

2008 FEDERAL CAPITAL BUDGET IMPLEMENTATION: Factors Affecting Performance

PRESENTATION SUMMARY

By

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1. INTRODUCTION

1.0 Introduction

- Government budget is a very significant tool of economic management and political governance.
 - It constitutes the framework for providing various goods and services by government.
 - It is an annual financial and economic plan which serves as a vehicle for mobilization, allocation and management of resources.

- In Nigeria, budget implementation has been a major issue of concern.

- Issue of poor implementation has constrained achievement of most spelt-out development goals and objectives.
 - Manifested in many abandoned development projects
 - Poor implementation has made execution a weak link in the budget process.

- In past decade, rate of capital budget implementation has varied widely.
 - 2002-2003: 50%
 - 2004 and 2005: average of 92%
 - 2008: 43.9% as at Nov. 30

- Poor performance in 2008 has made the need for a study of factors constraining performance to be compelling. This is the essence of this study

1.1 OBJECTIVES OF THE STUDY

- to assess the discrepancies between budgeted and actual spending in 2008 within the capital budget of Ministries, Departments and Agencies (MDAs) with comparison to 2006 and 2007;

- to analyze the causes of the large discrepancies between the 2008 budgets and actual spending for selected ministries, namely, Agriculture and Water Resources, Education, Health, Federal Capital Territory, Power (Energy), Works, Transportation, Aviation, Defence, Interior; and
- to propose measures that will contribute to improving the implementation rate in the future.

1.2 SCOPE AND METHODOLOGY

- The scope of work reflects the specific objectives of the study
- To achieve the objectives, a methodology which comprised the following was adopted.

- Review of available literature relating to budget implementation and capital budget performance.
- Administration of a simple questionnaire to the selected ministries (ten of them).

- Discussion with top government officials in the selected ministries and other relevant Agencies, namely, Office of the Accountant General of the Federation (OAGF) and Bureau of Public Procurement (BPP).
- Analysis and report writing.

- The questionnaire survey and discussion with the selected MDAs turned out to be a rather difficult exercise as some of them did not seem to appreciate the need to cooperate. As shown in Table 1, some could not discuss with the Consultant and/or complete the questionnaire administered.

- However, two relevant agencies of government, namely, Office of the Accountant General of the Federation and Bureau of Public Procurement fully cooperated with the consultant.

TABLE 1

Table 1: Status of MDAs' Cooperation on Data Collection

	MDA	2008 Amended Capital Budget N' million	Discussion with Consultant	Return of Questionnaire
1	Agriculture and Water Resources	107, 549.3	Yes	Yes
2	Aviation	12, 644.2	No	No
3	Defence	22, 839.9	Yes	Yes
4	Education	50, 488.3	Yes	No
5	Federal Capital Territory (FTC)	47,058.1	Yes	No
6	Health	54, 533.8	No	No
7	Interior	21, 570.2	Yes	Yes
8	Power	23, 407.9	Yes	Yes
9	Transport	6, 159.4	No	Yes
10	Works	113, 722.9	Yes	No
11	Office of The Accountant General	Not applicable	Yes	Supplied documents
12	Bureau of Public Procurement	Not applicable	Yes	Supplied documents

1.3 STRUCTURE OF THE REST OF THE PAPER

- Capital budget performance, 2005-2008
- The specific case of 2008
- The success factors of some MDAs
- Factors affecting budget implementation

- Empirical findings on factors which constrained capital budget performance in 2008
- Towards a more effective budget implementation in 2009 and beyond
- Conclusion.

2.0 CAPITAL BUDGET PERFORMANCE

- Budget implementation is a crucial stage in the budget cycle.
 - Capital budget is of particular significance as it is considered a major factor of economic growth.
 - However, some aspects of recurrent expenditure, e.g., operating or maintenance expenditure, may be as productive as capital expenditure.

- Importantly, though, is that where an otherwise well-formulated budget is poorly implemented, government cannot achieve most of its spelt-out goals/objectives.
- Impact on the citizens would be low

2.1 CAPITAL BUDGET IMPLEMENTATION, 2005-2008

- Funding is a key determinant of budget implementation, although it is not a sufficient condition
- Table 2a shows budget cash-backing data for the period , 2006-2008.

- Cash backing was best in 2007: 36 or 80% of MDAs received 100% or more of their capital budgets.
- In 2008, only 8 MDAs or 22.2% received 100% cash-backing. However, 23 or 63.9% of MDAs received 100% or more of their capital budgets.
- 2008 also witnessed the highest variance between the amount cash-backed and budget provision.

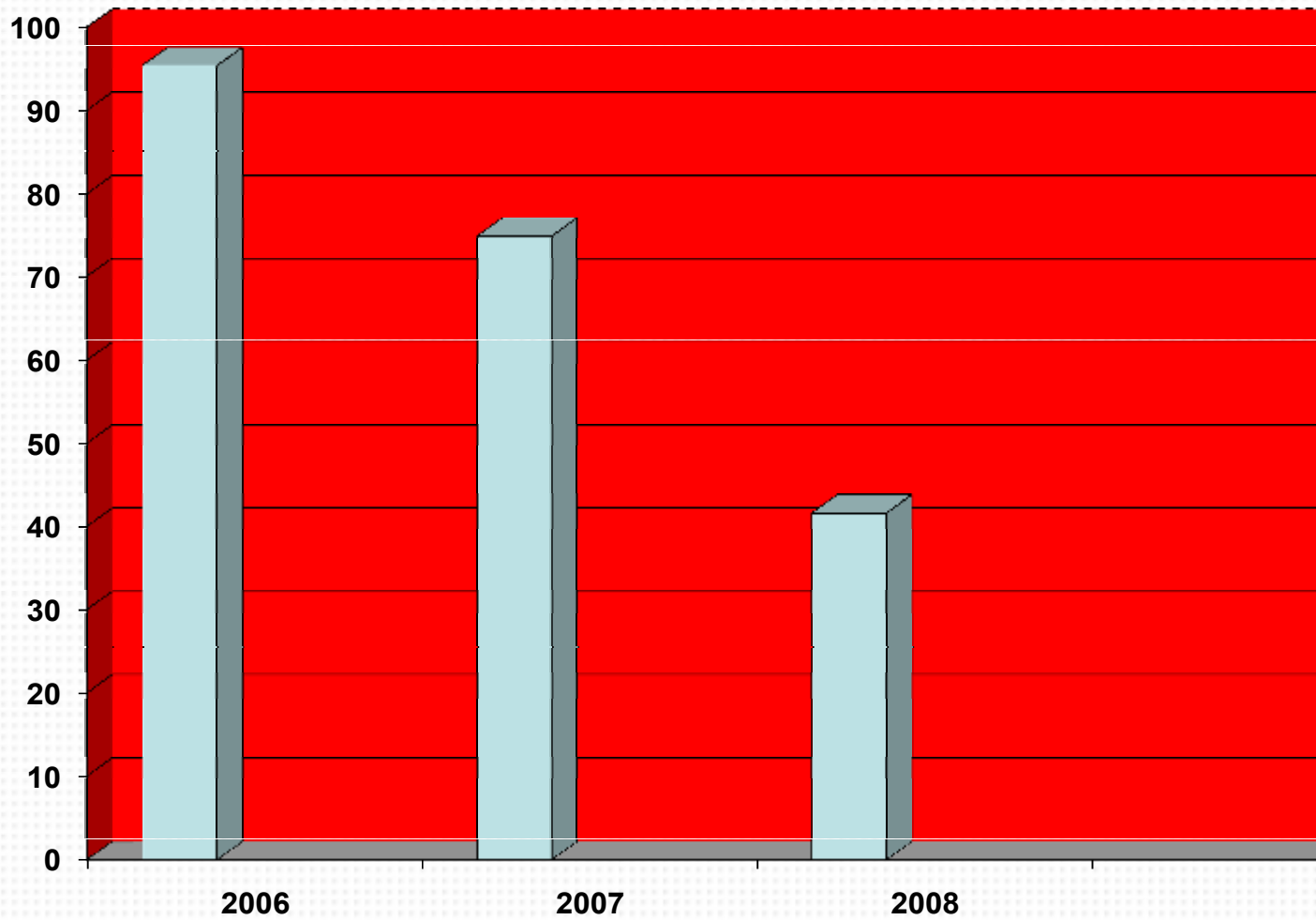
TABLE 2a: Cash-Backing in Relation to Capital Budget

