2009

2nd Quarter Budget Implementation Report

Budget Office of the Federation
Federal Ministry of Finance, Abuja

FOREWORD

It gives me great pleasure to present the 2009 2nd Quarter Budget Implementation Report. Budget implementation has attracted a great deal of attention in the 2009 fiscal year. This is not surprising as the Federal Budget is our principal policy instrument for allocating public resources among competing socio-economic needs, and holding the Ministries, Departments and Agencies of Government responsible for the expenditure and revenues over which they exercise control.

Section 30 of the *Fiscal Responsibility Act 2007* mandates the preparation and publication of Quarterly Reports to monitor and evaluate the implementation of the Annual Budget. These Quarterly Reports are required to be published to the Fiscal Responsibility Commission and the Joint Finance Committee of the National Assembly, and are to be widely disseminated to the general public and other stakeholders through electronic and other media. The 2009 1st Quarter Budget Implementation Report was duly published in May and the 2nd Quarter Report continues this reporting tradition.

I commend the Budget Office of the Federation for the hard work and effort involved in preparing this 2nd Quarter Budget Implementation Report. I also recognize the important role of both the Fiscal Responsibility Commission and the National Assembly's Joint Finance Committee in promoting best practices in public financial management, and look forward to continuing our cooperative work in this regard. Finally, I commend the readers of our in-year budget implementation reports for taking time to examine their contents and scrutinize the Government's performance in delivering on the promises inherent in the Budget. In this way, we can all contribute towards ensuring value for money in the utilization of public resources for the benefit of all Nigerians.

Dr. Mansur Muhtar, OFR

Honorable Minister of Finance

PREFACE

Under the *Fiscal Responsibility Act 2007*, the Budget Office of the Federation is responsible for assisting the Honorable Minister of Finance to monitor and evaluate the implementation of the Annual Budget. The Quarterly Budget Implementation Reports are one of many in-year reports prepared by the Budget Office of the Federation, and complement our Half-Year, and Full-Year Budget Implementation Reports. This in-year reporting function is part of our efforts, at the Federal Ministry of Finance, to promote budget openness, transparency and credibility as key components of our public financial management reforms.

A unique feature of the 2009 Budget is the greater emphasis placed on measurable targets and outputs against which the performance of Federal Ministries, Departments and Agencies (or MDAs) may be assessed. Accordingly, our periodic reporting work is in line with Mr. President's directive that greater emphasis should be placed on monitoring and reporting on the actual deliverables to be achieved by the MDAs with the financial resources made available to them.

Budget implementation has faced several challenges so far in the 2009 fiscal year. On the revenue side, the Government has been faced with lower than projected receipts of both oil and non-oil revenue. On the expenditure side, average capital budget implementation by the MDAs was rather low in the first quarter. The Budget Office's March 2009 Workshop identified key constraints on the execution of capital expenditure and throughout the second quarter of 2009 MDAs have worked to ameliorate these constraints. This has contributed to a higher capital expenditure execution rate in the second quarter of 2009. Revenue performance has improved in the second quarter of 2009 due to higher oil prices.

However, there is still considerable scope for greater efficiency in both revenue collection and budget execution. We expect these indices to improve in the final quarters of the year.

This 2nd Quarter Budget Implementation Report is a product of the collaborative work of various Departments of the Budget Office of the Federation. I congratulate the members of the team whose industry and collective efforts resulted in the preparation of this Report, and wish them every success as they continue this important reporting work.

Dr. Bright Okogu
Director-General, Budget Office of the Federation

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EXECUTIVE SUMMARY

The 2009 Budget focuses on enhancing the efficiency of government expenditure in view of critical resource limitations and ensuring macroeconomic stability. One approach adopted in the budgeting process was the linking of key projects and programme in the budget to deliverables associated with the 7-Point Agenda and the Government's other high level policy documents.

In the first half of 2009, data from the NBS demonstrates that economic growth was relatively robust and driven by growth in the non-oil sector, particularly the agricultural sector. Oil production averaged 2.1 million barrels per day (mbpd) in the second quarter compared to 2.05mbpd for the first quarter according to data from NNPC. Headline inflation on a year on year basis was 11.2%, down from 14.6% as at the first quarter, while broad money (M2) grew by 14.2% over the same period. However, interest rates remained high with the weighted average interbank call rate falling to 18.6%. The DAS/WDAS/RDAS rate depreciated by 17.2% year-on-year to N148.2/US$, the BDC rate also depreciated by 20.7% to N166.14/US$ over the same period while the external reserve levels dropped to US$43.19 billion by the end of June 2009.

Revenue from both oil and non-oil sources were below projections for the first half of 2009. The aggregate revenue available for distribution to the three tiers of government fell short of projected estimate of N1,791.7 billion by N461.33 billion (or 25.75%). At the Federal Government Budget level, oil revenue underperformed by N94.7 billion (or 19.55%) relative to the projected level of N484.54 billion. Similarly, non-oil revenue underperformed by N205.23 billion relative to the projected level of N441.38 billion. The total revenue available for implementation of the Federal Government Budget, (including the budgeted unspent balance of N150 billion for the first half of 2009 from the 2008 financial year), consequently fell short of its budgeted estimate of N1,132.6 billion by N363.43 billion (or 32.09%). This development shows clearly the challenges of implementing the 2009 Budget in the first half of 2009.

The 2009 Budget allocated about 93.2% of the capital budget to priority sectors in line with the Administration's Seven-point Agenda. Total releases for FGN budgetary expenditure in the first half of 2009 was N1.47 trillion. Of this amount, recurrent (non-debt) expenditure was N829.94 billion (or 56.46%), recurrent (debt) expenditure N100.04 billion (or 6.8%) while cash-backed capital expenditure and statutory transfers were N449.88 billion (or 30.06%) and N97.89 billion (or 6.6%) respectively. The FGN cash-backed releases in the first half of the year achieved about 95% of the budgeted amount.

The capital budget implementation averaged 42.92% in the first half of 2009 (i.e., N193.08 billion out of N449.88 billion cash-backed by the Office of the Accountant-General). Although lower than expected, this represents a significant improvement over the first quarter performance of about 21%. Of the 44 MDAs assessed, 25 (or 56%) of the MDAs (including Works, Power, Police, Education and Transport) performed below the overall average while 6 (or 14%) of the MDAs performed at an average rate of between 42.92% and 70%. However, 12 of the MDAs (or 27%) utilized over 70% of the capital vote released to them. Of note in this category are the FCTA, Aviation, and Niger Delta which improved from below average performance in the first quarter to 70.85%, 77.25% and 100% respectively in the half year. Furthermore, a number of MDAs including Power, Police, Education, and Transport whose performance is critical to the achievement of this administration's Seven-Point Agenda have consistently performed below average over the period.

In order to monitor and evaluate MDAs' implementation of the 2009 capital budget, officials from the Budget Office in collaboration with officials from selected MDAs conducted field visits to review specific capital projects. This review revealed practices which are reported in more detail in this Report.

In conclusion, due to the global economic crisis and the situation in the Niger Delta region, there has been a significant shortfall in oil and non-oil revenue. The Federal Ministry of Finance, its Budget Office and the Cash Management Committee have, however, worked in partnership with MDAs to ensure that the priority areas in the Seven-Point Agenda receive significant funding. Although the utilization of funds by MDAs remains below expectation, the average rate of utilization of capital releases has improved since the first quarter. As MDAs undertake measures to accelerate the execution of their projects and programmes, the rate of capital utilization should increase in the third and fourth quarters contributing to the achievement of this Administration's Seven-Point Agenda.

1.0 INTRODUCTION

1. The central theme of the 2009 Budget was on the actual deliverables that Ministries, Departments and Agencies of Government (MDAs)[1] were expected to complete. In line with this objective, the 2009 Budget provided a platform for wealth creation, poverty reduction and sustained economic diversification in enhancing non-oil sector growth. The Budget gave priority to completing on-going projects in the key sectors of the economy. The investments in these sectors were aimed at improving the quality of life of Nigerians, engendering sustainable development and, as encapsulated in the Seven-Point Agenda of this Administration, addressing infrastructural inadequacies, particularly in power and transportation, human capital development, food security and the development of the Niger Delta.

2. Based on a number of key assumptions flowing from the Medium-Term Fiscal Framework (MTFF) upon which the 2009 Budget was based, the total revenue accruable for distribution to the three tiers of government was projected at N1,791.7 billion for the 2009 half-year. This revenue target was not met due to the underperformance of both oil and non-oil revenue. In order to maintain essential expenditures the Government augmented revenue with funding from the Excess Crude Account and domestic borrowing.

3. Total government budgetary expenditure in the first half of 2009 fell short of the budgeted estimate of N1,550.89 billion by N80.74 billion (or 5.21%). While virtually all of the recurrent obligations were met, only about 84.68% of the capital budget vote was cash-backed due to revenue shortfall. However, the statutory transfers were fully expended within the period.

4. The remainder of this report is organized as follows: Chapter 2 undertakes a concise analysis of revenue and expenditure in the first half of 2009; Chapter 3 presents a macroeconomic analysis of the economic environment for budget implementation within the period; Chapter 4 provides a detailed account of capital budget implementation; Chapter 5 provides a brief conclusion to this report.

[1] This is discussed in more detail in the 2009 First Quarter Implementation Report

2.0 FINANCIAL ANALYSIS OF THE 2009 BUDGET IMPLEMENTATION

2.1 Key Assumptions and Projections

5. The 2009 Budget was based on the Medium-Term Fiscal Framework (MTFF). Table 1 summarizes some of this framework's key assumptions.

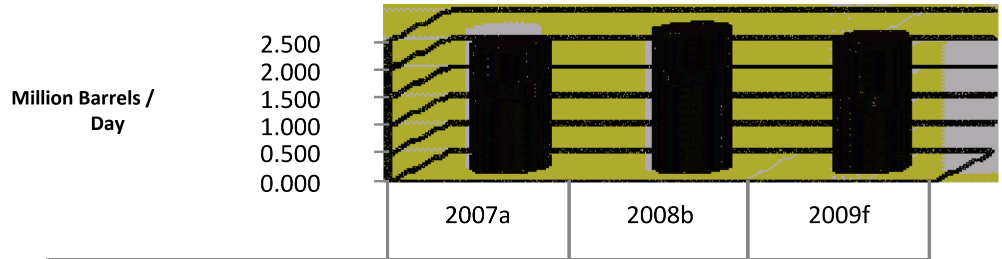
Table 1: 2009 Budget: Key assumptions and Targets for 2009 Budget

S/N	KEY ASSUMPTIONS & TARGETS	2009
1	Projected Production (in mbpd)	2.292
2	Production Quota (in mbpd)	1.88
3	Actual Production (Average [in mbpd] over first quarter)	2.05
4	Budget Benchmark Price (per barrel in US$)	45
	Technical cost of JV pbl to Oil Companies:	
5	Operating expenses (T1) in US$	6.38
6	Capital expenses (T2) in US$	4.93
	Technical cost of PSC/SC pbl to Oil Companies:	
7	Operating expenses (T1) in US$	7.46
8	Capital expenses (T2) in US$	14.88
	Technical cost of Gas:	
9	Operating expenses (T1) in US$	0.34
10	Weighted average rate of PPT - JV Oil	85%
11	Weighted average rate of PPT -PSC/SC Oil	50%
12	Weighted average rate of Royalties - JV Oil	19%
13	Weighted average rate of Royalties - PSC/SC Oil	1.75%
14	Average exchange rate (NGN/US$)	125
15	VAT Rate	5%
16	CIT Rate	30%
17	Weighted average import duty rate	14%

Source: Budget Office of the Federation, and NNPC

6. These assumptions were the product of an extensive review and analysis of underlying economic conditions. For instance, the oil revenue assumptions were adjusted for the risk of disruption to oil production given the challenges in the Niger Delta. The security situation there has further impacted revenues by causing shifts in oil production from Joint Ventures which yield more revenue to the Government to other less favourable business arrangements. *Chart 1* and *Table 2* below give a picture of the arrangements.

Chart 1: Breakdown of Oil Production by Business Arrangement 2007 – 2009



	2007a	2008b	2009f
Marginal Fields	0.000	0.000	0.015
Service Contracts	0.011	0.012	0.010
Independents	0.071	0.040	0.105
Prod. Sharing Contracts	0.526	0.607	0.760
Alternate Funding	0.326	0.244	0.302
Joint Ventures	1.283	1.547	1.100

Source: NAPIMS/NNPC

7. The 2009 Budget was based on an assumption of crude oil production of 2.292 million barrels per day (mbpd) compared to the assumption of 2.45 mbpd projected for the 2008 Budget. A Budget Benchmark Price of US$45 per barrel was adopted in view of the falling international price of oil and revised price expectations for the 2009 fiscal year. The weighted average rate for major oil taxes accruing to the Federal Government and other data are shown in *Table 2*.

2.2. Analysis of Revenue Performance

8. Based on the key assumptions in *Table 1* upon which the 2009 Budget was drawn up, the total revenue accruable for distribution to the three tiers of government was projected to be ₦895.85 billion for each quarter and ₦1,791.7 billion for half year ending in June 2009. However, oil production averaged 2.1 mbpd as at end of the second quarter as against the 2.292 mbpd budgeted for 2009. This oil production shortfall and the underperformance of non-oil revenue explain the non-achievement of the projected revenues as at end of the second quarter.

Table 2: Detailed Assumptions for Oil Production and Taxes

SHARE OF OIL PRODUCTION	PERCENTAGE
Joint Ventures	47.99%
Alternative Funding	13.18%
Production Sharing Contracts	33.16%
Independents	4.58%
Service Contracts	0.44%
Marginal	0.65%
Total Production	100.00%
PPT Rates	
Joint Ventures	85.00%
Alternative Funding	85.00%
Production Sharing Contracts	50.00%
Independents	85.00%
Service Contracts	30.00%
Weighted average – JV	85.00%
Weighted average - PSC/SC	49.70%
Royalty Rates	
Joint Ventures	18.50%
Alternative Funding	18.50%
Production Sharing Contracts	1.75%
Independents	18.50%
Service Contracts	1.75%
Weighted average – JV	18.50%
Weighted average - PSC/SC	1.75%

Source: Budget Office of the Federation and the Nigeria National Petroleum Corporation

9. The gross federally collectible revenue for 2009 was projected at ₦5,305.3 billion with a quarterly and half-year estimate of ₦1,326.32 billion and ₦2,652.65 billion respectively. Out of this sum, oil revenue was projected to contribute about 58.71% while the balance of 41.29% was expected to come from non-oil sources. That is, ₦3,114.82 billion, (or half yearly figure of ₦1,557.41 billion), was to come from oil sources while the balance of ₦2,190.48 billion (and half yearly projection of ₦1,095.23 billion) was expected from non-oil sources and other non-Federation Account items.

