From the above analysis, the following are the major items of data generated (for the Federal and State Governments, except otherwise stated) by the NBS:

1. Current Expenditure according to type of expenditure.
2. Capital Expenditure according to type of Expenditure.
3. Current Receipts (Revenue) according to type (or source) of receipt.
4. Capital Receipts (Revenue) according to type of receipt.
5. Government Expenditure according to functional and economic categories.
6. Government Gross Fixed Capital Formation by type of asset;
7. Production Account of Government.
8. Income Account of Government.
9. Outlay Account of Government.
10. Composition of Gross Fixed Capital Formation by the Federal Government.
11. Final consumption expenditure by the Federal Government according to Cost Composition and Purpose.
12. Final Consumption Expenditure by the Federal and State Governments according to Cost Composition and Purpose.
13. Final Consumption Expenditure by State Governments according to Cost Composition and Purpose.
14. Selected Outlays of Government by purpose.

### **Central Bank of Nigeria (CBN)**

The Central Bank of Nigeria also produces public finance statistics in the Financial Statistics Unit of its Research Department. In the past, the bank obtained its public finance data from the National Accounts Department of the then FOS. However, owing to the delay in data compilation by that Office, the CBN has for sometime now produced its own public finance statistics.

The data for the compilation of public finance statistics by the CBN are obtained from the following sources:

- Federal Government Budget.

- Approved Budget Estimates of States Government, Official Gazette of the Federal Republic of Nigeria.
- Reports of the Inland Revenue Department.
- General Warrant Releases obtained from the Federal Ministry of Finance.
- Reports of the Accountant-General of the Federation.
- Progress Reports (Actual Returns) of Income and Expenditure rendered by State and Local Governments to the Vice-President's Office.

The following are the items of public finance statistics for which data are generated by the CBN:

- Current Revenue of the Federal Government.
- Recurrent Expenditure of the Federal Government.
- Capital Expenditure of the Federal Government.
- Summary of the State Governments' Finances (Revenue and Expenditure).
- Statutory Allocations of Revenue to the State and Local Governments.
- Domestic Public Debt of the Federal Government.
- Maturity Structure of the Federal Government Internal Debt Obligations.
- External Public Debt Outstanding (by Category of Holders and Type of Debt).
- Debt Service Payments on Nigeria's External Debt.

#### **4. Current Methods of Data Storage and Dissemination**

Data compilation at the Federal Ministry of Finance has not been fully computerised. For the time being, datasets are transferred in hard copies from the FMF to the NBS. However, as soon as the on-going computerisation of the activities of the Treasury Department is complete, data can be transferred in machine-readable form (diskettes or tapes) on a monthly basis to the NBS. To be timely, provisional data could be transferred and updated later on.

The Treasury Department of the Federal Ministry of Finance has two major outlets for disseminating Government accounts statistics. These are the Annual Report of the Accountant-General of the Federation and the Treasury Returns published in Official Gazette of the Federal Republic of Nigeria.

The Annual Report (officially titled "Report of the Accountant-General of the Federation" together with Statements for the year ended 31 December) contains data on the audited accounts of the

Federal Government. Before the report is published it has to be cleared by the Auditor-General of the Federation .

In order to avoid delays in auditing and printing of the Report, the Accountant-General publishes the unaudited Government accounts data as “Treasury Returns” in the Official Gazette of the Federal Republic of Nigeria. The Returns are supposed to be published on a monthly basis and are expected to contain monthly and annual data.

The “Treasury Returns” is made up of the following four Statements: Statement 1 on the Public Debt of the Federal Republic of Nigeria with Statement 1.1 on the External Public Debt of the Federal Government; Statement 1.2 on the Internal Public Debt of the Federal Government; Statement 2 on Assets and Liabilities of the Federal and State Governments; Statement 3 on the Consolidated Revenue Fund (broken down into two Sub-Statements: Sub-Statement 3.1 on Recurrent Revenue and Sub-Statement 3.2 on Recurrent Expenditure); and Statement 4 on Development Fund.

The “Treasury Returns” are far more current than the Annual Report. For instance, the Official Gazette of 13th December 1990 (vol.77 No.83) contains the “Treasury Returns” for the period 1st January 1988 to 31st December, 1988 which implies a lag of 2 years while the latest published Annual Report as at that time was for 1983 (a lag of 7 years).