	2006	2007	2008
MDAs that received less than 100% of budget as cash-backing	14 (30.4%)	9 (20.0%)	10 (27.8%)
MDAs that received 100% of budget as cash-backing	27 (58.7%)	31 (68.9%)	8 (22.2%)
MDAs that received more than 100% of budget as cash-backing	3 (6.5%)	5 (11.1%)	15 (41.7%)
MDAs that received 100% and more of budget as cash-backing	30 (65.2%)	36 (80.0%)	23 (63.9%)

Notes: Figures in brackets are the percentages of MDAs while the other figures are numbers of MDAs.

- Negative variance for that year averaged N1, 703.4 million compared to a positive average variance of N104.0 million for 2007 and –N276.7 million for 2006.
- In relative terms, funds can be said to have been more unstable in 2008. Perhaps, because of the uncertainties surrounding the late passage of the 2008 amendment budget.

Chart 1: MDAs Funds Utilisation in Relation to Capital Budgets (Per cent)



- A consideration of funds utilization in relation to the capital budget reveals the same pattern of poor performance in 2008.
 - Variance between utilization and capital budget, both in aggregate and average terms, is highest in 2008 (Table 2b).
 - Also overall funds utilization rate in 2008 at 41.6% is much lower compared to the corresponding figures for 2006 and 2007 (Chart 1).

- Further analysis of available data shows:
 - In past four years, capital budget implementation, in terms of the proportion of funds released that was utilized, showed declining performance:
 - ✓ 88.1% in 2005
 - ✓ 96.5% in 2006
 - ✓ 67.8% in 2007
 - ✓ 43.9% in 2008 (Table 3 and Chart 2)
 - However, 2008 capital budget performance is at Nov. 30. Figures for the whole year could show a better performance

TABLE 2b: Funds Utilization in relation to capital budgets of MDAs

	2006	2007	2008
Total deviation of Funds Utilization from Budget (N'Million)	-25,680.9	-173,384.0	-455,714.6*
Average Variance b/w Funds Utilization and Budget (N'Million)	-597.2	-3,853.0	-13,403.4
No. of MDAs that utilized their Budgets Fully (N'Million)	8	0	0
No. of MDAs that utilized a Proportion of their Budgets (N'Million)	35	34	34
No. of MDAs that utilized more funds than Budget (N'Million)	0	11	0
Funds Utilization as a proportion of Total Budget(Overall Performance)	95.4	74.9	41.6

Notes: * The figure excludes Police Formation and Police Affairs

Chart 2: proportion of funds released that was actually Utilized (percent)

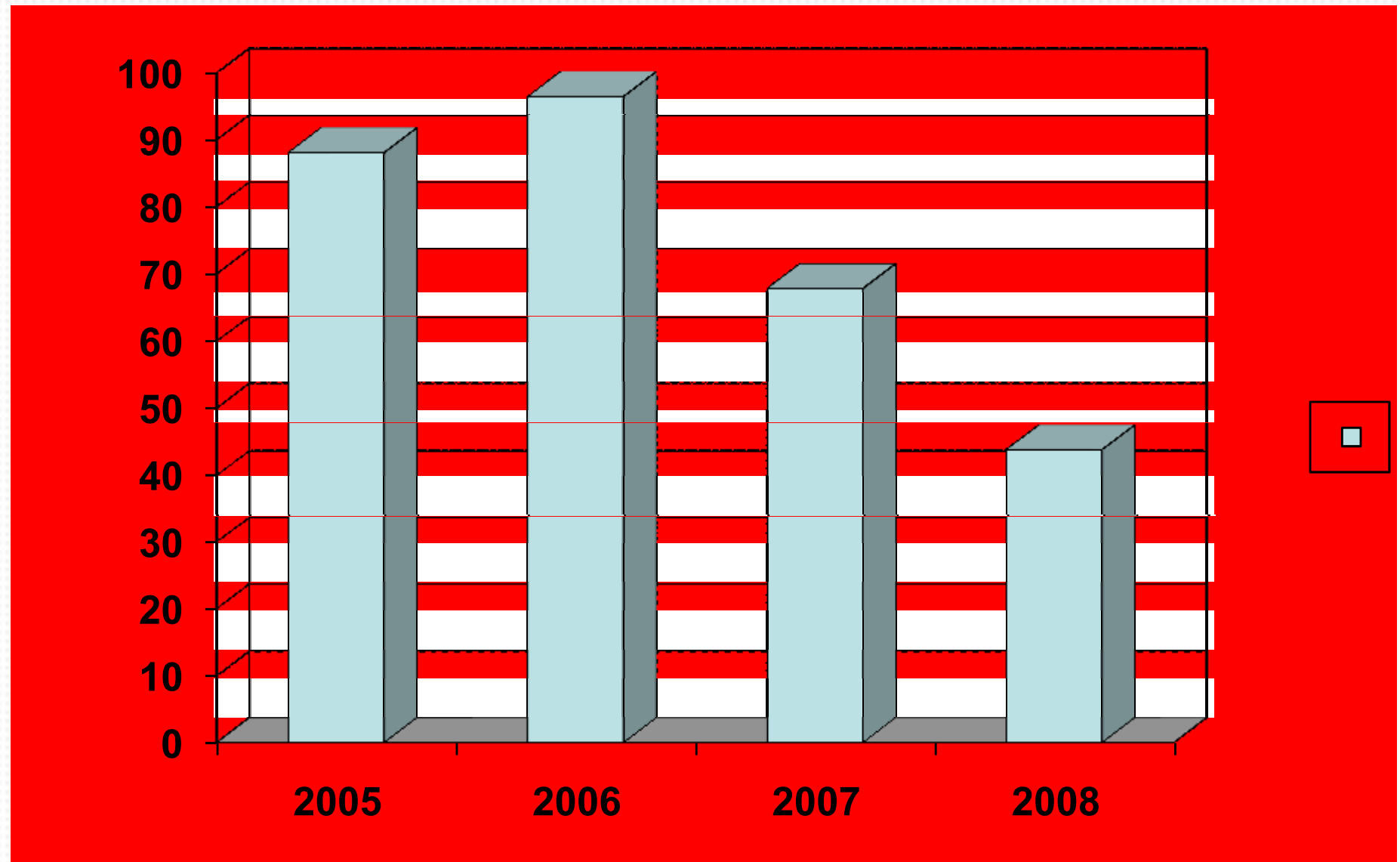


TABLE 3

Aggregate Capital Budgets of MDAs, 2005-2008

	Appropriation (N' Billion)	Revised/Amended Appropriation + Supplementary (N' Billion)	Implemented Capital Budget/Funds Utilized (N' Billion)	Funds Utilized ÷ Appropriation (%)	Funds utilized ÷ Funds Released (%)
2005	617.0	488.0	444.8	91.1*	88.1
2006	568.6	n.a	542.5	95.4	96.5
2007	n.a	715.5	488.5	68.3	67.8
2008	860.3	1,248.3	326.6	26.2	43.9**