Oil revenue performance

10. On the oil revenue side, crude oil sales underperformed against the budgeted estimate of N923.21 billion by N91.76 billion (or 9.94%) as at end of the second quarter. Petroleum Profits Tax, Gas Tax, and Gas sales similarly underperformed against the budgeted estimates of N319.39 billion, N23.9 billion, and N126.62 billion by N43.66 billion (or 13.67%), N23.9 billion (or 100%), and N82.33 billion (or 65.02%) respectively. However, Royalties exceeded the budgeted estimate of N159.71 billion by N22.14 billion (or 13.86%) for the period. Indications from NNPC suggest that improvement in receipts in January 2009 from oil companies, which were indebted to government, is largely responsible for this. (Please see *Table 3* below).

11. The net oil revenue (after allowing for costs and other deductions) underperformed against the projections for the half year of 2009 by N195.4 billion or 19.56%. Similarly, net oil revenue receipts in the second quarter fell short of the quarterly budgeted estimate of N499.52 billion by N148.98 billion (or 29.82%) while against performance in the first quarter, it declined by N102.56 billion (or 22.63%). This underperformance was attributed to the inability to achieve the oil production target of 2.292 mbpd.

Non-Oil revenue performance

12. Revenue from non-oil taxes have been increasing considerably in recent years and this trend is expected to continue as reforms by the FIRS and NCS begin to yield results. The Federal Government in 2008 revised the Common External Tariff (CET) Book and also introduced fiscal policy measures aimed at expanding the production base and stimulating the economy. These measures were in the form of offering some protection to domestic industries, reducing operating costs and providing appropriate incentives for investors, among others.

13. The non-oil tax revenues are premised on the main assumptions of a significant growth rate in the relevant bases for the different taxes, the effective tax ratio of collection, and an efficiency factor to account for the operational improvements in the various tax administration agencies. The underlying tax bases for CIT, VAT and Customs Duty are Nominal GDP liable for CIT, Consumption liable for VAT and Import CIF respectively. However, a number of factors including the ongoing global economic downturn with its impact on the GDP and

international trade have contributed to underachievement of the non-oil revenue projections in the first half of 2009.

14. In response to the anticipated impact of the global economic crisis, with particular note of its impact on oil revenues, the Government focused on expanding the volume of revenues derivable from non-oil sources. Emphasis was placed on identifying and implementing measures to improve the efficiency and effectiveness in collection of non-oil revenue receipts by the appropriate agencies.

15. In the first quarter of 2009, the non-oil revenue receipts[2] achieved only about 66.51% of the budgeted quarterly estimates. However, the non-oil revenue receipts for the first half of 2009 was N552.64 billion (i.e., N280.86 billion or 33.7% less than the budgeted estimate of N833.5 billion for the period). The aggregate Value Added Tax (VAT) receipts for the first half of 2009 was N222.21 billion representing a shortfall of N67.79 billion (or 23.38%) from the budgeted estimate of N290 billion. Compared to the quarterly estimates, the VAT receipts of N108.81 billion in the second quarter underperformed by N36.19 billion (or 24.96%) while against the first quarter level, it declined by N4.58 billion (or 4.04%). Though the Companies Income Tax (CIT) and Customs and Excise Duties (Customs) receipts improved over receipts in the first quarter, both fell short of the quarterly estimates of N146.75 billion and N125 billion by N44.47 billion and N60.64 billion respectively. (Please see *Table 4* below). Consequently, net of collection costs, the non-oil revenues as at the end of the second quarter performed below the budgeted estimate of N792.66 billion by 33.55% (or N265.93 billion).

[2] See the 2009 First Quarter Budget Implementation Report

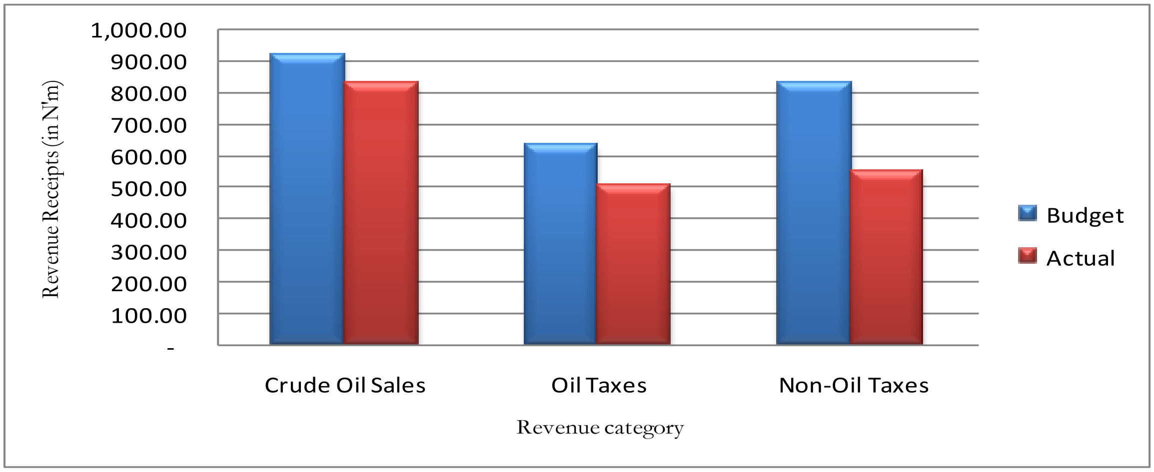
Table 3: Net distributable revenue as at June, 2009

S/N	DESCRIPTION	2009 ANNUAL BUDGET	QUARTERLY BUDGET	HALF YEAR BUDGET	2009 1ST QUARTER ACTUAL	2009 2ND QUARTER ACTUAL	2009 Half Year	VARIANCE 2ND QUARTER & QUARTERLY ESTIMATE		VARIANCE 2ND QUARTER & 1ST QUARTER		VARIANCE HALF-YEAR (ACTUAL) & HALF-YEAR (BUDGET)	
		₦ bns	₦ bns	₦ bns	₦ bns	₦ bns	₦ bns	₦ bns	%	₦ bns	%	₦ bns	%
	OIL REVENUE												
1	Crude Oil Sales	1,846.42	461.61	923.21	472.87	358.58	831.45	(103.02)	-22.32%	(114.29)	-24.17%	(91.76)	-9.94%
2	Petroleum Profit Tax (PPT)	638.78	159.70	319.39	149.30	126.43	275.73	(33.26)	-20.83%	(22.87)	-15.32%	(43.66)	-13.67%
3	Royalties	319.42	79.86	159.71	98.87	82.98	181.85	3.13	3.92%	(15.88)	-16.07%	22.14	13.86%
4	Gas Tax	47.80	11.95	23.90	0	0		(11.95)	-100.00%	-		(23.90)	-100.00%
5	Gas	253.23	63.31	126.62	26.18	18.11	44.29	(45.20)	-71.39%	(8.07)	-30.82%	(82.33)	-65.02%
6	Others	9.16	2.29	4.58	0.68	0.76	1.44	(1.53)	-66.70%	0.09	12.76%	(3.14)	-68.58%
7	**Sub-Total**	**3,114.82**	**778.70**	**1,557.41**	**747.89**	**586.87**	**1,334.76**	**(191.84)**	**-24.64%**	**(161.02)**	**-21.53%**	**(222.65)**	**-14.30%**
8	Joint Venture Cash Calls (JVCCs)	818.17	204.54	409.08	178.03	183.47	361.50	(21.07)	-10.30%	5.43	3.05%	(47.58)	-11.63%
9	Derivation	298.56	74.64	149.28	67.71	52.38	120.09	(22.26)	-29.82%	(15.33)	-22.64%	(29.19)	-19.55%
10	Excess Crude, PPT, Royalty	0	0	-	49.04	0.4798	49.52	0.48		(48.56)	-99.02%	49.52	-
11	**Sub-Total**	**1,998.09**	**499.52**	**999.04**	**453.10**	**350.54**	**803.64**	**(148.98)**	**-29.82%**	**-102.56**	**-22.63%**	**(195.40)**	**-19.56%**
	NON-OIL TAXES												
13	Value Added Tax (VAT)	580.00	145.00	290.00	113.39	108.81	222.21	(36.19)	-24.96%	(4.58)	-4.04%	(67.79)	-23.38%
14	Companies Income Tax (CIT)	587.00	146.75	293.50	101.34	102.28	203.62	(44.47)	-30.30%	0.94	0.92%	(89.88)	-30.62%
15	Customs & Excise Duties (Customs)	500.00	125.00	250.00	62.45	64.36	126.81	(60.64)	-48.51%	1.90	3.05%	(123.19)	-49.28%
16	**Sub-Total**	**1667.00**	**416.75**	**833.50**	**277.188**	**275.45**	**552.64**	(141.30)	**-33.91%**	(1.74)	**-0.63%**	(280.86)	-33.70%
	Less:			-									
17	*Cost of Collection – VAT*	23.20	5.80	11.60	4.54	4.35	8.89	(1.45)	-24.96%	(0.18)	-4.04%	(2.71)	-23.38%
18	*Cost of Collection – CIT*	23.48	5.87	11.74	4.05	4.09	8.14	(1.78)	-30.30%	0.04	0.92%	(3.60)	-30.62%
19	*Cost of Collection – Customs*	35.00	8.75	17.50	4.37	4.51	8.88	(4.24)	-48.51%	0.13	3.05%	(8.62)	-49.28%
20	**TO FEDERATION ACCOUNT**	**1,028.52**	**257.13**	**514.26**	**155.37**	**158.04**	**313.41**	(99.09)	**-38.54%**	2.67	**1.72%**	(200.85)	-39.06%
21	**TOTAL FEDERATION ACCOUNT**	**3,026.61**	**756.65**	**1,513.30**	**608.47**	**508.58**	**1,117.05**	(248.07)	**-32.79%**	(99.89)	**-16.42%**	(396.25)	-26.18%
22	**TOTAL NET NON-OIL REVENUE**	**1,585.32**	**396.33**	**792.66**	**264.23**	**262.50**	**526.73**	(133.83)	**-33.77%**	(1.73)	**-0.65%**	(265.93)	-33.55%
23	**TOTAL VAT POOL**	**556.80**	**139.20**	**278.40**	**108.86**	**104.46**	**213.32**	(34.74)	**-24.96%**	(4.40)	**-4.04%**	(65.08)	-23.38%
	TOTAL DISTRIBUTION												
1	Federation Account	3,026.61	756.65	1,513.30	608.47	508.58	1,117.05	(248.07)	-32.79%	(99.89)	-16.42%	(396.25)	-26.18%
2	VAT Pool Account	556.80	139.20	278.40	108.86	104.46	213.32	(34.74)	-24.96%	(4.40)	-4.04%	(65.08)	-23.38%
3	**Grand Total**	**3,583.41**	**895.85**	**1,791.70**	**717.33**	**613.04**	**1,330.37**	**-282.81**	**-31.57%**	**-104.29**	**-14.54%**	(461.33)	-25.75%

Source: The OAGF and Budget Office of the Federation

16. *Chart 2* below gives a pictorial overview of the revenue projections compared to the actual performance for the first half of 2009. The clear picture emerging from this is that Crude Oil Sales fell short of the projected sales figure while oil taxes performed below projected levels. Similarly, the non-oil taxes under-performed significantly against projections during the half part of 2009.

Chart 2: Projected Vs Actual FAAC revenues receipts (as at June 2009)



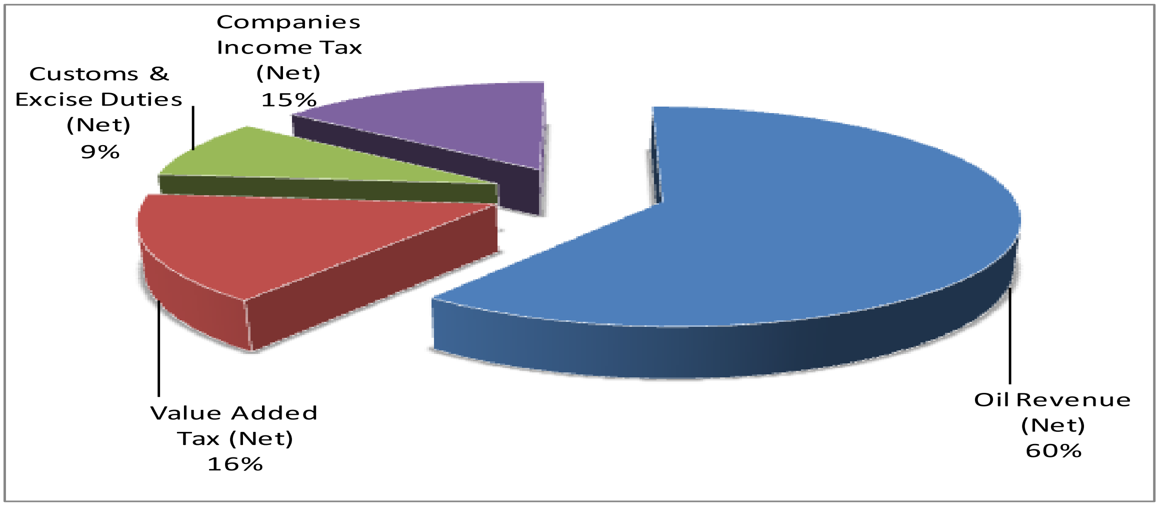
Source: Budget Office of the Federation

Distributable revenue

17. Total distributable revenue in the second quarter was N613.04 billion. This represents as shortfall of N282.81 billion (or 31.57%) compared to the budgeted quarterly amount of N895.85 billion. Distributable revenue underperformed due to the poor performance of oil and non-oil revenue. Net oil revenue performed poorly mainly because, due to disturbances in the Niger Delta, oil production remained below its budgeted volume. Non-oil revenue performed below expectations because of shortfalls in VAT, Customs and CIT. Furthermore, the distributable revenue in the first quarter exceeded the second quarter performance by N104.29 billion (or 14.54%). This data are presented in *Table 3* above.