The Annual Report of the Accountant-General of the Federation is more detailed than the “Treasury Returns”. The Report is usually made up of 3 sections: The First Section is the Preamble which is a summary of the Report. The Second Section is the “Main Statements” which contains data on the following items:

- (1) Public Debt.
- (2) Assets and Liabilities.
- (3) Consolidated Revenue Fund.
- (4) Development Fund.
- (5) Treasury Fund.
- (6) Special and Trust Fund.
- (7) Other Loans and Investment.
- (8) Loss of Government Fund.
- (9) Revenue Abandoned for the Year.
- (10) Guarantee of the Federal Government of Loans made to Statutory Corporations and Government-Sponsored Bodies.
- (11) Arrears of Revenue.

The third section (“Supporting Statements”) provides information on the following items:

- (1) External Debt —
  - (1.1) Unfunded Loans.
    - (1.12) External Unfunded Loans.



- (1.122) Unfunded Loans On-Lent to the States.
- (2) Internal Debt —
  - (2.2)Public Debt.
    - (2.21) Funded Loans.
    - (2.22) Unfunded Loans.
      - (2.211) Statutory Sinking and Investment.
      - (2.212) Funded Loan on-Lent to the States.
      - (2.222) Unfunded Loans on-Lent to the States.
    - (2.111) Investment (General).
- (3) Revenue —
  - (3.1)Under Heads.
    - (3.11) Under Sub-Heads.
- (4) Expenditure —
  - (4.2)Under Heads.
    - (4.21) Under Sub-Heads.
  - (4.3)Contingencies Fund.
    - (4.1)Development Fund Receipt.
      - (4.11) Capital Expenditure under Sub-heads.
- (5) Treasury —
  - (5.11) Clearance Fund under Heads.
    - (5.111) Personal Advances Fund.
  - (5.2)Other Funds Investment.

The first detailed report of the result of the analysis of the accounts of the Government of the Federation by the then FOS was published in 1964. The report provided a series covering four financial years: 1958-59, 1959-60, 1960-61 and 1961-62. Thereafter, several separate reports were issued for the years 1962-63, 1963-64 and 1964-65. The last in that series was issued in 1972 and contained analyses for the years 1965-66 to 1968-69. The analysis of the accounts for subsequent years was delayed because of the increase in the number of States which made it increasingly difficult for the National Accounts Division of the then FOS to handle the accounts of so many Governments.

In October 1979, the NBS (then FOS) published the **Analyses of Government Accounts, 1958-59 to 1976-77**. This report contains all the data items listed in section 3.2.3 above. To date, this is the most comprehensive report showing a time-series of Government accounts according to functional and economic categories. Unfortunately, no other issue has been published since then. The inability of NBS to continue with this publication is a serious set-back to users of public finance statistics. However, more recent data on most of the items listed above could be extracted from the worksheets of the National Accounts Department of NBS.

The National Bureau of Statistics publishes summary tables on Federal Government Accounts in its **Annual Abstract of Statistics (AAS)** and the **Digest of Statistics**. The Annual Abstract of Statistics is published annually with time lag of about three years. For instance at the time of writing (June 1991), the latest AAS is that for 1987 and it contains annual data on the following public aspects of finance statistics up to 1986:

- (i) Current Revenue of the Federal Government by type of taxes.
- (ii) Recurrent Expenditure of the Federal Government by functional category.
- (iii) Capital Expenditure of the Federal Government by functional category.

The **Digest of Statistics** is expected supposed to be published quarterly by the NBS. It is published with a time-lag of about three years and usually contains annual and semi-annual (and sometimes monthly and quarterly) data on the following items:

- (i) Federal Government Receipt (Current and Capital).
- (ii) Federal Government Expenditure (Current and Capital).

In view of the long delay in the publication of the three documents mentioned above, the NBS cannot rely on them as sources of timely public finance statistics. Hence, it is necessary to extract the most recently available data from the worksheets of the Government Accounts Unit of the NBS.