Notes: * Percentage obtained is in relation to the revised appropriation plus supplementary appropriation

** 2008 capital budget implementation/performance is as at 30th November, 2008

- Relatively higher capital budget implementation in 2005 and 2006 can be partly attributed to one factor: erstwhile government policy which extended disbursement on capital budget to the following year
 - 2005 capital budget was executed up to June 2006
 - 2006 capital budget was implemented to first quarter of 2007.
- The policy changed in 2007 and 2008. Unspent capital funds were returned at the end of each fiscal year

- Point then is that if capital budget implementation had ended in December, 2005 and 2006, performance in those years would have been lower than the rates recorded.
- Same policy applied in 2007 and 2008. Yet, performance in 2007 was better, perhaps because the budget was enacted early in that year (Table 7).

2.2. A Deeper look into Capital Budget Implementation in 2008 in relation to 2007

2007

- 25 MDAs out of 46 or 54% achieved capital budget performance of over 70%
- Table 4 in the report shows the details of capital budget performance in terms of the proportion of funds released that was actually utilized

2008

- Only 5 MDAs or 10.9% achieved 70% and above capital budget performance
- 3 MDAs - Police, Police Affairs and Sport - achieved less than 10% capital budget performance.

- Low performance was recorded inspite of the fact that capital funds were released and cash backed (Table 5.)
 - Three –quarters of funds released by 25 July 2008. Fourth quarter Warrant releaed on 25/11/2008.
 - Cash-backing was done between 4 and 16days for the four quarters.
 - So, generally, funds appeared not to have been a binding constraint on implementation in 2008

- The funds were available and large portions remained as idle balances at the CBN.
- Low capital budget implementation could not be blamed on lack of funds.
- Obviously other constraints were at work.

Table 5: Warrant Releases and Cash-Backing in 2008 and 2009

Quarter	Date of Warrant Release	Value of Warrant (N'Billion)	Date of Cash-backing (Issuing of Mandate)*	Time lag between Warrants Release and Cash-backing
<u>2008</u>				
First	25 th March, 2008	101.317	10 th April, 2008	16 days
Second	24 th May, 2008	330.486	28 th May, 2008	4 days
Third	15 th July, 2008	232.746	25 th July, 2008	10days
Fourth	18 th November, 2008	165.701	25 th November, 2008	7 days
<u>2009</u>				
First	9 th January 2009	187.685	19 th January, 2009	10 days

- Federal Executive Council became worried about slow pace of budget implementation in 2008.
 - It set up a committee to identify the problems.
 - The Committee came up with five major bureaucratic delays in the budget implementation process:

- i. Lack of familiarities and understanding of extant laws, regulations and guidelines on project execution by MDAs.
- ii. Delays in obtaining approvals of Ministers and Permanent Secretaries for various stages of the procurement process.
- iii. Delays in processing payments
- iv. Challenges in Documentation
- v. Delays in processing memos to council.

- No doubt, these bureaucratic obstacles are important. But the low implementation could have been due to more fundamental factors that transcend bureaucratic delays. These are explored in section 3.

2.3. What accounted for the high rate of implementation of some MDAs?

- Few MDAs achieved what can, in relative terms, be described as notable success in capital budget implementation in 2008.
- These MDAs faced the same situation of late passage of the original Appropriation Bill, the Amendment Bill and Supplementary Bill.
- Which factors then explain their relatively better performance? The consultant's interactions with MDAs revealed the following factors.

- i. **Risk-taking:** Even while the budget enactment was still being awaited, some MDAs, e.g Works and Agriculture, took risk by commencing implementation of projects. The MDAs that were risk averse tended to achieve low implementation rates.

- The risk-taking, however, entailed the further risk that some of the projects might be dropped or have their allocation reduced in the budget finally approved. The experience of the Ministry of Works in 2008 illustrates this problem vividly (Section 4.2 and Table 9).
- Risk-taking is thus not a satisfactory solution. It not only defies the legal framework for public finance management in the country but also tends to result in wasteful spending and abandoned projects.
- Early passage of the budget is thus a fundamental factor in effective budget implementation.

- ii. Availability of capacity:** The ministry of Agriculture, for example, has a lot of in-house engineers and professionals including experienced procurement officers. Another Ministry also had trained procurement officers.

- iii. Early active preparation for implementation even before the approval of the budget :e.g advertisement of contracts before the budget was released, and capacity building workshops on the Procurement Act in some Ministries.**

- iv. **Nature of projects:** projects entailing procurement of goods and services or are on-going are fairly easier to implement compared to new projects or procurement of works entailing building and construction. Thus, MDAs whose projects were mainly on-going tended to have a higher rate of implementation , e.g, FCT.
- v. **Commitment and support of staff on project implementation:**
Against the backdrop of late passage of the budget staff of some MDAs showed greater commitment to project implementation.

3. FACTORS AFFECTING BUDGET IMPLEMENTATION

- A number of factors affect the pace and success of budget implementation. They could be evident at the different stages of the budget cycle.

i. **Faulty budget formulation/appropriation**

- Results from faulty planning on the part of MDAs.
- Could also arise from inadequate review by Budget Office and amendments to budget by NASS.

- Consequence: overloading of MDAs' budgets. Some projects meant for implementation over many years have full funds in one year.
- In contrast, some on-going projects are not allocated enough funds.
- Over budgeting may also result from MDAs' lack of confidence in the budgeting system.

ii. Project Preparation

- Many projects admitted into the budget are often not prepared for processing/procurement by the time the budget is approved.
- Some delays arise where one MDA relies on another MDA to prepare project documents after budget approval, for example, case of Ministry of Education's reliance on Ministry of Works.

- One of the requirements in the “New Time-Lines in the Budget Implementation Process” can cause delays in implementation.
 - It is that procurement planning should begin from the date of release of budget (Table 6)
 - This may be suitable for procurement of goods and services, but not for most works requiring BOQs/BEME.

Table 6: New Time-lines in the Budget Implementation Process

S/No	Action	Time-line	Beginning of Time-line
I	Procurement planning	2 months	From the date of release of Budget
Ii	Response to BPP requests for clarifications	2 weeks	From the date of requests
Iii	Submission of Memos to council	2 weeks	From the date of issuance of “No Objection” certificate by the BPP
Iv	Payment of contractors	2 weeks	From the date of approval of payment by the Honourable Minister or, in his or her absence, the accounting officer

Source: Nigeria Federal Executive Council (order of). **Budget implementation Handbook**, October, 2008

iii. Delays in budget enactment

- Very rampant under the current democratic dispensation.
 - Differences between the executive and NASS over power of amendments of the Appropriation Bill.
- Table 7 shows details of dates of enactment of Appropriation Bills over the past five years. Also, **see Chart 3.**
- Period can be up to six months.
- 2008 budget was approved over a total period of 9 months.
- Implication of late budget enactment: only a few months are effectively left for budget implementation.