At the end of the second quarter, the total actual amount distributable to the three tiers of government was ₦1,330.37 billion, representing a revenue shortfall of about N461.33 billion (or 25.75%). *Chart 3* below, shows the contribution of the revenue sources to this position.

Chart 3: Breakdown of Contribution to Distributable Revenue (as at June 2009)



Source: Budget Office of the Federation

2.3 FGN Budget revenue sources

18. In line with the existing revenue sharing formula, the FGN's share of revenue from the Federation Account for 2009 is estimated at ₦1,516.47 billion with other non-FAAC revenues contributing to a projected aggregate revenue of N2,265.21 billion. As presented in *Table 4* below, an inflow of about ₦1,132.6 billion was expected by end of June, 2009.

Table 4: Projected Inflows to the 2009 Federal Budget (in N' millions)

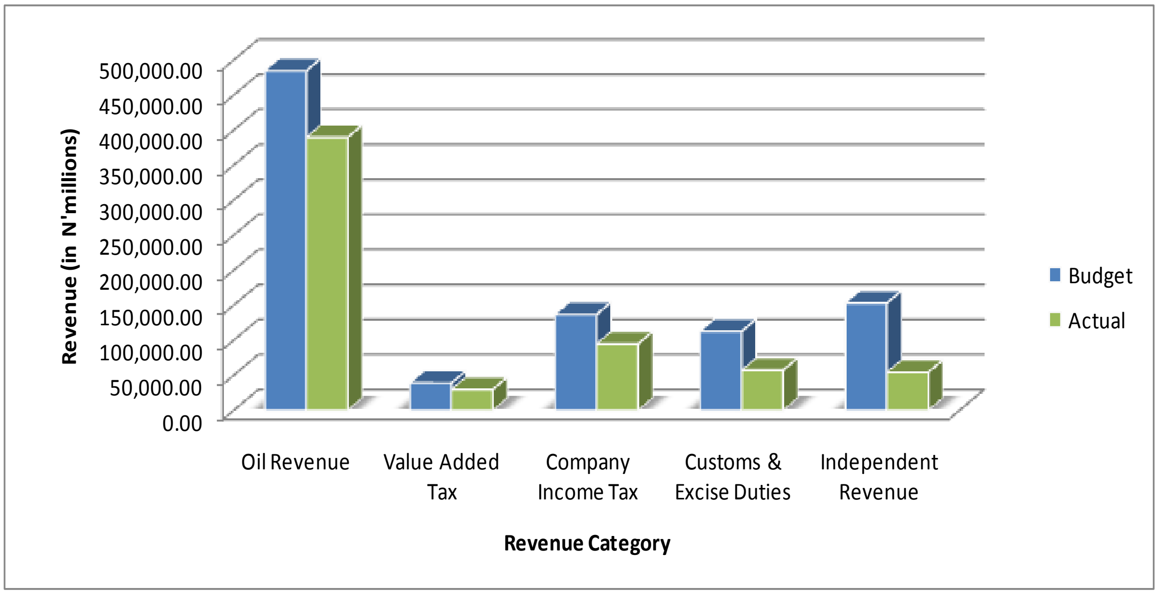
	DESCRIPTION	BUDGET		ACTUAL			VARIANCE (Half-Year)	
	Revenue inflows for the Federal Budget (CRF)	Annual	Est. (Jan-June)	First Quarter	Second Quarter	Half-Year (Jan-Jun)	Actual less Budget	%
a	**Share of Oil Revenue**	**969,071.32**	**484,535.66**	**219,771.92**	**170,013.14**	**389,785.06**	**(94,750.60)**	**-19.55%**
b	**Share of Non-Oil**	**882,754.20**	**441,377.10**	**119,754.16**	**116,389.66**	**236,143.82**	**(205,233.28)**	**-46.50%**
	Share of VAT	77,952.00	38,976.00	15,239.89	14,624.47	29,864.36	-9,111.64	-23.38%
	Share of CIT	273,307.20	136,653.60	47,185.12	47,620.62	94,805.74	-41,847.86	-30.62%
	Share of Customs	225,525.00	112,762.50	28,169.75	29,028.67	57,198.42	-55,564.08	-49.28%
	Independent Revenue	305,970.00	152,985.00	29,159.40	25,115.90	54,275.30	-98,709.70	-64.52%
c	FGN's Share of Actual Balances in Special Accts	48,565.76	24,282.88	**0.00**	**0.00**	**0.00**	**(24,282.88)**	**-100.00%**
d	FGN's Balances in Special Levies Accounts	64,818.27	32,409.14	**0.00**	**0.00**	**0.00**	**(32,409.14)**	**-100.00%**
e	FGN's Unspent Balances of previous Fiscal Year	300,000.00	150,000.00	**143,243.90**	**0.00**	**143,243.90**	**(6,756.10)**	**-4.50%**
	Sub-Total (Exc Unspent Bal. Of previous FY)	**1,965,209.55**	**982,604.78**	**339,526.08**	**286,402.80**	**625,928.88**	**(356,675.90)**	**-36.30%**
	Grand -Total	**2,265,209.55**	**1,132,604.78**	**482,769.98**	**286,402.80**	**769,172.78**	**(363,432.00)**	**-32.09%**

Sources: Budget Office of the Federation and the OAGF

19. As was the case in the first quarter of 2009, all the Federation Account (main and VAT pool) revenue items underperformed against their respective projections

in the 2009 Budget as at half year. The FGN's Budget share of oil revenue achieved about 80.45% (or N389.79 billion) of estimated receipt of N484.54 billion as at the end of the second quarter. Similarly, aggregate non-oil revenue receipts to the FGN budget (including FGN's: Independent Revenue, Share of Balances in Special Accounts, Share of Balances in Special levies Accounts, and Unspent balances of the previous Fiscal Year) underperformed against the projections of N441.38 billion by N205.23 billion or about 46.5% during the period (see *Table 4 above* and *Chart 4 below).*

Chart 4: FGN Budget revenue – Budget Vs Actual (as at June 2009)



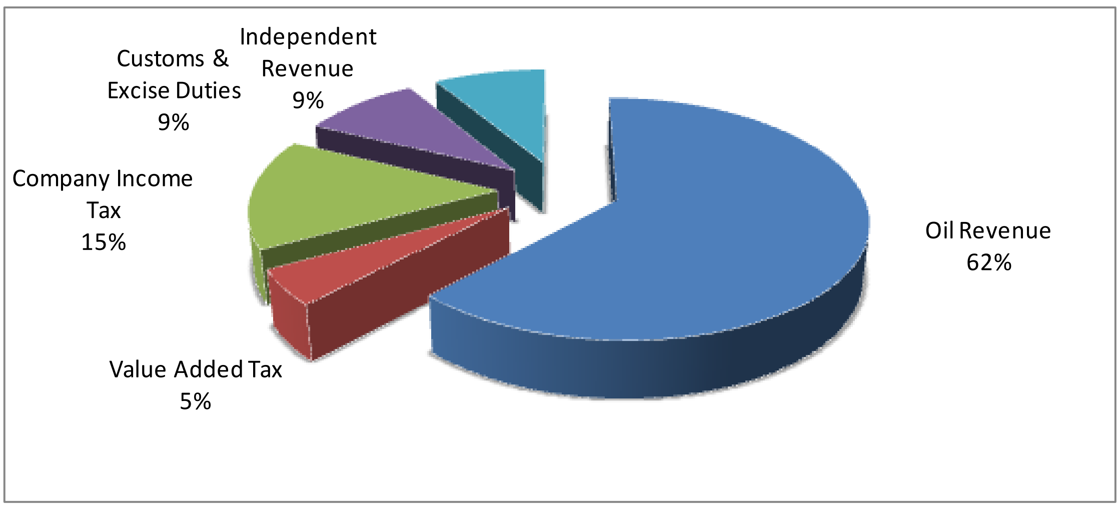
Source: The OAGF & Budget Office of the Federation

20. The aggregate sum of N181.87 billion was realized as the FGN's share from VAT, CIT and Customs compared to the budgeted estimate of N288.39 billion in the period. This represents an under-performance of this revenue group by N106.52 billion or 36.94% though the second quarter receipt in this revenue category recorded an improvement of N679 million over the N90.59 billion received as at the end of the first quarter. It is expected that as the year progresses, the performance in this category will pick up, as the historical trend has usually been for higher receipts in the second half of the year. The Federal Government Independent Revenue also underperformed by N98.71 billion (or 64.52%) as only N54.28 billion was realized against the expected sum of N152.99 billion in the period.

21. An estimated sum of N1,132.6 billion was projected to fund the FGN budget in the first half of 2009. However, as earlier indicated, the actual FGN Budget revenue receipts realized for the period was N625.93 billion bringing the

revenue shortfall to N356.68 billion or 36.3%. The 2009 Appropriation estimated Unspent Balance of the 2008 Capital vote at N300 billion though only N221.42 billion was harvested as aggregate balances as at January 2009. However, the Consolidated Revenue Fund (CRF) had a negative opening balance of N45.68 billion as at January 2009 while the sum of N32.5 billion capital release for Multi-year Tariff Order (MYTO) in December 2008 was only charged by the Central bank of Nigeria in January 2009. This results in the actual Unspent Balances of N143.24 billion drawn, as a financing item, in the first half of the year and brings the FGN Budget's aggregate revenue deficit to about 32.09% in the period. *Chart 5* below shows the percentage distribution of inflows into the FGN budget as at June 2009.

Chart 5: Actual percentage contribution to the FGN Budget revenue (as at June 2009)



Source: The OAGF and Budget Office of the Federation

22. While receipts from the revenue sources fell below projections due principally to actual production shortfall, the receipts from the non-oil sources underperformed against projections for various reasons including the cyclical nature of the revenue sources, the impact of the global economic downturn, and the over-ambitious projection of non-oil revenues. As a direct impact of this, funds were withdrawn from the Excess Crude Account to maintain essential expenditures.

2.4 Excess Crude Account

23. The Excess Crude Account (ECA) holds the revenue in excess of the budgeted revenue that is based on the oil benchmark price. In 2009, the Federal Budget was predicated upon a benchmark oil price of US$45 per barrel. Inflows to the Excess Crude Account (ECA) as at end June 2009 amounted to N49.52 billion. The reduced accruals into the ECA in 2009 clearly reflect the challenges on the oil

production side as well as on the side of price when compared to the situation in 2008. The performance of the Excess Crude Account during the first half of 2009 is presented in *Table 5*.

Table 5: 2008 Actual Vs Actual Inflow into the Excess Crude A/C (as at June 2009)

Description	2008		2009
	Actual	Half Year (Jan – Jun)	Half Year (Jan – Jun)
	N'Bn	N'Bn	N'Bn
Crude Oil Sales	1728.45	831.30	37.17
Petroleum Profit Tax (PPT)	706.03	308.66	0
Royalties	247.56	120.55	12.35
Total	2,682.04	1,260.51	49.52

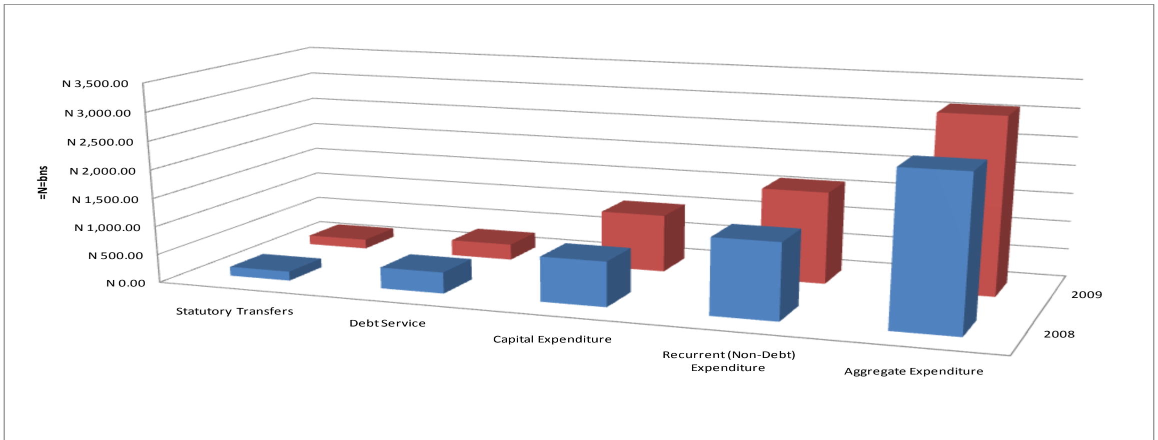
Source: Office of the Accountant-General of the Federation

2.5 Expenditure Developments

24. A total sum of N3.1018 trillion was appropriated by the National Assembly for the 2009 fiscal year. Out of this amount, N1.0223 trillion (or about 33%) was for Capital and Development Funds. Recurrent (non-debt) Expenditures got an allocation of N1.627 trillion (or 52.4% share of the budget), Debt Service was allocated N283.65 billion (representing 9.2% of the budget), while Statutory Transfers has 5.4% share of the budget amounting to N168.62 billion. As in previous years, MDA expenditures had a larger share of the budget with an enhanced figure of N2.6475 trillion as against the 2008 figure of N1.782 trillion representing an increase of 48.54%. (This increase in 2009 over 2008 in expenditure is represented in *Chart 6* below).