The following publications of the CBN contain public finance statistics:

- (i) Annual Report and Statement of Accounts.
- (ii) Economic Half-Year Report.
- (iii) Economic and Financial Review.
- (iv) Nigeria's Principal Economic and Financial Indicators.

A Chapter on "Public Finance" in the **Annual Report and Statement of Accounts of the Central Bank of Nigeria** contains annual data on the items mentioned in Section 3.2.2 above. The **Economic Half-Year Report** also contains annual and half-yearly data on the items. The **Economic and Financial Review**, which is published quarterly, usually contains three tables relating to public finance statistics, viz: Current Revenue of the Federal Government, Current Expenditure of the Federal Government and Capital Expenditure of the Federal Government. The pamphlet, **Nigeria's Principal Economic and Financial Indicators**, also contains a summary table on Federal Government fiscal operations, Federal Government revenue, Federal Government expenditure and public debt.

### **Mechanism of Data Transfer to the National Data Bank**

At present, the compilation and dissemination of public finance statistics by the CBN have not been computerised. Hence, the relevant data can only be extracted from hard copies of the above publications and worksheets of the Financial Statistics Unit of CBN. Since it takes sometime to print the manuscripts, it is necessary for NBS to extract the required data from worksheets, under special permission, before they are published after they have been approved by the appropriate authority.

### **5. NBS Data Base Coding System for Public Finance Statistics**

The attempt made in coding this sector follows the International Standard Industrial Classification [ISIC], revision 3 issued on 4th August, 1988. Thus the division code, or the first two digits of the code assigned a six-code-variable, which identifies the division to which the dataset belongs is, wherever feasible, taken from the ISIC. The ISIC division codes have been allocated on the isomorphic basis in respect of most sectors, except in respect of some sectors where proximity to the nearest closely related ISIC code and existence of unused codes were the basis for the allocation of codes. Going by this system, "Public Finance" is given ISIC code '75'.

While efforts have been made to ensure that the Division Code or the first two digits of the code assigned to each variable conforms as much as possible with ISIC, the Items and Details Codes which form the last four digits of the code assigned for each variable are arbitrarily determined. The Division-Item-Details [DID] coding system is the basis for coding the NBS's datasets. The item under each dataset is the elementary entity or group of elementary entities (multiple-item cases), about which statistical data are gathered. For instance, "Federal Government Finance" coded 7501, is an item with 26 details.

In coding the details, the National Bureau of Statistics (NBS) uses six digits are used to identify a particular attribute (variable) as follows: The first two are the division code, the next two for the item and the last two as the Detail (variable) under the division and the item code. Based on this coding system, the NBS data structure (Statement of Requirements) for "Public Finance Statistics in Nigeria" is as shown below:

### **6. CONCLUDING REMARKS**

A detailed examination of the data published by NBS, CBN and FMF clearly reveals that there are sometimes significant differences in the information relating to the same items for the same period. A

disturbing feature is that, at times, a major difference exists on the same data item from two separate publications of the then FOS (**Digest of Statistics** and **Annual Abstract of Statistics**). This difference may be due to the fact the data contained in the **Digest** of Statistics are obtained from the Treasury Department of FMF, while the data contained in the **Annual Abstract** of Statistics are obtained from the CBN.

In the same vein, the series from the CBN are sometimes at variance with those from the FMF. One probable reason for the discrepancies is that both the CBN and the erstwhile FOS sometime failed to update their data (based on budget estimates) when audited data from the FMF became available.

In order to ensure consistency in public finance statistics, it is desirable that all the data should be based on figures from the Treasury Department of the FMF as contained in the Report of the Accountant-General of the Federation and the Treasury Returns published in the Official Gazette. Because of the delay in these publications, budget estimates could be used for the most recent period where actual figures are not available. But as soon as the actual figures are available, these estimates should be revised.

It is also desirable that the Annual Budget of the Federal Government and those of the State Governments should contain the actual values (or provisional data) of the various items for the penultimate year, or, better still, of the preceding three years.

The National Bureau of Statistics needs to obtain data from the two major sources of financial accounts data, for reconciliation prior to entry into the data base. The practice is to clearly indicate (in notes) whether the data in the data base are audited (actual), unaudited or budget estimates. The unaudited data and budget estimates should be updated as soon as audited data become available.