Chart 3: Time-lag between Presentation and Enactment of Appropriation Bills (Months)

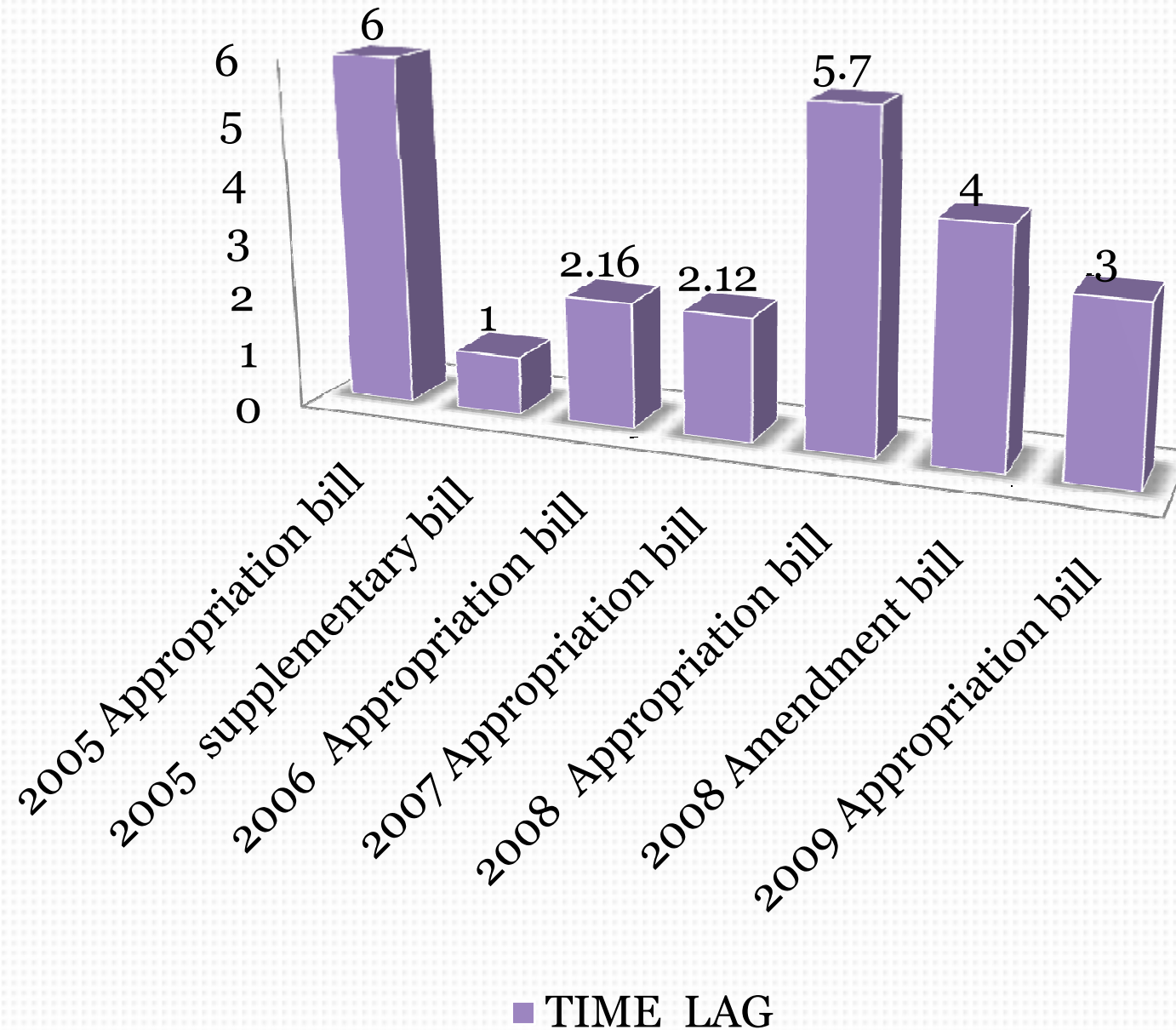
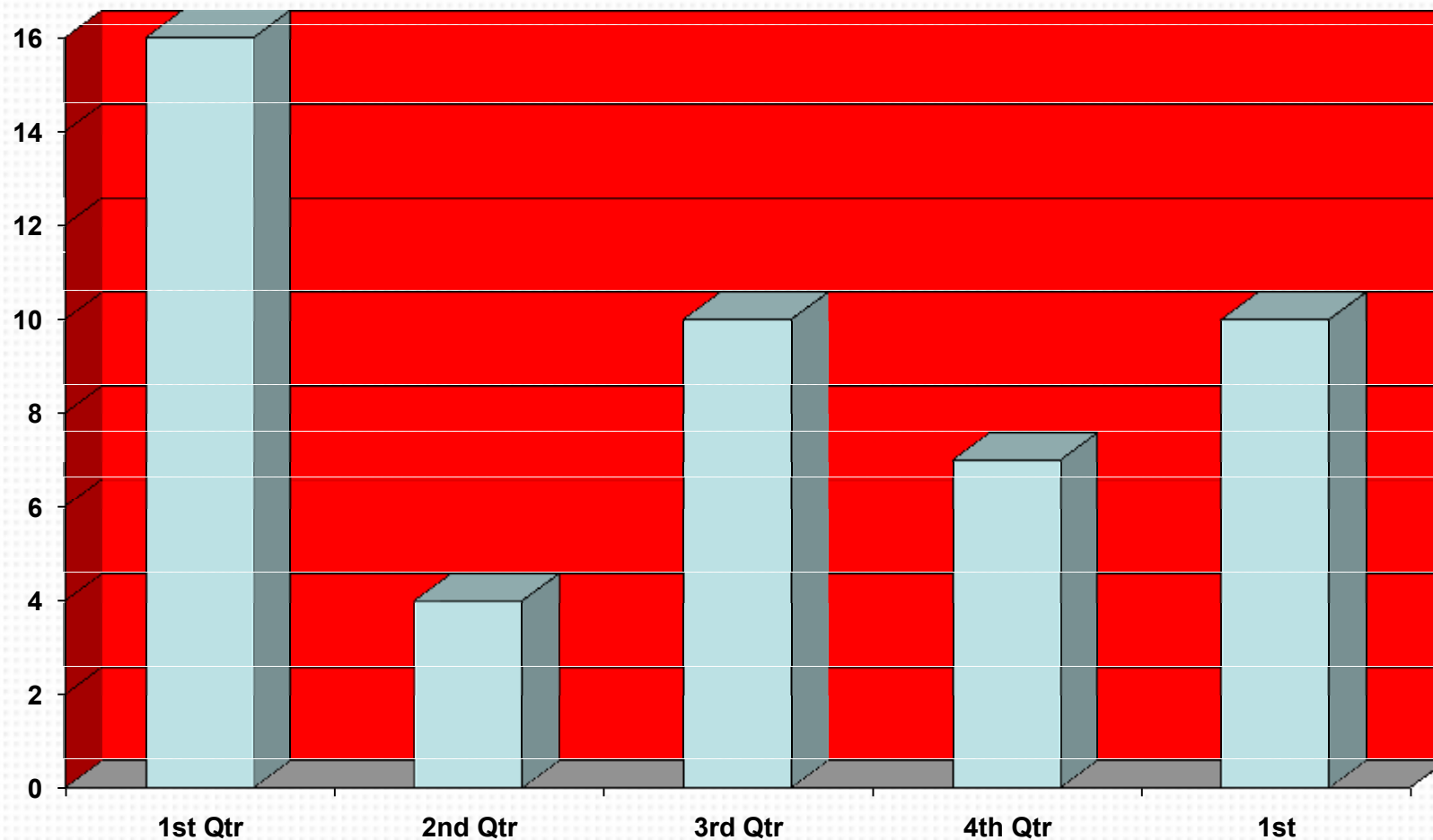