25. In line with the Government's national economic development plans, the 2009 Budget invests in growth and development with an emphasis on the need to complete ongoing projects. This was with a view to ensuring real impact on the citizens despite reduced resources from oil revenue. In this respect, funds allocations to priority sectors took a substantial percentage of capital approvals thus: critical infrastructure 45.5%, security 8.7%, land reform and food security 13.6%, human capital development 15.7%, Niger Delta 9.7%, while 6.8% was approved for other sectors. *Chart 7* further presents this breakdown.

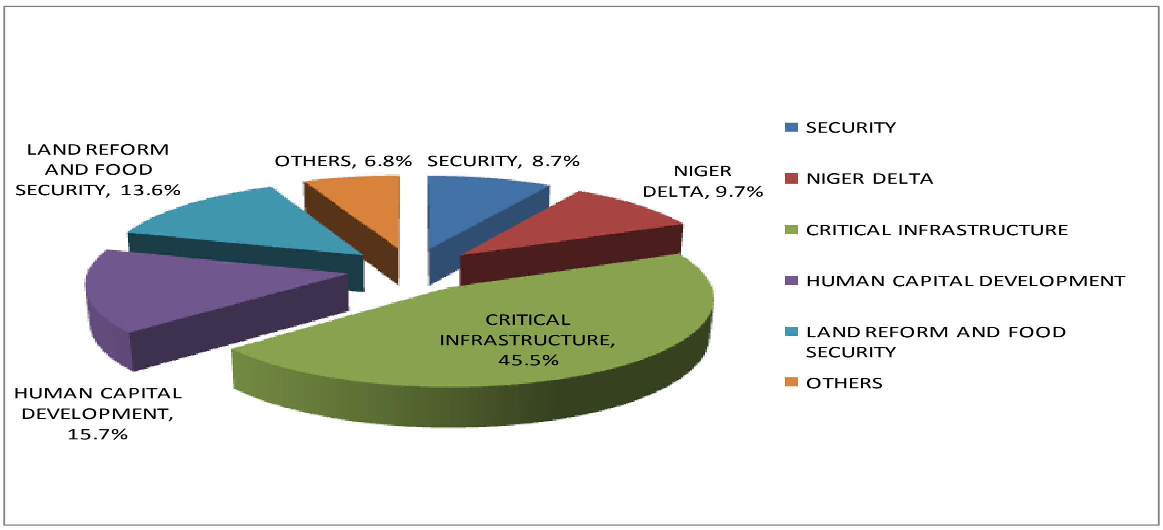
Chart 6: 2008 Amended Budget vs. 2009 Budget Expenditure Profile



	Statutory Transfers	Debt Service	Capital Expenditure	Recurrent (Non-Debt) Expenditure	Aggregate Expenditure
2008	N 162.57	N 372.20	N 785.17	N 1,327.55	N 2,647.49
2009	N 168.62	N 283.65	N 1,022.26	N 1,627.29	N 3,101.82

Source: Budget Office of the Federation

Chart 7: Priority Sectors Capital Budget allocations in the 2009 Budget

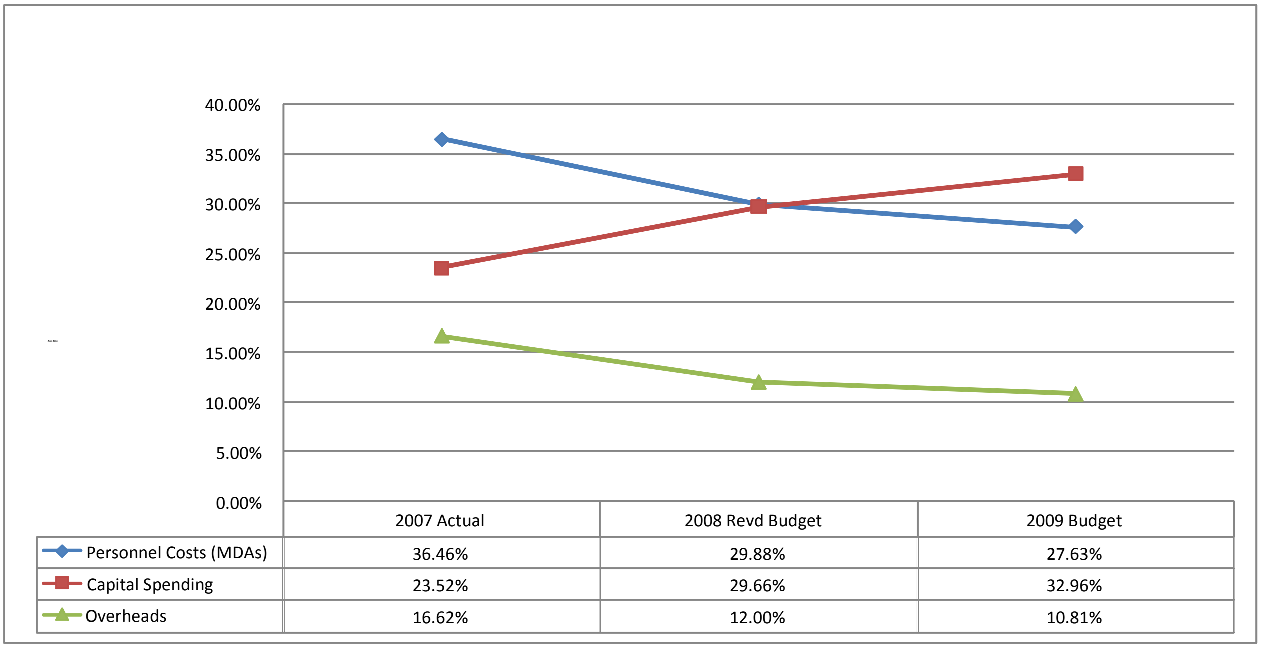


Source: Budget Office of the Federation

2.5.1 Non-Debt Recurrent Expenditure

26. Recurrent expenditure has been rising in absolute terms over the last three years in tandem with the increasing levels of annual aggregate expenditure. In line with revenue constraints, and the need to develop the national economy through improvements in infrastructure, security, and the real sectors of the economy, the Government has taken steps to curb recurrent expenditures. As seen in *Chart 8* below, both Personnel and Overhead costs are falling as a percentage of aggregate expenditure.

Chart 8: Payroll, Overhead & Capital Expenditure Trends (2007 – 2009)



Source: Budget Office of the Federation

27. In the first half of 2009, the Federal Government's actual non-debt recurrent expenditure amounted to N829.94 billion compared to the budgeted estimate of N793.49 billion. Recurrent (non-debt) expenditure exceeded the budgeted estimate by N36.45 billion (or 4.59%). The operational system of personnel cost release was largely responsible for this variance. By this practice, bulk release of the projected personnel cost of some MDAs like the Department of Petroleum Resources, Petroleum Training Institute, and Nigeria's overseas missions, Food and Agriculture Organization, Nigeria's defence missions, and the UNESCO Paris are made to the MDAs at the beginning of the year. The actual recurrent debt expenditure in the first half of 2009, however, fell short of its budgeted estimate of N141.83 billion by N41.79 billion (or 29.46%). Total recurrent expenditure consequently achieved 99.43% of budget in the first half of 2009. Please see *Table 6* below.

Table 6: FGN Budget Expenditure and Fiscal Account (in N' millions)

FGN EXPENDITURE	Budget		Actual			Variance		Variance	
	Annual	Half-Year Budget	First Quarter	Second Quarter	Half-Year	Diff btw 2nd Quarter & 1st Quarter	% Achieved	Diff btw Half-Year Budget & Actual	% Achieved
RECURRENT (Non-Debt)									
Personnel Cost	856,892.00	428,446.00	228,331.02	223,789.66	452,120.68	- 4,541.36	98.01%	23,674.68	105.53%
Pension	161,592.00	80,796.00	29,223.80	47,287.00	76,510.80	18,063.20	161.81%	- 4,285.20	94.70%
Pension Redemption Funds		-	9,024.93	8,649.90	17,674.83	- 375.03	95.84%	17,674.83	
Overhead Cost	568,493.00	284,246.50	119,356.97	164,275.20	283,632.17	44,918.23	137.63%	- 614.33	99.78%
Sub Total	**1,586,977.00**	**793,488.50**	**385,936.72**	**444,001.76**	**829,938.48**	58,065.04	115.05%	36,449.98	104.59%
RECURRENT (Debt)									
Domestic Debts			- 6,830.40	85,124.01	78,293.61	91,954.41	-1246.25%	- 63,531.39	
Interest on Ways & Means	283,650.00	141,825.00	1,351.75	669.34	2,021.10	- 682.41	49.52%	2,021.10	70.54%
Foreign Debts			10,957.76	8,764.90	19,722.66	- 2,192.86	79.99%	19,722.66	
Sub Total	**283,650.00**	**141,825.00**	**5,479.12**	**94,558.25**	**100,037.37**	89,079.13	1725.79%	- 41,787.63	**70.54%**
Total Recurrent	**1,870,627.00**	**935,313.50**	**391,415.84**	**538,560.01**	**929,975.85**	**147,144.17**	**137.59%**	**- 5,337.65**	**99.43%**
CAPITAL EXPENDITURE									
Total Capital Releases (cash-backed)	**1,062,556.00**	**531,278.00**	**160,243.16**	**289,637.47**	**449,880.63**	**129,394.31**	**180.75%**	**- 81,397.37**	**84.68%**
STATUTORY TRANSFER									
Transfer (15% NDDC)	51,310.00	25,655.00	-	12,829.40	12,829.40	12,829.40		- 12,825.60	50.01%
National Judicial Council	78,000.00	39,000.00	39,000.00	19,500.00	58,500.00	- 19,500.00	50.00%	19,500.00	150.00%
Universal Basic Education	39,300.00	19,650.00	8,891.34	10,760.20	19,651.54	1,868.86	121.02%	1.54	100.01%
Refund of Signature Bonuses	-	-	-	6,914.40	6,914.40	6,914.40		6,914.40	
Sub Total	**168,610.00**	**84,305.00**	**47,891.34**	**50,004.00**	**97,895.34**	2,112.66	104.41%	13,590.34	**116.12%**
TOTAL EXPENDITURE	**3,101,793.00**	**1,550,896.50**	**599,550.34**	**878,201.48**	**1,477,751.83**	**278,651.14**	**146.48%**	**- 73,144.67**	**95.28%**
Deficit / Surplus	**- 836,583.45**	**- 418,291.72**	**204,246.97**	**- 994,102.91**	**- 364,042.56**	**- 1,198,349.88**		**54,249.16**	**87.03%**
FINANCING ITEMS									
Signature Bonus	124,997.00	62,498.50	-	-		-		- 62,498.50	
Proceeds of Sale of FGN Properties			-	-		-		-	
Domestic borrowing (FGN Bond)	524,108.00	262,054.00	-	263,000.00	263,000.00	263,000.00		946.00	**100.36%**
Return from ADB	25,000.00	12,500.00	-	-		-		- 12,500.00	
Privitization Proceed	100,000.00	50,000.00	-	-		-		- 50,000.00	
International Bond	62,500.00	31,250.00	-	-		-		- 31,250.00	
Sub Total	**836,605.00**	**418,302.50**	**-**	**263,000.00**	**263,000.00**	**263,000.00**		**- 155,302.50**	62.87%
Net Deficit / Surplus	**-**	**-**	**204,246.97**	**- 731,102.91**	**- 101,042.56**	**- 935,349.88**		**- 101,042.56**	

Source: The OAGF

2.5.2 Debt Service

28. The Federal Government's securitized domestic debt increased from N2,320.31 billion as at end of 2008 to N2,487.83 billion as at end of the first

quarter of 2009 to leave outstanding the sum of N2,812.79 billion as at end of the first half of 2009. This represents a net increase of about 21.22% over the 2008 position due to new issuances of FGN Bonds and Nigeria Treasury Bills (NTBs) over the period. The outstanding domestic debt figure is made up of FGN Bonds (63.22%), NTBs (22.82%), Treasury Bonds (13.94%), and Development Stocks (0.02%). The FGN expenditure[3] on domestic debt service in the first half summed up to about N78.293 billion.

29. Data from the Debt Management Office indicate that the Federal Government's stock of external debt as at end of the first quarter[4] of 2009 was US$3,627.5 million, representing a 2.5% reduction from the 2008 balance of US$3,720.36 million as at December 2008. However, as at end of the first half of the year, the outstanding external debt stood at about US$3,719.24 million. Of this amount, liabilities due to Multilateral Institutions accounted for US$3,219.65 million (or 86.57%) while the balance of US$499.59 million or 13.43% was owed to other (Non-Paris) categories of creditors. The increase in the external debt stock between March 2009 and end of the first half of 2009 was due to additional disbursements in Multilateral Institutions group which increased from US$3,093.24 million to US$3,219.65 million. The Non-Paris Club group reduced from US$534.26 million in March 2009 to US$499.59 million as at end of the first half. The FGN expenditure on external debt service in the first half summed up to N19.72 billion (about US$136.02 million).

2.5.3 Statutory Transfers

30. Statutory transfers are made to the Niger Delta Development Commission (NDDC), the National Judicial Council (NJC), and the Universal Basic Education Commission (UBEC). The transfer to the NDDC is geared towards development of the oil producing Niger Delta region while that for the NJC is for the provision of a secured and independent revenue source for the judicial arm of government. The transfer to UBEC is aimed at funding the Government's programmes of attaining minimum level of basic education in the country. In the first half of 2009, statutory transfers achieved 16.12% over the budgeted estimate of N84.31 billion. This is largely accounted for by the advance release of N19.5 billion to the NJC in lieu of the commission's third quarter entitlement. It is expected that NJC will receive the total amount it has been budgeted to receive in the 2009 budget by the end of the fourth quarter.

[3] See Table 6 (FGN Budget Expenditure and Fiscal Account) of this Report.
[4] This decrease in external debt position was explained in the First Quarter Budget Implementation Report.

2.5.4 Capital Expenditure Performance

31. In line with the policy of transitioning towards a performance-based-budgeting system as adopted by this Administration, the Government is committed to ensuring accountability, transparency and the judicious utilization of funds allocated to MDAs. In this regard, efforts are being made to institute a feedback mechanism aimed at deriving value for money expended by Government on capital projects while ensuring prompt release of Capital Warrants[5] beginning from the first quarter. This policy requires that measurable deliverables by which MDAs' performance would be evaluated should be identified and attached to the MDAs' key projects and programmes to afford Government the opportunity to report on the implementation of the annual budget.