Table 7: Dates of Presentation and Enactment of Appropriation Bills

S/No	Title of Bill	Date Presented	Date Assented	Time Lag
1.	(HB. 124) Appropriation Bill 2005	12/10/2004	12/04/05	6 months
2.	Supplementary Appropriation Bill, 2005	16/11/2005	17/12/05	1 month
3.	Appropriation Bill, 2006	6/12/2006	22/02/06	2 months 16 days
4.	Appropriation Bill, 2007	11/10/2006	22/12/06	2 months 12 days
5.	Supplementary Appropriation Bill,	5/9/2007	n.a	n.a
6.	((HB. 10) Appropriation (Amendment) Bill, 2007	5/9/2007	n.a	n.a
7.	Appropriation Bill, 2008	08/11/2007	14/04/08	5 months 7 days
8.	(HB. 100) Appropriation (Amendment) Bill, 2008	2/7/2008	Late October, 2008	4 months
9.	(HB. 143) Supplementary Appropriation Bill, 2008	23/10/2008	Early Nov. 2008	Two weeks
10	(HB. 158) Appropriation Bill, 2009	2/12/2008	10/03/09	3 months

Source: National Assembly

Chart 4: Time-lag between Warrant Releases and Cash-backing, First Quarter, 2008 to First Quarter, 2009 (days)



iv. Non-release or untimely release of appropriated funds

- Irregular and uncertain release of funds is a key factor in slow budget implementation.
- Sometimes revenue shortfall is the cause. At other times in the past when revenue was not a constraint, funds were not released as and when due. This portrays lack of confidence in the budget process.

- Implication of non-release/irregular release of funds: delays in initiating and completing project execution; phenomenon of abandoned projects.
- However, funds release/cash-backing was not a serious problem in 2008 (**Chart 4**).
- And a good practice to minimize delays between Warrant release and cash-backing has now evolved in the form of collaboration between the Budget Office and OAGF.
 - Draft Warrant is now first reconciled by the two bodies before a final one is issued
 - Then, cash-backing is almost automatic.

v. Cash –Flow Management

- Problem here is that quarterly release of capital funds had been tied to projects. But such release to projects tends to be inadequate in some cases to execute projects entailing huge procurements.

- Government has now recognized the impact of this problem.
 - A new policy was released early in 2009 which allows MDAs flexibility in the use of capital funds.
 - Bulk release of first quarter funds was made to MDAs as a one-line-item rather than by project (**Box 2**).
- New policy largely addresses the erstwhile issue of lack of flexibility in budget authorization.

Box 2: Flexibility of use of 2009 Capital Budgets by MDAs

The Honorable Minister of Finance's circular of 9th January on the 2009 1st Quarter Provisional Development General Warrant requires MDAs to note the following:

- i. a bulk release of funds has been made of all MDAs as a one-line-item, rather than project by project...
- ii. the projects that qualify must be on-going projects which had provision in the 2008 Amendment Act and also have proposed provision in the 2009 Appropriation Bill, and
- ii. expenditure on a particular project must not be more than the fund allocated to such project in the 2009 Appropriation Bill. This is to avoid spending above the expenditure limit of any particular project at the end of the fiscal year 2009".

Source: Federal Ministry of Finance

vi. **Due Process Mechanism/Public Procurement Act**

- A major reform initiative designed to sanitize the public procurement process by eliminating wastes and corruption associated with the process.
- Public procurement was a major source of corruption prior to the due process mechanism. So much loss of money by Nigeria.
- So, due process mechanism came as a welcome relief

- But there has been institutional resistance and blackmail to the reform embodied in DPM.
 - Some MDAs found it uncomfortable to comply with DPM requirements.
 - Those who seem to have lost out complain.
- However, before the DPM evolved into Public Procurement Act, there were some genuine complaints relating to delays.
 - These arose from the fact that BMPIU was involved in verification and certification of projects and in the processing of requests for payments.

Box 5: BPP's Documentation Requirements for a Certificate Of "No Objection"

- a) Letter of Request/transmission of documents signed by the Honorable Minister or Permanent Secretary
- b) Evidence of Advertisement/Invitation for Pre-qualification/Approval for Exemption/BPP "No Objection" to adopt Restricted tender or Direct Procurement
- c) Pre-qualification Document submitted by contractors
- d) Pre-qualification Evaluation Report
- e) Letter of Invitation to Bid (contractor's acknowledged copies only)
- f) Project Designs and Drawings/Full Specifications for Goods and Evaluation (BEME)
- g) Bills of Quantities/Bills of Engineering Measurement and Evaluation (BEME)
- h) Financial Bids of Pre-qualified contractors showing evidence of counter-signing of Bills by competing firms
- i) Bid Return sheet (duly signed by all the required parties)
- j) Copies of protest letters by bidders and responses/action taken, if any
- k) Progress Reports for on-going projects requiring Augmentation/ latest interim statement/comparative Bill of origin Revised Works
- l) Bid Evaluation Report: Hard/Soft Copy
- m) Consultant's or in-house Project Estimate : Hard Copy/Soft Copy
- n) Appropriation/Source of Fund (copy of highlighted Budget Page)

Source: Nigeria, BPP. Procedure and Documentation
Pre-requisite for the Issuance of a Certificate of 'No Objection' to MDAs

- But the DPM has now been reformed with the enactment of the Public Procurement Act, 2007 (PPA). Features of the reforms are in Box 4 in the paper.
- Reform has eliminated the observed source of delays through the following:
 - non-involvement of Bureau of Public Procurement (BPP) in verification and certification of projects and in processing of requests for payments.

- Decentralisation of the work of BPP through establishment of procurement units/divisions in MDAs
- “No objection” is not required for projects less than N50 million. MDAs can implement such projects without BPP’s involvement.
- Law now restricts BPP to policy development, regulation and oversight in public procurement issues.