32. The total capital budget releases of N460.1 billion, made up of N187.68 billion, N222 billion and N50.41 billion for the first quarter, the second quarter, and through Authority to Incur Expenditure (AIE) respectively, was made in the first half of 2009 indicating a 22.42% increase in releases in the second quarter compared to the first quarter. The early disbursement of the capital vote based on the 2008 Amendment Budget accounts for this. About 45% of the 2009 capital vote had been released as at the half year. Of this, the Office of the Accountant-General of the Federation cash-backed N449.88 billion. However, as at the end of the first half of 2009, only N193.08 billion (or 42.92%) of the total amount cash-backed had been utilized by the MDAs. (*Appendix 1*of this Report shows the capital performance for MDAs as at end of the second quarter of 2009, and a comparative table of MDAs' capital budget utilization in the first and second quarter).

33. A review of the 44 MDAs reported on (in Appendix 1), shows that 26 (or 59%) of the MDAs (including Works, Housing & Urban Development; Power; Police Affairs/Formation and Commands; Education; and Transport) had a utilization rate below the overall average utilization rate of 42.92%. Six (6 or 14%) of the MDAs (including Agriculture and Water Resources, Defence, Commerce and Industry, Interior, and Science and Technology) performed at an average rate of between 42.92% and 70%. However, 12 (or 27%) of the MDAs utilized over 70% of the capital vote releases to them. Of note in this last category are the Federal Capital Territory Administration Ministry (improved from 0% in the first quarter to 70.85%), the Federal Ministry of Aviation (improved from 0.79% in the first quarter to 77.25%), and the Federal Ministry of the Niger Delta (improved from 0% in the first quarter to 100%). Furthermore, it is observed that a number of

[5] This was discussed in more detail in the 2009 First Quarter Implementation Report.

MDAs have performed consistently below the respective overall average rate of 20.68% and 42.92% in the first quarter and second quarter respectively. Some MDAs key to the achievement of this Administration's Seven-Point Agenda including Police Affairs/Formation and Commands, Education, Transport, and Power were found in this category.

34. Highlights of the performance of seven key MDAs sampled in view of their relevance to the achievement of this Administration's Seven-Point Agenda, and their capacity is shown in *Table 7* below. This extraction from *Appendix 1* shows a significantly low level of utilization by the sampled MDAs. Some MDAs substantially increased their utilization rates in the second quarter, but others actually utilized less funds in the second quarter.

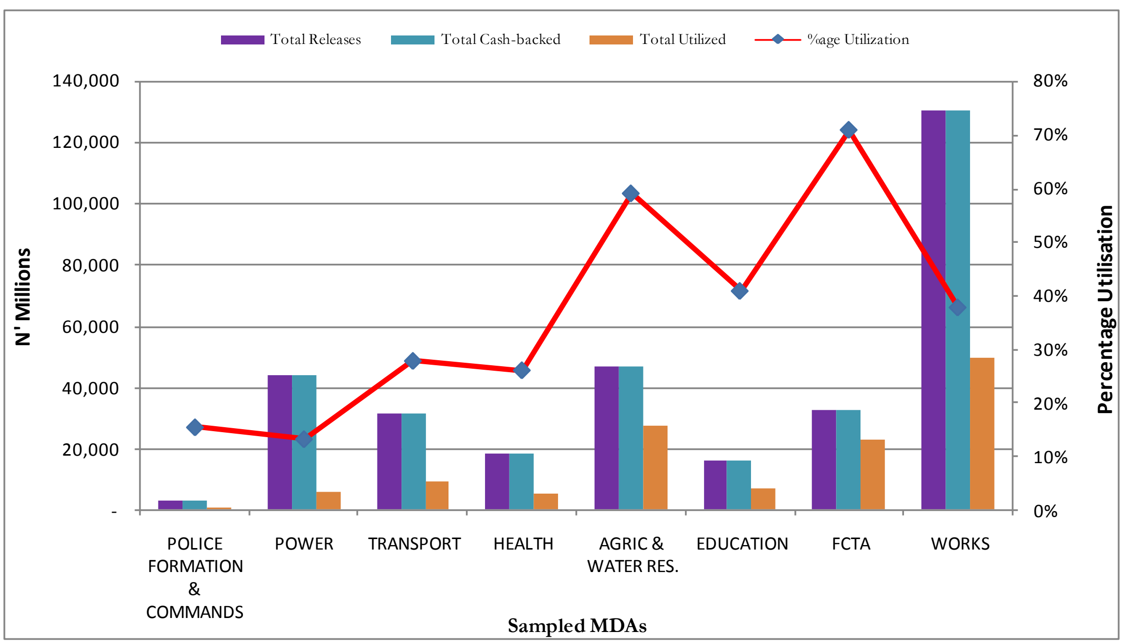
35. A further review of the utilization rates indicates that about 9% of the MDAs with a utilization rate above the overall average in the first quarter dropped significantly in their utilization ratios as at end of the first half of the year. MDAs in this category include Works, Housing and Urban Development (from 71.68% to 37.76%), and Foreign and Intergovernmental Affairs (from 64.19% to 9.41%). This may however be connected with the impact of seasonal changes in climatic conditions on construction projects and hence the changes in capital expenditure execution rates in some MDAs. The Federal Ministry of Agriculture and Water Resources achieved a 59.01% capital utilization rate in the second quarter as against a 6.51% utilization rate in the first quarter when the planting season was yet to take off. *Chart 9* below further shows the performance of these sampled MDAs. The implementation report on these MDAs' capital projects/programmes as at the end of the second quarter of 2009 is presented in the Chapter 4 of this Report.

Table 7: A Sample MDAs' Capital Budget Utilization Report as at June 2009 (in N' millions)

MDA	First Quarter Release	Second Quarter Release	Payments Through AIEs	Total Releases	Total Cash-backed	Total Utilized	%age Utilization
POLICE FORMATION & COMMANDS	2,801.43	-	-	2,801.43	2,801.43	431.55	15.40%
POWER	28,324.87	15,502.48	-	43,827.35	43,827.35	5,778.57	13.18%
TRANSPORT	1,539.85	16,060.20	13,805.28	31,405.33	31,405.33	8,724.73	27.78%
HEALTH	13,633.45	4,577.39	-	18,210.84	18,155.91	4,727.38	26.04%
AGRIC & WATER RES.	26,887.32	19,799.70	-	46,687.02	46,560.41	27,475.67	59.01%
EDUCATION	12,622.07	3,511.90	-	16,133.97	16,118.70	6,580.51	40.83%
FCTA	3,178.63	29,046.37	-	32,225.00	32,225.00	22,832.97	70.85%
WORKS	29,128.87	101,355.19	-	130,484.06	130,484.06	49,265.04	37.76%
Total average utilization (by all MDAs)							**42.92%**

Source: The OAGF and BOF

Chart 9: Pictorial representation of selected MDAs utilization



Source: BOF and OAGF

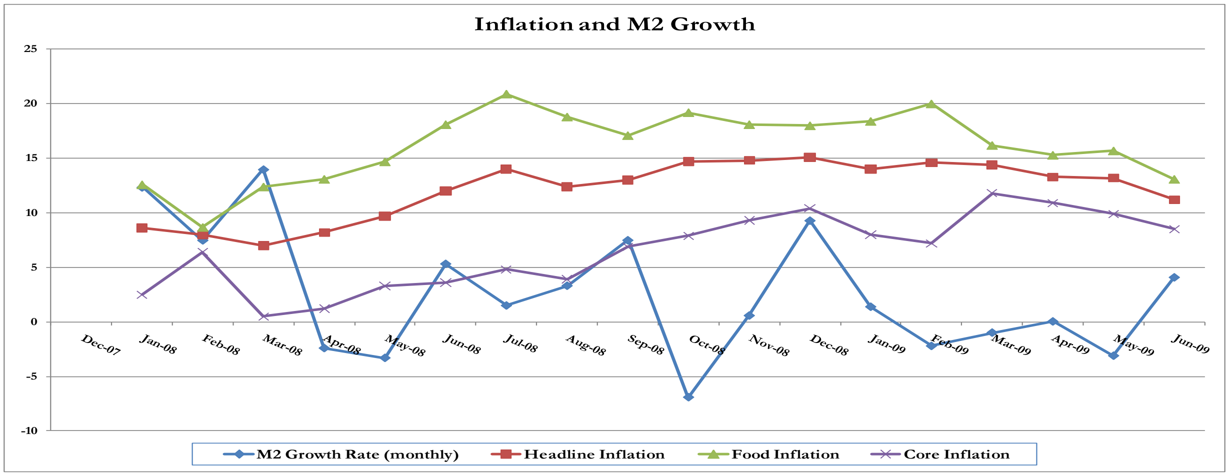
3.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

36. From preliminary indications, economic growth in the first half of 2009 was driven by growth in the non-oil sector, particularly the agricultural sector. Based on provisional data from the NBS, agriculture is estimated to have made the most significant contribution to non-oil GDP growth in the second quarter of 2009. It is estimated that real GDP grew by 6.73% in the second quarter as against 4.85% in the first quarter of the year. According to the NNPC's Quarterly Petroleum Information Report, a daily average production of 2.1 mbpd was achieved in the first half of 2009 which is an improvement over the average production of 2.05mbpd in the first quarter of 2009. However, this is below the budget benchmark production target of 2.292mbpd. Although the Niger Delta crisis presents downside risks to achieving a higher production rate, we expect that production levels will rise as efforts to resolve the conflict yield results.

37. Starting in February headline inflation began to trend downwards over the course of the first half of 2009. Data for June 2009 shows a year-on year rate of 11.2% representing a drop of 3.2 percentage points from 14.4% reported at the end of the first quarter of 2009. According to the NBS, the trend in headline inflation year-on-year is largely driven by the food index which peaked at 20% this year in the month of February but slowed to 13.1% by the end of June 2009. Core inflation dropped to single-digit levels, slowing down to 8.5% as at June 2009.

38. Data from the CBN show that broad money (M2) grew by 14.2% year on year till end of June 2009. This growth was largely driven by growth in credit to the government as it grew by 5.7% from May to June 2009. However, credit to the private sector grew by only 0.6% while the Net Foreign Asset position dropped by 0.9% over the same period. *Chart 10* below shows the inflation and broad money supply growth between January 2008 and the end of the second quarter of 2009. The growth in credit to the government has been ascribed to the increase in the holdings of government securities by Deposit Money Banks (DMBs).

Chart 10: Inflation and M2 Growth Rate

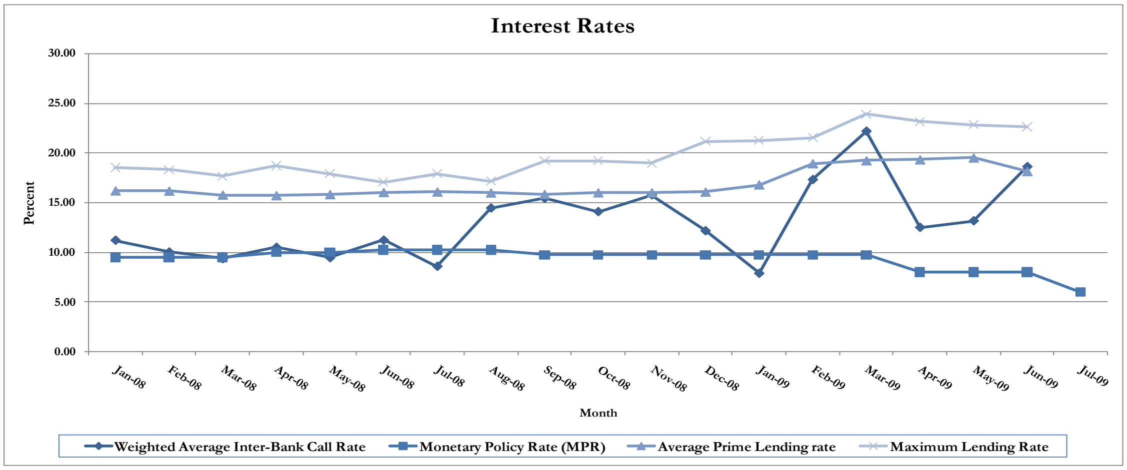


Source: CBN, NBS

39. The CBN lowered the Monetary Policy Rate (MPR) by 200 basis points to 6% in June 2009 from 8%, a rate which had been maintained for the 3 months prior to the reduction. According to the CBN, this reduction is a part of its wider strategy of attaining convergence between the MPR and interbank rates by utilising indirect monetary easing methods to increase the flow of credit within the system through restoration of the interest rate corridor. The key interest rates all dropped by the end of the second quarter of 2009 when compared to their levels at the end of the first quarter. The average and prime lending rates fell by 6% and 5% respectively while the weighted average interbank call rate fell from a high of 22.15% at the end of the first quarter to 18.6% at the end of the second quarter. The trend in interest rates between December 2007 and June 2009 is represented in *Chart 11*.