- Most often, delays in budget implementation arise from failures of MDAs to meet the basic conditions stipulated in the Procurement Act.
- Therefore, MDAs should:
 - Develop the will to comply with the due process/PPA
 - Build capacity to understand the provisions of the PPA
 - Comply with the documentation requirements of the PPA (**Box 5**)

vii Technical Capacity Challenges

- These pose significant constraints to MDAs' budget implementation, especially procurement of works and sophisticated goods.
- Many MDAs lack adequate capacity to prepare project documents relating to works.
- Result: implementation of projects is delayed. Ministry of education has indicated experiencing long delays and nightmares in obtaining BOQs.

viii Lack Of Implementation Plans

- This is often rampant in terms of actions plans of steps and procedures to systematically guide the implementation of plans.
- Consequence: government commits resources to projects without proper assessment of the results to be achieved.
- Also, there usually was no rational basis for prioritizing choices in the face of dwindling resources, so that the funds are channeled to the projects that can be completed and make maximum impact.
- Finally, lack of implementation plans leads to uncoordinated and disorderly implementation and avoidable delays.

ix. Late Commencement of Budget Implementation

- Often arises from:
 - Late passage of the budget
 - Lack of capacity
 - Lack of familiarity with the DPM/PPA
 - Late starting of advertisement for projects, e.t.c.

- For the 2009 budget, a directive was given to MDAs to commence implementation before the passing of the budget. BPP has also issued a circular to that effect.
 - Yet, many MDAs had not commenced the procurement process.
 - Such MDAs are probably risk-averse.
- Implication of this stance though is that early passage of the budget remains a fundamental strategy to improve budget implementation.

x. Inadequate Monitoring of Budget Performance

- Monitoring and evaluation (M&E) are often not given the needed attention in Nigerian budget process.
- This is inspite of existence of numerous agencies that claim monitoring to be part of their functions.
- Consequence of limited or lack of monitoring: project implementation tends to be delayed or projects are not executed or are abandoned.

xi. Policy of disbursement of capital funds beyond a fiscal year.

- This aided capital budget implementation in 2005 and 2006. But the legality of the policy is questionable.
- So, government abandoned it since 2007.
- MDAs therefore need to respond to the reality of the changed policy by overcoming other constraints and improving the pace of project implementation.

4. MDAs' CONSTRAINTS IN IMPLEMENTATION OF THE CAPITAL BUDGET

- Interactions with eight key MDAs revealed the important factors which produced the low capital budget implementation in 2008.

4.1 Highlights of the Empirical Findings

- **Table 8** shows a summary of what the MDAs considered as the important Constraints.
- All the MDAs considered late budget enactment/uncertainty about which budget to implement as a major constraint. All of them ranked it as their number one problem.
- Next in importance, according to the MDAs, are problems arising from compliance with the Due Process Mechanism/Public Procurement Act. Seven out of the 8 MDAs considered this factor as important.

- Five MDAs complained of low budget allocation/downward review of their allocation in the amended budget.
- Limited human capacity/technical expertise was found to be constraining by four MDAs.
 - The Ministry of Education has very serious problems with preparing project documents, in particular, BOQs.

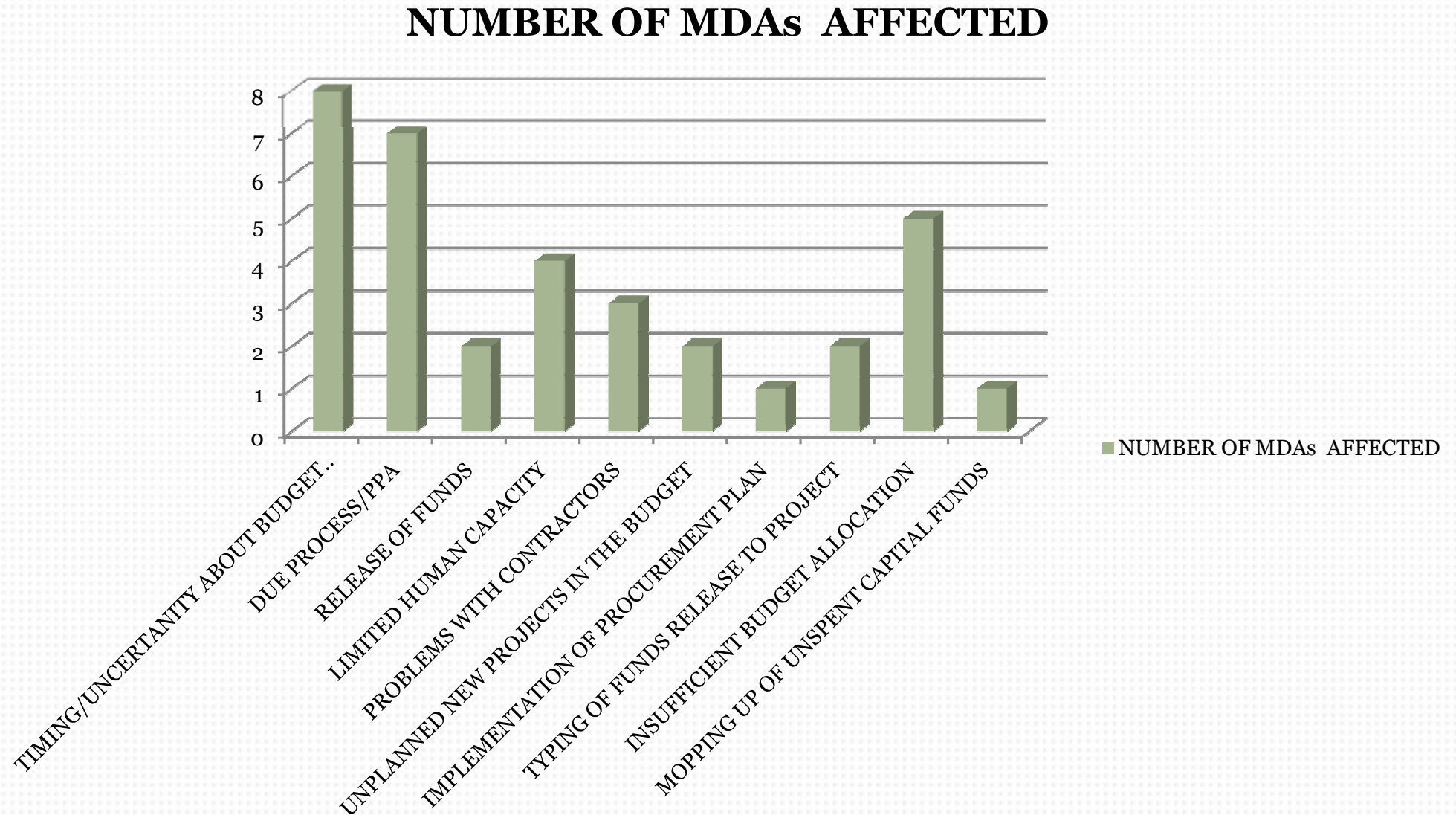
- The other three MDAs experienced human capacity problems relating to compliance with the public Procurement Act.
- It is true that 1st Quarter Warrant was released on 25th March, 2008 (**Table 4**).
- However, to the majority of MDAs funding was not a problem.

Table 8: Constraints on Capital Budget Implementation, 2008

Constraints / Ministry	Timing of budget enactment/ Uncertainty about budget to implement	Due Process Mechanism/ Procurement Act	Funds release/cash-backing	Lack of/ limited human/ technical expertise	Problems with contract ors/ suppliers	Introduction of unplanned new projects into the budget	Problems in implementation of procurement plans	Typing release of funds to project	Low budget allocation/dow n wards review of allocation	Mopping up of unspent capital funds balances
Agriculture and Water Resources	√	√		√					√	
Defence	√	√			√				√	√
Education	√	√		√						
(FCT)	√	√			√	√	√	√	√	
Interior	√	√		√						
Power	√	√	√							
Transport	√	√	√	√					√	
Works	√				√	√		√	√	

√means that the MDA considered the factor indicated as a serious obstacle to its budget implementation in 2008.