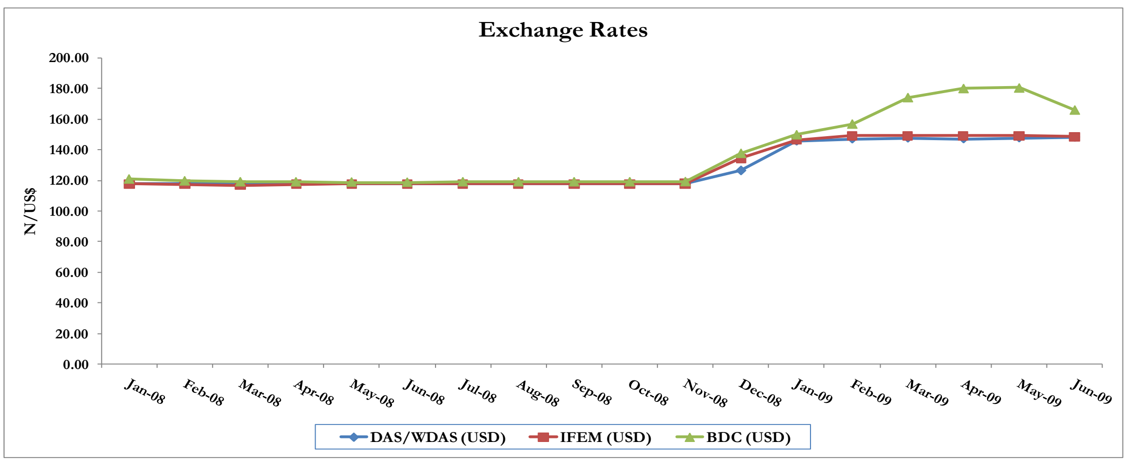
40. Exchange rate stabilisation has posed a challenge for the CBN in recent times; in particular, the volatility in international oil prices has had a major impact on crude oil earnings and thus the Naira/Dollar exchange rate. In May 2009, the CBN decided to return to a liberalised exchange rate regime as opposed to the controls that had been introduced earlier in the year. Hence the interbank foreign exchange market was liberalised and the WDAS replaced the RDAS. According to the CBN, the data shows increased stability which has led to a narrowing of the gap between the RDAS and BDC rates. The Naira exchange rate trends against the US$ are shown in *Chart 12* below.

Chart 11: Interest Rates Trend



***Source**: Central Bank of Nigeria, 2009*

Chart 12: Naira/US$ Exchange Rates Trend

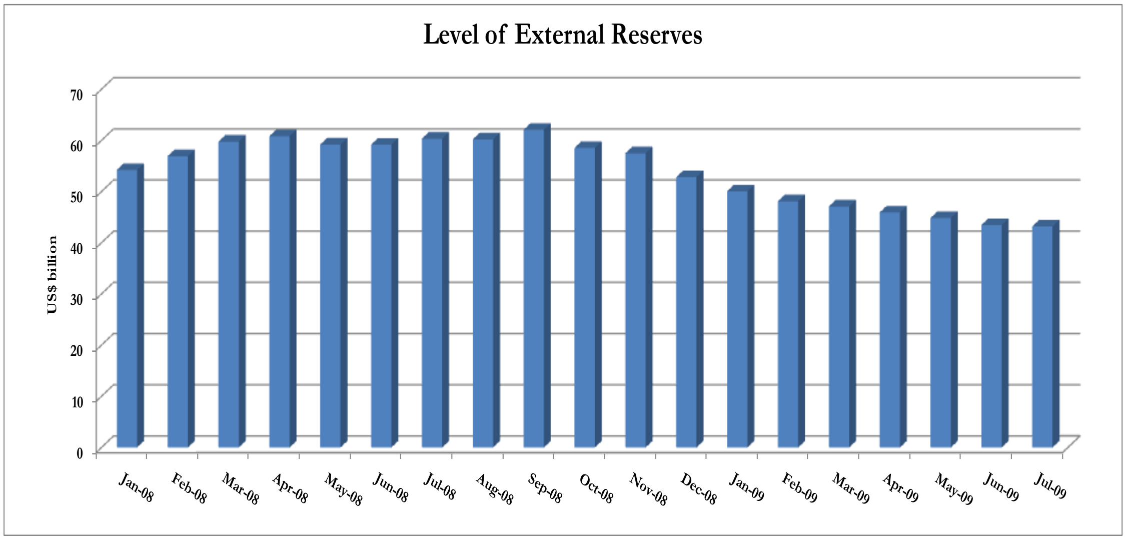


***Source:** Central Bank of Nigeria, 2009*

41. Oil revenue was lower in the second quarter of 2009 than the first quarter. This decline occurred despite increases in the average market price for oil and average oil production from the first quarter compared to the second quarter of 2009. A reason for this apparent paradox is that although average production was on the increase, there was a shift in production away from business arrangements (such as the Joint Ventures) which favour the Government to other arrangements (such as the Production Sharing Contracts) which are less favourable. Consequently, oil revenues, which account for a large portion of the country's foreign exchange earnings, have continued to decline over the second quarter of the year. The country's external reserves which have been on the decline since late 2008 stood at US$43.19 billion as at the end of the second quarter of 2009. *Chart 13*

below depicts this position. The macroeconomic environment as summarized above provides the backdrop against which the 2009 Budget is being implemented.

Chart 13: Nigerian External Reserves Trend



Source: *Central Bank of Nigeria, 2009*

4.0 CAPITAL PROJECTS IMPLEMENTATION REPORT

4.1 Introduction

42. In line with Mr. President's 7-Point Agenda, 93.2% of the capital vote in the 2009 Budget was allocated to certain priority sectors. These focus on Critical Infrastructure – Transport [Rail], Power, Works, Housing and Urban Development [Roads], and the Federal Capital Territory Authority; Police; Food Security [Agriculture & Water Resources]; the Niger Delta; and Human Capital Development [Education and Health]. This chapter seeks to undertake a detailed review of the execution of selected sectors' execution of their capital budgets.

43. The capital budgetary allocations to these MDAs were a product of a rigorous exercise aimed at deriving value for every kobo expended by the government on capital projects[6]. In this process, a number of measurable deliverables by which the MDAs' performance will be measured in 2009 are outlined in *Table 8* below.

44. Further to Mr. President's assent to the 2009 Budget Bill, the second quarter of 2009 witnessed increased capital releases compared to the first quarter releases which were based on the 2008 Amendment Budget. The average rate of capital utilization also increased in the second quarter of 2009. There were a number of reasons for this. Firstly, some MDAs were able to address the constraints on capital expenditure identified in the Workshop on Budget Implementation, Monitoring and Evaluation that was held in March 2009. Secondly, by the second quarter of 2009, MDAs had gained a greater understanding and knowledge of the procedures used in the decentralized procurement process. Finally, the Cash Management Committee's work positively impacted on the capital budget implementation within the first half of 2009. Specifically, the Committee ensured the timely distribution of available capital budget funds to specific MDAs particularly in view of the seasonal nature of their projects' implementation.

[6] This was discussed in more detail in the 2009 First Quarter Capital Budget Implementation Report

Table 8: Deliverables/Targets of Key Sectors in the 2009 Budget

S/No	MDAS	TARGET/DELIVERABLES TO NIGERIANS IN 2009 FISCAL YEAR
i.	Power	▪ Attain 6,000 mw of electricity power generation and distribution by December 2009; ▪ Acquire capacity to deliver 1.2bn scf of gas to the domestic market.
ii.	Works, Housing & Urban Development	▪ To complete the construction and rehabilitation of 3,293 km of roads; ▪ Maintain over 10,000 km of federal roads annually over the next 3 years; ▪ Zonal intervention road projects to cover about 2,400km of roads
iii.	Health	▪ To complete the upgrading and modernization of three Teaching Hospitals (Awka, Calabar and Ile-Ife); ▪ To complete the upgrading and modernization of 7 Specialist Hospitals (Kaduna, Lagos, Kano, Calabar, Enugu, Maiduguri and Abeokuta)
iv.	Internal Security	▪ The police targeted to reduce crime by 40% through in 7 cities of the federation in 2009 (i.e., Abuja, Lagos, Kano, Ibadan, Port Harcourt, Maiduguri and Onitsha).
v.	Agric and Water Resources(Food Security)	▪ To increase land under cultivation by 5%; ▪ Optimize 220,000 hectares of irrigation infrastructure; ▪ Irrigate 12,000 hectares of arable land to increase crop yields by between 50% – 250%; and ▪ Increase contribution of agriculture to GDP by 5%.
Vi	Federal Capital Territory (FCT)	▪ To complete the headquarters of: o Foreign Affairs Ministry; o Fed. Secretariat Building Phase II (Bullet House); o Shehu Shagari Complex.
Vii	Niger Delta	▪ Completion of the East-West Road ▪ Completion of Youth training/development centres in states in the Niger Delta

Source: Budget Office of the Federation

4.2 Physical Monitoring and Evaluation:

45. The Budget Monitoring and Evaluation team embarked on the second quarter budget monitoring and evaluation exercise from the 2nd to the 12th of August 2009. This evaluation, which covered all the six geopolitical zones of the country, goes a step further than the first quarter Report, by undertaking physical and detailed assessment of selected MDAs' implementation of their respective capital budgets. The objective was to compare the achievements of the MDAs against their deliverables as at end of the first half of 2009. The teams visited various projects in the Agriculture, Education, FCTA, Health, Power and Works Sectors at various locations, the reports of which are summarized below.

Federal Ministry of Agriculture and Water Resources:

46. In pursuance of its planned deliverables, the total sum of N46.69 billion was released out of the appropriated figure of N138.93 billion to the Ministry during the first half of the year. These planned deliverables include increasing land under cultivation by 5%, optimizing 220,000 hectares of irrigation infrastructure, irrigating 12,000 hectares of arable land to increase crop yields by between 50-250% and increasing contribution of agriculture to GDP by 5%. As at the end of June, 2009 the sum of N46.56 billion had been cash-backed to the MDA out of which N27.48 billion or 59.02% was accessed and utilized. The funds were applied for the execution of its capital projects/programmes which include the projects which are examined in greater detail in the proceeding sections.

Fertilizer supply programme

47. The sum of ₦11.01 billion was provided for the Federal Ministry of Agriculture & Water Resources as fertilizer subsidy in the 2009 Appropriation Act. The entire allocation had been released and cash-backed as at June 2009. The 2009 fertilizer delivery to the States and FCT is expected to impact positively to boost food production, exports, creation of employment, wealth, foreign exchange remittances and promote the diversification of the economy.

i. *Fertilizer delivery to Oyo State under the 2009 supply programme*

   This programme was still ongoing as at the time of the team's visit. It was confirmed by the Commissioner (Oyo State Ministry of Agriculture, Natural Resources and Rural Development) that the State had a total of 6,600 metric tonnes (mt) of fertilizer allocated to it for the current planting season consisting of 3,000 mt of Urea and 3,600 mt of the NPK type of fertilizer. But the Commissioner indicated that as at 16th July, 2009 only 4140 mt out of the total allocation had been supplied, that is, 1,500 mt of Urea and 2,640 mt of NPK. The supply was handled by Golden Fertilizer (900 mt), TAK

Continental (3,150 mt) and Notore (90 mt). The major constraint facing the distribution of fertilizer in the State was, according to the Commissioner, the inadequate supply and late delivery of product to the State.

The Commissioner recommended that fertilizer allocations to the State should be increased and supplied between January and March before the rainy season, but remarked that the current supply had boosted production and output of agricultural products in the State. Procurement through the private sector participation was also recommended.

ii. *Procurement of fertilizer in Kwara State (Ilorin)*

The total federal allocation of fertilizer to Kwara State was 3,900 mt for 2009. However, according to the State's Hon. Commisioner of Agriculture, Engr. Prof. Mohammed Yisa, no fertilizer had been delivered at the time of the visit. The Hon. Commissioner also told the monitoring team that the Kwara State Government procured its own fertilizer ahead of the supply of the Federal Government allocation. As such, the delivery of the Federal Government consignment may be considered later. The Hon. Commissioner also argued that most farmers had considered the quality of previous supplies of fertilizers from the Federal Government to be of lower quality.

iii. *Supply of fertilizer & distribution at Edo State*

The team evaluated the procurement of fertilizer and its subsequent distribution to the end users in the State at a subsidized rate. 4,170 mt of fertilizer was allocated to Edo State. 139 trucks (i.e., 83,400 bags) were expected to be supplied to the State in 2009. Out of this amount, 126 trucks (i.e., 75,600 bags) had been supplied and delivered. The State had commenced the distribution of fertilizer to all the LGAs for the second cropping season.

The team met with the officials of the Edo State Ministry of Agriculture and Natural Resources and the State Chairman of the Fertilizer Distribution Committee. The team was informed that in order to ensure even distribution to farmers, the State government held series of meetings with the relevant stakeholders. The team was also informed that the fertilizer was supplied at a subsidized rate of 25% by the FGN and sold at a further 40% subsidized rate by the State government. A bag of Urea was sold at ₦2,450, N.P.K (15-15-15) at ₦2,800 per bag and N.P.K (12-12-17.2Mgo) at ₦2,900 per bag.

As at the time of visit, the State had received, according to its officials, 95% of the total allocation of fertilizer. Tak Company Ltd and Golden Company Ltd. were contracted to deliver the fertilizer to the State. The evaluation team was informed that the former had completed its supply of 2,490 metric tonnes of Urea (83 Trucks) which translates to 49,800 bags of fertilizer and 840 metric tonnes (28 Trucks) of N.P.K (15-15-15) which also translates into 16,800 bags, that the latter company was yet to complete the supply of fertilizer. As at the time of the visit, the evaluation team was informed that Golden Company Ltd had supplied 840 metric tonnes (28 trucks) of N.P.K (12-12-17.2Mgo) which translates to 16,800 bags leaving a balance of 13 trucks or 7,800 bags to be supplied to the State.

iv. *Procurement of fertilizer in Imo State*
A total of 11,400 mt were allocated to Imo State in the 2009 fertilizer supply and distribution programme. The evaluation team was informed that out of this allocation, only 2,970 mt of NPK (15-15-15) representing 26.05% had been delivered by Messrs TAK Continental as at June, 2009. As at the time of the evaluation team's visit in August, the team was informed that the supply to the State had increased by additional 6,060 mt.

v. *Procurement of fertilizer in Adamawa State*
The Federal Ministry of Agriculture and Water Resources allocated 21,750 bags of fertilizer to Adamawa State. The evaluation team was informed that out of this allocation, a total of 4,010 bags (or 18.44%) had been supplied.

Agricultural Research Institutions

In recognition of the importance of research outcomes to meeting the Ministry's mandate, the monitoring team visited six agricultural research institutes to assess the implementation of their budgets. It was observed that a number of the underlisted institutes are at advanced stages in the development of species with improved yield and reduced maturity periods. In addition, research work was noted to be on towards putting agricultural produce to uses other than that to which they are currently used.

48. *Cocoa Research Institution Of Nigeria (CRIN)*

The total of N199 million was appropriated for the Institute in 2009 for its capital projects. N76.27 million out of this amount was released and utilized in the first half of 2009 on the following projects:

i. *Procurement of Specialized Analytical Equipment for Establishment of Biotech Laboratory*
This contract involves the supply of laboratory equipment and was awarded to Admak Nigeria Limited and KM Mobehe Nigeria Limited. Out of total project cost of N175.15 million, N14.75 million was appropriated in 2009 Budget while N6.01 million was released and utilized to achieve about 42% completion. The evaluation team was informed that the equipment had been supplied and put to use.

ii. *Procurement of Instructional Materials and Training Equipment*

The contract which consisted of the supply of utility vehicles and instructional materials was awarded to Auto Arena Limited at a total project cost of N83.68 million. The sum of N9.06 million was appropriated for the project in 2009 while N6.16 million was released to achieve approximately 50% completion.

iii. *Crop Processing and / End Users Research /Procurement of prototype Equipment for Chocolate Production, Winery and Bakery*

This contract which included research and procurement of equipment was awarded to Aratio Concept Nigeria Limited at a total cost of N83.57 million. The sum of N6.25 million was appropriated in 2009 while the sum of N450,000 was released and utilized to achieve 15% completion level during the first half of the year.

iv. *Farming Systems Research on Cocoa, Kola, Coffee, Cashew and Tea; and Procurement of Farm Equipment to enhance the Establishment of Demonstration Plots*

The project consisted of the construction of crop-breeding dispensary block at Unhomora sub-station, and field establishment and management. The contract was awarded to Larry Well Mao and City Limited. Out of the total project cost of N104.17 million the sum of N5.75 million was appropriated in 2009 while the sum of N490 million was released and utilized to achieve 12.5% completion level.

v. *Procurement of Books, Journals and ICT Equipment for Library and Information Documentation*

The project consisted of the supply and furnishing of office complex and supply of journals. The contract was awarded to Turn Green Ventures. Out of a total project cost of N85.74 million, the sum of N8.24 million was appropriated in the 2009 Budget while the sum of N4.27 million was released and utilized to achieve 50% completion level. Numerous items were supplied including tables, chairs, cabinets, shredding machines and standing fans.

vi. *Rehabilitation of Infrastructures – Administrative and 6 Residential Buildings, Roads and Research Facilities (Communication) at CRIN HQRT*

The project consisted of the landscaping of the ERLS building, rehabilitation of JSB Road at CRIN quarters, renovation of buildings at JSB, procurement of transformer at headquarters and computerization of its accounting system. The contracts for these projects were awarded to Debson Engineering Company Limited, Abinger Construction Company Limited, OAK Industry Limited and Project Link Consult. Out of the total project cost of N936.37 million the sum of N26.65 million was appropriated in the 2009 Budget.

vii. *Rehabilitation of Infrastructures – Buildings, Roads and Research Facilities at 6 Sub-Stations (Owena, Uhonmora, Ibeku, Ikom, Mabilla and Ochaja)*

This project consisted of the supply of 10 motorized chain saws, rehabilitation of roads, renovation of HOS quarters and ASU building. The contract was awarded to Powerco Electrical Nigeria Limited, Combine System Nigeria Limited, Mikky Way Multi Ventures, BOPOY Investment Limited and Natolab Nigeria Limited at the total sum of N24 million. The sum of N30.59 million was appropriated in 2009 while the sum of N18.86 million was released and utilized to achieve 61.43% level of completion. Items supplied included: 1 Tractor MF, 2 Slashers, 4 Slashers Blades, 1 Tipping Trailer, and 10 Motorized Chain Saws.

viii. *Procurement of Slashes Tractors and Agro Chemicals for Plantation Rehabilitation and Management in HQ and 6 Sub-Stations*

This project involves the supply of agro chemicals and tractors/slashes, and the maintenance of field and experimental plots. The contract was awarded to Dollatek Enterprise and Natolab Nigeria Limited. It had a total project cost of N564.53 million, while the sum of N30.3 million was appropriated in the 2009 Budget for the project.

ix. *Statistics & Socio-technological (SST) Studies Procurement of Statistical Analytical Hard and Soft wares*

The project consisted of the supply and installation of air-conditioners and computers. The contract was awarded to BAPTROP Company Nigeria Ltd and AOB Ventures. Out of the total project cost of N69.71 million, the sum of N5.32 million was appropriated in the 2009 Budget while N2.46 million was released and utilized during the period to achieve a 95% completion level. The items supplied included: 25 1.5 HP Window Units, 10 Desktop Computers, 10 HP 2014 Printer, 10 UPS Bleu Gate and 8 Intel Centurion Laptops.

x. *Procurement of Outside Broadcast Van, Projectors, Audio Visual Aids and other Accessories for Technology Dissemination and Extension Services*

This contract which consisted of the supply of field utility vehicles was awarded to Henry TEE Nigeria Limited at a total project cost of N69.79 million. The sum of N11.04 million was appropriated in the 2009 Budget, and was released and utilized to complete the supply of the 2009 deliverables of the project. One 30-seater coaster bus was supplied and was in use.

Picture 1: Supplied Tractor and Vehicles at Cocoa Research Institute of Nigeria, Ibadan

49. Institute Of Agricultural Research (IAR), Zaria

The sum of N179.61 million was appropriated for the Agricultural Institute Zaria, in the 2009 Budget, out of which N125.18 million was released to the project in the first half of the year for the procurement of equipment and consumables in order to enhance the research activities of the Institute. The Budget Office team observed that all the funded projects of the Institute were at the tendering and evaluation stages. The procurement/upgrading of cold room with an appropriation of N18.9 million had not yet commenced. The Institute's management informed the team that the slow pace of project implementation was due to strikes by academic and non-academic staff.

Out of the sum of N125.18 million released for various research and procurement activities by the Institute, N90.32 million had been spent on the purchase of chemicals and various research materials to carry out research activities in the laboratories and on the demonstration farms. Successful research was to be disseminated to farmers to improve crop quality, enhance mass production and achieve the food security objectives of the Federal Government. The evaluation team visited the 200 hectares demonstration farms in Zaria where research works on sorghum, millet, beans, maize, castor, cotton, groundnut and guinea corn were being carried out. The demonstration farms comprised the single crop and mixed cropping systems to assess the effect of the yields and quality of the farming methods. The team therefore advised that the Institute's management should fast-track the contract award, project execution and completion.

50. *National Cereals Research Institute, Badeggi*

This institute has a mandate to carry out research on the production of rice, oil seeds (soyabean, beniseed) and sugarcane. It also conducts research into the farming system of the country's Middle Belt Zone. The sum of N146 million was appropriated for the National Cereals Research Institute (NCRI) in 2009, out of which N84 million was released and accessed, to implement some on-going projects/programmes vital to the achievement of its objectives. The evaluation team was informed that projects executed in 2009 were at various levels of implementation as reported below:

i. *Procurement of Books, Journals and other Library materials*

The project was designed to update the library with research materials and equipment. The sum of N7.06 million was appropriated for the project in 2009 out of which N4.42 million was accessed and utilized by the second quarter. Some library books and journals had already been ordered by the Institute but delivery was to commence in August, 2009 and was expected to be completed by December, 2009. The actual performance in the second quarter was 50% while the cumulative performance stood at 100% completion with N2.64 million outstanding for payment at the time of visit.

ii. *Procurement of Inputs for Machine Fabrication for Rice Processing/Utilization*

This project was designed to fabricate and install rice par boilers, driers and rice mills. The materials and inputs for the machine fabrication were internally procured by the Institute. The implementation commenced in May 2009 and was expected to be completed by December, 2009. The sum of N7.2 million was appropriated for the project in 2009, out of which N4.46 million was accessed and utilized. As at the time of the visit, work done included the fabrication of rice par boilers, pneumatic cleaners, rice driers, and rice mills. The achievement in the second quarter was the delivery of iron sheet metal rods and pipes which accounted for 50% actual performance.

iii. *Procurement of Inputs for Farming Systems Research and Extension Programme for the Central Zone of Nigeria*

This project was conceived to provide technology development for mixed farming, organise Monthly Technology Review Meetings (MTRM), undertake trainings, workshop, farm broadcast, and publicity as well as out-reach for the 6 states of the Central Zone and FCT. This project which commenced in May 2009 had a total cost of N28 million, and was expected to be completed in 2010. The procurement of inputs for farming system was done internally by the Institute. As at June, the entire N4.6 million appropriated had been released and utilized. The recorded achievements included the organization of 96 MTRMs REFILS Workshop, 5 OFAR (On-farm research) Trials and 5 TOT (training-of -trainers) Trainings. The project attained 50% level of completion at the time of the visit.

iv. *Procurement of Materials and Inputs for Oilseed Research Activities*

This project was designed to enhance breeding of soya beans, beniseed and castor seeds as well as multi-locational trials. The project which had a total cost of N86 million commenced in May, 2009 and was expected to be completed by 2010. The sum of N15 million was appropriated for the project in the 2009 Budget, out of which N9.3 million was released and utilized. The work done in the second quarter included the breeding of rice and acha seeds and establishment of 80 multi-locational trials. The cumulative performance in the current year recorded 50kg of rice breeder seed, 50kg of acha breeder seed and 250 trials. The total work accomplished was estimated at 50% as at half year.

v. *Procurement of Materials and input for Sugarcane Research*

The project had an estimated cost of N48 million and was to be executed through direct labour. The sum of N10.4 million was allocated to the project in 2009, out of which N6.45 million was accessed and utilized. The evaluation team was informed that the execution of this project started in May 2009 and is expected to be completed in 2010. In the second quarter, project documentation had recorded that the project had established 200 multi-location trials. According to relevant officials in the institute the project had attained a 50 % rate of completion.

51. *National Institute For Oil Palm Research (NIFOR), Benin*

The Institute had an appropriation of ₦185 million in the 2009 Budget. This amount was mostly allocated to complete on-going projects started in 2008. The evaluation team was informed that the Institute only received the sum of ₦6.4 million in the second quarter. However, the sum of ₦78.4 million was released for its capital projects in the first quarter. The projects evaluated were as follows:

i. *Research & Development Studies of the Palm & Shea*

The sum of ₦10 million was released and spent on the project. The project was mainly for experimental research of the institution's mandate crops that was aimed at enhancing the genetic improvement in the production and cultivation of high quality planting materials for palm and shea products.

ii. *Breeding Seeds & Seedlings Production of Palms & Shea*

The evaluation team was informed that the sum of ₦9 million had been utilized for the purchase of inputs (such as polythene bags, seed production materials, pollination bags) and mass production of the oil palm, coconut, date, raphia and shea seedlings.

iii. *Construction of Access Roads & Feeder Roads*

As at the time of the evaluation team's visit, the award of the contract for the widening/rehabilitation of the Institute's main access road for the amount of ₦26.5 million had been completed but the contractor was yet to mobilize to the site. Although ₦30 million was appropriated for this project in the 2009 Budget, only ₦3.5 million had been released to the project by the end of June. This is reflective of the sector's prioritization profile since the Budget Office of the Federation now releases funds in bulk to MDAs.

iv. *Building of Substations Infrastructure*

The sum of ₦10 million out of the allocation of ₦20 million had been released for this project. ₦8 million of the funds released was used for the completion of the rehabilitation of offices and residential buildings at the Abak substation by Messrs Jackie Jay Eng. Ltd. The evaluation team was also informed that the project for the perimeter fencing at Dutse substation had been awarded at a total sum of ₦6.8 million.

v. *Rehabilitation of NIFOR Headquarters Existing Infrastructure*

As at the time of the visit, several projects had been executed and paid for, including: the construction of an underground tank, plumbing work & concrete footings for the Green House (₦3.1 million); the supply of building materials (₦1.5 million); the extension of electricity power and installation of electrical fittings for the new green house (₦5.02 million); and the supply and installation of central analytical laboratory equipment (₦19.9 million). Although contracts had been awarded, work had not yet commenced on the following projects: the rehabilitation of water supply network (₦6.2 million); the rehabilitation of existing ERLSD (₦5.02 million); and the entomology office extension (₦5.97 million).

vi. *Research & Improvement of Oil Palm Processing Technologies*

Of the ₦20 million appropriated, the sum of ₦12.15 million was utilized in the production of a documentary on the Institute. Other activities included the dissemination of information processing technologies (₦2.1 million), supply and installation of laboratory equipment and fume cupboard (₦4.03 million), and the supply and fabrication materials and consumables (₦6.01 million).

vii. *Completion of Conference Centre*

The project contract was awarded in 2008 at an initial cost of ₦44.9 million to Messrs Fenix Engineering Construction Ltd. The sum of ₦14.5 million had been paid. The sum of ₦30 million was appropriated for the completion of a modern conference centre. The evaluation team observed that construction work was ongoing at the time of the visit.