Chart 5: Number of MDAs affected by the various constraints



4.2. Further Insights into the Key Constraints

- i. Late enactment of budget and phenomenon of three Budgets
 - Original Appropriation Bill assented on 14/ 04 /08 after 5 months
 - Amendment Appropriation Bill assented late October, 2008 after 4 months
 - Before October, MDAs were not sure which budget to implement: original Appropriation Bill, Appropriation Act or Amendment Appropriation Bill.

- Implications of the scenario that unfolded were as follows:
 - Confusion as to which budget that was in operation and to implement. Under this condition most MDAs could not implement their capital budgets even when funds were available.
 - Uncertainties about the final budget figures approved for projects. Those of the MDAs that had their allocations adjusted by the National Assembly were not sure if the Amendment Budget would sustain the adjustment.
 - The case of the National Food Reserve Agency illustrates the point to the effect that “until the enactment was made, there were uncertainties as to what items and volume of amounts that would be eventually approved”.

- Even where all the necessary designs, drawings and BOQs/BEME with their tender documents were ready, not much could be accomplished where the budget was approved a few months to the end of the year.
- Delayed budget enactment resulted in programmes/projects not being able to implement specific activities that were time-bound as was the case in the Ministry of Agriculture.

- Some MDAs prepared procurement documents before budget enactment. But others felt it was safer to wait for budget approval before preparing them in order to avoid the phenomenon of contract variation later.
- Hurried implementation of budget as was the case in 2008 tended to compromise the quality of procurement and spending.

Table 9: Federal Ministry of Works: Summary of Changes to its Proposals in the 2008 Amended Budget

	Category of projects	Number	2008 Appropriation ₦ million	Total Release for 2008 (up to 3 rd Quarter) ₦ million	Total Amount paid to date from releases ₦ million	Amended 2008 Appropriation ₦ million
1	Number of projects omitted in the 2008 amended budget for which payments had already been made.	7	3,052.9	1,877.2	1,550.2	3,052.9*
2	Number of projects omitted in the 2008 amended budget for which releases had been made in the 1 st to 3 rd Quarter Warrants.	51	18,457.0	13,517.8	0	0
3	Number of projects with reduced allocations	49	64,887.9	46,446.9	20,620.9	43,391.4
4	Number of projects with increased allocation	23	20,183.6	17,136.9	7,587.6	33,491.1
5	Number of newly introduced projects	53	0	0	0	8,274.3

Note:* Recommended 2008 Appropriation

Source: Federal Ministry of Works

- The Amendment Appropriation Act tended to confirm the fears of MDAs as some projects were dropped, some reduced in value while yet new projects without designs were introduced for the MDAs to implement.
- The case of the Ministry of Works in Table 9 provides a vivid illustration
 - For example, seven projects for which payments had already been made were omitted in the 2008 Amendment Appropriation

- 51 projects omitted in the 2008 amended budget had releases in the first three quarters' Warrant.
- 49 projects had reduced allocations while 23 had increased allocations.
- 53 new projects were introduced.

- What the foregoing suggests is that if the budget had been approved earlier and if there was certainty about which budget to implement, budget implementation rate would have been higher.

- The lessons are very clear:
 - a) Timing of budget enactment has implications for budget implementation.
 - b) The Tussle between the executive and NASS over budget amendment is a sore issue with serious implications.
 - c) MDAs must resist lobbying NASS for more budget allocations.

ii. Due process mechanism/Public Procurement Act

- Box 6 highlight MDAs' problems with DPM/PPA.
 - Newness of the Act
 - Cumbersome nature of the procedures
 - Limited capacity to understand, interpret and apply the Act

- Long period for compliance
- Late setting up of Procurement Planning Committee
- No allowance of Procurement before appropriation, etc

- Most of these complaints do not derive from the Act. Rather, they derive from lack of familiarity with the Act, lack of capacity by MDAs, late implementation, institutional resistance to change.
- Most of the constraints can be overcome with time and greater familiarity

- Data available (Table 10) shows that BPP generally issued “no objection” within a reasonable period. Some projects received “no objection” within a few days.
- Delays in issuing “no objections” are generally traceable to MDAs’ non-compliance with PPA, delayed response to queries, etc.

**Table 10: Number of Projects Issued “No Objection”
In Different Periods in 2008 For Three Ministries**

Ministry/ Period	1 – 15 day s	16 days to 1 month	1 to 2 months	More than 2 months	Total
Energy	26	13	10	5	54
Transportation	20	7	5	1	33
Education	18	21	8	1	48
Total	64	41	23	7	135

Source: Bureau of Public Procurement

iii. Low Budget Allocation/Downward Review of Allocation

- Third most cited constraint by MDAs
- Concerns that on-going projects had insufficient budget allocations while externally introduced new projects had plenty of funds allocated but had no designs.

- Concern that spending envelopes had no bearing with MTSS priorities and costing.
- Small sizes of envelopes hindered project implementation by, for example, FCT and Ministry of Works.
- Implications: non-attainment of original set targets, delayed completion of projects to many years. Increased cost.

- The cases of three problem projects of the Ministry of Works in the 2008 budget vividly illustrate the points (Table 11). Insufficient annual funding has resulted in non-completion of the projects many years after the initial completion dates.

Table 11: Federal Ministry of Works – Some Key Projects with Implementation Problems in the 2008 Budget

S/No.	Name of Project	Name of Contractor	Contract Sum N' million	Date of Award	Date of Completion	Amount Certified to Date N' million	% Physical Progress Certified	Amount paid to Date N' million
1	Construction of Bodo-Bonny Road with a bridge across the Opobo Channel C/NO.5662 (Rivers State)	Gitto Construzion i Generall Nig.Ltd	24,045.26	04/10/02	03/12/05	11,253.13	26.10%	11,253.13
2	Construction of Itigidi Bridge along Abba Omega-Ediba Ugep road: c/no. 5663 (Cross Rivers State)	Gitto Construzion i Generall Nig.Ltd	5,245.06	17/03/03	16/02/05	4,375.18	67.55%	4,375.18
3	Construction of Kaduna Eastern by-pass, C/NO. 5346 (Kaduna State)	Eksiogulari Nigeria Limited	16,000.00	25/09/02	31/12/08+	9,532.69	38.00%	9,532.69

Note: + Extended date of completion

iv. Limited Human Capacity/Technical Capacity

- Problem faced by MDAs at two levels
 - Preparation of project documents, e.g by Ministry of Education
 - Implementation of Procurement Act.

- The latter can be remedied by capacity building through training and re-training
- Problem faced by Ministry of Education can be resolved either through the acquisition of in-house capacity/use of consultants or the Ministry of Works locates resident professionals in the Ministry (of Education).

V. Introduction of new Projects into the Budget

- This had impact on project implementation by MDAs, e.g Ministry of Works and FCT.
- Projects tended to be included in budget at NASS
- They had no designs and created implementation problems

- They had no designs and created implementation problems
- They tended to distort priorities articulated in the MTEF/MTSS.

- Overstretch implementation capacity of MDAs.
- A total of 53 new projects (N8.3 billion) were inserted into Ministry of Works amended budget in 2008.

vi. Problems with Contractors/Suppliers

- Adversely affected budget implementation
- Problems manifested in:
 - Late commencement of project activities

- Late delivering on targets
- Request for contract variation.

- A major source of the problems is inadequate funding of on-going projects.
- Performance-cash-flow mismatch provided room for contract variation due to inflation

- In Ministry of Defence, problems with contractors arose from three sources
 - Insufficiency of funds
 - Supply of second hand equipment by some contractors
 - Use of substandard materials by some contractors.
- Lesson: need to fund on-going projects adequately. New projects can be introduced once in a while

vii. Tying of Release of Funds to Projects

- A problem encountered by two key MDAs: FCT and Ministry of Works
- Tying of funds release to projects denied MDAs flexibility in application of funds to projects whose certificates were ready.

- Government has effectively addressed this problem in the 2009 budget.
 - 1st quarter Warrant was released as a ‘one-line item’ which can be applied to any on-going projects

viii. Other Constraints

- Not considered as serious as above
 - problem with implementation of procurement plans
 - delays in in-house approval of procurement. Series of actions on this had already been approved by FEC in 2008
 - mopping up of unspent capital funds. This issue would normally not arise if budget enactment had occurred early, followed by early implementation.

5. TOWARDS MORE EFFECTIVE BUDGET IMPLEMENTATION

5.1 MDAs' Plans for high capital budget Performance in 2009.

- MDAs have already taken a series of actions, or planned to take them, with a view to overcoming the constraints encountered in 2008.

- The plans/actions include the following:
 - Timely preparation of project/procurement documents

 - Early commencement of compliance with the due process requirements even before the approval of budget. Some have already placed adverts for procurement.

- Having a good work plan/procurement plan in place. Some have prepared procurement/action work plans;
- Training of procurement team on the Procurement Act.

- Sensitization of staff on early preparation for budget implementation.
- Use of in-house design for projects
- Quick preparation of Council memos

- But in order to realize their objectives, MDAs desire the support and cooperation of stakeholders as follows:
 - Early enactment of the Appropriation Bill;
 - Adequate funds;
 - Sustenance of timely release of funds;

- Training and re-training of budget officials, procurement officials and other relevant professionals;
- Periodic meetings of MDAs organized by the Budget Office to discuss budget implementation issues;
- Adherence to budgetary provisions;

- Encouragement of contractors/suppliers;
- Prompt issuance of “no objection” certificates by BPP;
- Cooperation of consultants; and
- Adequate provision of complementary facilities

- Point: if the MDAs and stakeholders play their respective roles effectively, a high rate of capital budget implementation should be achieved in 2009.

5.2 Recommendations

i. Restoration of confidence in the budget formulation and implementation process.

- To have realistic cost estimates and minimize overloading of the annual budget.
- For this to happen, MDAs need assurance that their projects will be funded annually to completion

- ii. Early preparation and submission of Appropriation Bill and early enactment into an Act
 - Need for time-lines on budget formulation and enactment
 - To be backed by Budget Acts to ensure enforcement

- Budget preparation can start April/May & Bill submitted to NASS by September 1 (four months to consider and pass it).
- By January 1, budget should be ready for implementation.

iii. Early Release and Cash-backing of Warrants.

- In the light of the above recommendation and against the backdrop of the experience of 2008, it is highly desirable to have a systematic, as opposed to rushed and inefficient, implementation of the capital budget.
- To this end, the quarterly release of funds should be done in the first month of each quarter

iv. Minimize amendments to
Appropriation Bills by NASS

- Substantial budget amendments and introduction of new projects has been a major source of problems in budget implementation
- Constitution does not give clear powers to NASS to amend Appropriation Bills.

- But it has been doing so, resulting in acrimonies between it and the executive.

- NASS is likely to reject options which
 - Remove its powers over “money bills”
 - Constrain its powers of amendment of the budget

- Therefore, option that may need to be considered more seriously is bringing NASS more fully into the budget making process through greater consultation.
 - Greater involvement in preparing MTEF & MTSS

- Importantly, the executive should strongly discourage MDAs from lobbying NASS for increased budget allocation.
- As agents of the executive, they should go to NASS to defend the allocations approved by the executive.
 - Proven cases of breaches should be heavily sanctioned

- v. Stick to the discipline imposed by MTEF/MTSS framework
- Annual capital budget should be predicated on the prioritization indicated in MTEF/MTSS.
 - NASS and other stakeholders should be involved in MTSS prioritization
 - Need to respect the priorities of the MDA within the spending “envelope” given.

- vi. Capacity building for compliance with Due Process Mechanism/Public Procurement Act.
- MDAs need to come to terms with these initiatives
 - But then, they need adequate capacity for compliance with the procedures and processes
 - This implies adequate training and re-training of relevant officers.

vii. Capacity for project implementation

- Two aspects to this

- Consider a central deployment of technical/professional staff by Ministry of Works to Ministries that do not have in-house capacity to prepare BOQs & BEME. Alternatively, MDAs should procure their own consultant services, i.e, those who are not already doing so.
- Need for systematic training and re-training of various categories of professional officers connected with budget implementation and procurement. They need exposure on budget implementation processes and best practices.

viii. Funding of Projects

- Problem of insufficient funding of many projects is very real
 - Financial resources are spread so thinly over numerous projects. So, longer time is taken to complete them.
 - Phenomenon of uncompleted/abandoned projects all over the country.

- So, need for adequate prioritization by MDAs.
- Ensure that on-going projects are executed to conclusion before admitting new ones into the budgets.
- Government should avoid the temptation of allocating huge budget amounts to unprepared new projects while on-going ones are starved of funds
- Only the phase of a project that can be executed in a fiscal year should be funded.

ix. Monitoring and Reporting on Projects

- A compelling need for this by MDAs.
- Important for a high level budget implementation and project completion rates to be achieved.
- Set up M & E units where there are none and adequately empower all M & E units for greater effectiveness.

6. CONCLUSION

- Annual budget is an important instrument of power and governance.
- More importantly, it is a means for government to achieve the economic, social and political objectives of the country.

For this to happen, the budget must be well formulated and effectively implemented

- Most of the budget implementation challenges encountered in 2008 can be overcome in 2009.

Already, the government had implemented some measures to facilitate budget implementation in 2009 even before the Appropriation Act was enacted

- Also, signing of Appropriation Bill on March 10.
- MDAs have plans to perform better in 2009.

- But then, they need to come to terms with the realities of Public Procurement Act, understand it and build adequate capacity for compliance.
- They also need to imbibe the culture of spending efficiency and effective monitoring of their projects. The issue of spending efficiency is crucial

- Although funding was not a constraint in 2008, it may turn out to be the greatest challenge in 2009 against the backdrop of the present global financial and economic crises.
 - The revenue challenge is real
 - This and other challenges will have grave implications in 2009 for macroeconomic stability, economic growth and sustainable development of the country.

- Finally, there is need to restore confidence and certainty in the budget process. This can be achieved by:
 - Timely enactment of the budget
 - Adequate funding of on-going projects;

- Minimizing amendments to the Appropriation Bill by NASS
- And enforcement of budget discipline among MDAs through avoidance of lobbying of NASS for higher allocations