52. *National Root Crops Research Institute, Umudike*

i. *Procurement and Installation of Equipment for Cassava and Cocoa-yam Processing, Storage and Utilization*

The project was awarded to M/S Executive Director at a cost of N41.73 million in January, 2007 and was expected to be completed in 2011. In the 2009 Budget, the sum of N30.04 million was appropriated out of which N13 million was released and utilized. The sum of N25.04 million has been committed to the project since inception. It was disclosed that 3 prototype machines as well as 10 recipes had been developed by the Institute. The challenges facing the project were, according to officials in the research centre, inadequate funding and the late release of funds from the supervising ministry.

ii. *Procurement of Agricultural Input for the Development of New Varieties of Cassava & Value addition for Export Products (Planting Materials, Fertilizer)*

This project was located in Umudike, Otobi and Igbariam. The contract for this project was awarded to M/S Executive Director in January 2007. The value of the contract was N142.25 million. The expected completion date of the project was 2011. The sum of N35 million was appropriated to the project in the 2009 Budget out of which the sum of N15.15 million was released and utilized. The sum of N85.35 million has been committed to the project since inception. The team was informed that 2 new varieties of cassava had been introduced.

iii. *Procurement of Lab Equipment & Agro Chemicals for Genetic improvement & Breeding of Cocoyam*

The contract for this project was awarded to M/S Executive Director at a cost of N13.42 million in January 2007 and was programmed to be completed in 2011. In the 2009 Budget, the sum of N7.5 million was appropriated out of which N3.25 million was released and utilized. As at the time of visit, the team was informed that 2 new varieties of cocoyam had been introduced and extended to farmers. The project is expected to increase yields to about 40 tons per hectare upon completion.

iv. *Installation of Equipment for Farming Systems Research & Extension*

This project was awarded to M/S Executive Director in January 2007. The contract value for this project is N21.55 million. This project is expected to be completed in 2011. The sum of N10.59 million was appropriated for the project in the 2009 Budget, out of which N4.58 million was released and utilized. To date diagnostic survey, training of farmers and MTRM had been conducted.

v. *Procurement of Materials for Development of Exportable Ginger Varieties & Modification of Existing Ginger Splitting & Drying Machines*
This project is located in Umudike and Maro and the contract for it was awarded to M/S Executive Director at a cost of N15.89 million in January, 2007. The project's expected completion date is 2011. In the 2009 Budget, the sum of N7.01 million was appropriated out of which N3.03 million was released and utilized. The evaluation team was informed that 4 ginger splitting and drying machines have been procured.

vi. *Construction of Potatoes Storage Structures in Kuru Out-Station, Procurement of Inputs for Genetic Improvement of Potatoes*
The contract for this project which was located in Kuru, Plateau State was awarded to Messrs Executive Director at a cost of N20.03 million in January, 2007. The project is expected to be completed in 2011. The sum of N10.99 million was appropriated in 2009 Budget out of which N4.76 million was released and utilized. As at the time of monitoring, three on-farm structures for storage trials and 2 new varieties of potatoes had been introduced.

vii. *Procurement of Equipment for Biotechnology Programme at Umudike and Kuru Sub-Station*
This project is located in Umudike and Kuru and the contract was awarded to Messrs Descon Eng. & Construction Ltd, at a cost of N36.29 million in January 2007. Of the N19.5 million appropriated in the 2009 Budget, N8.44 million was released and fully utilized by the second quarter.

viii. *Procurement of Planting Materials & Agro-chemicals for Sugar Beet & Root Crop Research & Development*
The project was located in Umudike and Kuru. The contract for this project was awarded to M/S Executive Director for the development of new production packages and collection of new accession. N5.5 million was appropriated for it in 2009, while N2.38 million was released and fully utilized. From inception, N9.88 million had been spent on the project out of the N16.46 million total project cost.

53. *Lake Chad Research Institute (LCRI), Maiduguri.*

i. *Construction of Drainage Network At LCRI, Headquarters:*
Related road works commenced in 2008 and were ongoing in 2009. However, the project for the drainage work was awarded to Dalori Construction Nigeria Limited at a contract sum of N13.6 million. The project covers construction of a 431 meter drainage network. The planned deliverables for the quarter was drainage network from Gate II to the

administration block and staff canteen junction. As at the time of the visit, the entire allocation had been released; the contractor had mobilized to site and was awaiting further certification by the consultant.

ii. *Rehabilitation of Road Network at the Headquarters:*
The contract for the rehabilitation of road network at LCRI was awarded to Hammedlan & Company Nigeria Limited at a cost of N19,898,701 in 2008. The project covers the provision of access road to the research and residential areas. In 2009, N19,898,701 was appropriated and released. The deliverables include establishment of 591m asphalt road network linking the staff clinic to the workshop and residential quarters. The team observed that construction work was ongoing at the time of the visit.

iii. *Procurement of Farm Implements & Machinery (Tractor & Threshing Machines)*
This project was awarded to Dunoma Ventures Limited in 2009 at a cost of N10.1 million. This amount was appropriated in 2009 and released. The planned deliverable for 2009 was to increase the area under cultivation by 30%.

Federal Ministry of Education:

55. The Ministry had an appropriation of N40.01 billion in the 2009 Budget. As at June 2009, the sum of N16.13 billion had been released and cash-backed to the MDA. However, as at the time of compiling this report only the sum of N6.5 billion or 40.3% had been utilized in the execution of its capital projects/programmes. The utilization included the implementation of the following projects/programmes visited by the monitoring teams.

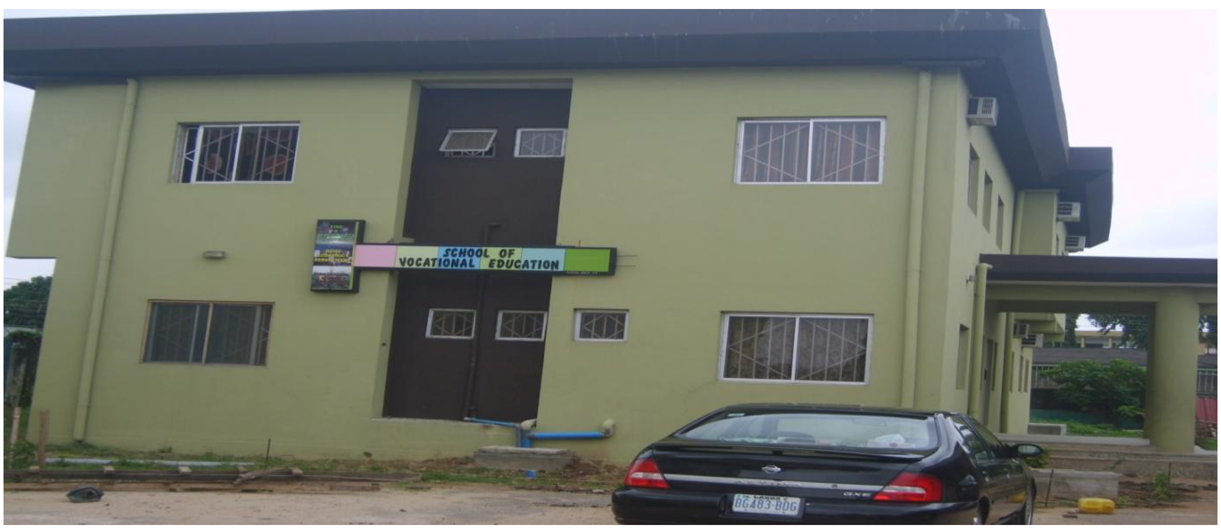
56. <u>*Federal College Of Education (Technical), Akoka, Lagos State*</u>

The institution was appropriated the total sum of N220.23 million for its capital projects in 2009. During the first half of the year, the total sum of N56.09 million was released to the institution while the sum of N43.08 million was utilized for the outstanding 2007 capital liability and N13.01 million set aside for other components of the institution's capital projects which include: Purchase of Tools for CET (N22.69 million), Re-roofing of the School of Technical Education (N2.93 million), Purchase of Tools for Electrical Department (N3.75 million) and Monitoring Activities (N6.48 million). The approval for the award of contracts for these projects had been kept pending the first meeting of the newly constituted council of the school scheduled to hold in August 2009.

i. *Outstanding 2007 Capital Liability*
This liability was a carryover of 2007 MDG projects whose contracts were awarded and began execution but could not be fully completed and paid for

before their funds were mopped up at the end of the financial year. In the 2009 Budget the following projects were appropriated: Construction of Office for School of Vocational Education (SVE) (N31.28 million), Furnishing of Additional Classrooms for SVE (N15.74 million), Construction of Female Hostel Phase II (N28.3 million), ICT and Computerization (N24.99 million), Purchase of Electrical Tools (N3.75 million), Purchase of Tools for SSE (N34.85 million), Purchase of Tools for CET (N21.94 million), Monitoring Activities (N7.4 million), Preparation of Master Plan (N9.54 million), Surveillance Equipment (N1.65 million) and Re-roofing of School of Technical Education (N3.96 million).

The total sum of N43.08 million was released and utilized during the first 6 months of 2009 for the following activities: Construction of Female Hostel (N5.06 million), ICT and Computerization (N8.75 million), Purchase of Tools for SSE (N5.11 million), Purchase of Tools for CET (N7 million), Monitoring Activities (N5 million), Preparation of the Master Plan (N9.54 million) and Re-roofing of School of Technical Education (N2.6 million). The preparation of the Master Plan and the Re-Roofing of the School of Technical Education had been completed while others projects had completion rates of between 20% and 90%.



Picture 2: Completed Office Building for School of Vocational Education (SVE) in College of Education (Technical) Akoka, Lagos

57. *__National Teachers' Institute (NTI), Kaduna__*

The National Teachers' Institute (NTI) Kaduna has the mandate of training NCE teachers for the primary school curriculum programme of the federal government. The programme was designed to upgrade Grade II teacher's knowledge and skills to the Nigerian Certificate of Education (NCE) level in order to improve the educational standard of teachers in the Nigeria. The sum of N3.05 billion was appropriated for the National Teachers Institute, Kaduna for the implementation of various capital projects. These included the sum of N3 billion for MDGs projects and N46.01 million for four other projects. The project evaluation team was informed that status of capital projects implemented by the Institute was as follows:

i. *Completion Of Cross River State Office, Calabar*

This project was designed to effectively coordinate the Institute's activities in Cross River State. The project was awarded to Messrs High Rise Builder Nigeria Limited at a cost of N10.01 million in March, 2009. The scope of work was the completion of 10 academic/administrative offices with one store to keep exam materials, books, computer materials and consumables and other valuables of the Institute.

The sum of N10.01 million was appropriated and fully released to the project as at 30th June, 2009. Out of this amount N9 million had been spent on the construction of foundation to DPC level, structural works, roofing, ceiling and other associated works. According to relevant officials in this office this project has achieved a 30% level of completion in the first quarter and an additional 50% level of completion in the second quarter. The project achieved 80% cumulative level of completion at the end of June, 2009 and is expected to be completed in October 2009.

ii. *Completion of South East Zonal Office, Enugu*

The project was awarded to Messrs High Rise Builder Nigeria Limited at a cost of N9 million in March 2009 and was expected to be completed in October 2009. The scope of work included the construction of a zonal office from foundation to completion with the installation of necessary facilities to serve the South Eastern States. The total contract value of N9 million was appropriated for the project in 2009 and fully released in the second quarter. Out of this amount N3 million had been committed to the project and spent on site clearing, foundation to DPC level, completion of the block works, roofing, ceiling and fixing of windows and doors. The project, according to relevant officials in this office, achieved a 60% level of completion in the second quarter, bringing the completion level to 90% at the end of June 2009.

iii. *Construction of Science/Mathematics Complex, Kaduna, Phase I*

The Science/Mathematics Complex was planned to be a model centre for the development and teaching of the science and mathematical courses of this institute. The complex was designed to house 2 lecture theatres, 4 academic/ administrative offices, 2 laboratories, preparatory rooms, offices for laboratory attendants, reception and other relevant facilities. The sum of N27 million was appropriated and released to the project in the first half of the year. Project implementation commenced in March 2009 and was planned to be completed by the end of the year. In line with the due process requirements, the Institute had advertised for the construction of the complex: designs were completed and tenders were submitted by various contractors. The technical and financial evaluations of the bids were in progress and the contract for the project was to be awarded in August 2009. The project which had a three month construction period is now scheduled to commence in September 2009.

58. *Federal Collage Of Education (Technical), Gusau, Zamfara State*

i. *Construction of Internal Road Network:*
The construction of internal road network and drainages was awarded to Messrs Ladeen Global Resources Limited at a cost of N19.5 million. The project started in July 2009 and was expected to be completed at the end of the year. The sum of N20 million was appropriated for the project in 2009 fiscal year, while N5 million and N8 million were released to the project in the first and second quarters of the year respectively. As at June, 2009 the sum of N2.92 million had been committed to the project to mobilize the contractor to site. The contractor had mobilized to site with construction equipment, cleared the road section and stockpiled working materials such as granite/chippings, loads of sand and iron rods. Preparatory works were on-going but due to heavy rainfalls causing muddy road conditions, effective construction had been suspended till the end of the rainy season. The project had, according to relevant officials in the federal college, attained a 35% level of project implementation in the first half of the year.

ii. *Outstanding Liability*
The sum of N158.5 million was approved for the outstanding projects of the Institution in the 2009 Budget. The amount was earmarked for the construction of Internal Road A, awarded to Messrs A. A. Master Nigeria Limited at a cost of N33.86 million and Road F, awarded to Messrs El-Hassaz Nigeria Limited at a cost of N18.98 million. The Consultancy Service of the College was awarded to Messrs Standard Consult at a cost of N2.19 million. The sum of N27.5 million was released to the projects in the first half of the year, while N8.25 million had been committed to the projects. Work done included the mobilization of the contractor on Roads A and F to site, site clearing and excavation of road, laterite laying and construction of two culverts to achieve 35% on Road A and 45% on Road F. The Consultancy programme had also commenced and the Consultant had achieved 40% of the terms of reference on the documentation of the selected programme. The project had achieved 40% overall job completion as at June, 2009.

iii. *Upgrading ICT Facility*

The ICT upgrading project was awarded to Messrs Ovanet Computers Nigeria Limited in July, 2009 at a cost of N4.8 million. The sum of N5 million was approved for the project in the 2009 Budget, out of which the sum of N3.6 million was released at the end of the second quarter. The project was designed to upgrade the ICT facilities in the College with the purchase of additional 20 computer units to the ICT section of the school. At the end of the second quarter, the school had purchased 10 desk-top computers and 1 lap-top unit. The computers were installed at the computer section and other offices in the College. The project had achieved 10% and 45% implementation in first and second quarters respectively, resulting in 55% overall project implementation at the end of the second quarter.

iv. *Capacity Building*

The sum of N3.84 million was appropriated for the capacity building programme of the Institution in the 2009 Budget. The programme was designed to train 20 academic and administrative officers of the college on academic, management, curriculum development and IT biased courses. Out of the appropriated sum of N3.6 million, the sum of N2.3 million was released to the programme as at June, 2009. The sum of N1.5 million was utilized on the training of 9 officers on various training programme, seminars and workshops to attain 45% implementation in the first half of the year.

59. *<u>Federal College Of Education, Okene</u>*

The sum of N53.31 million was appropriated for the Federal College of Education, Okene in 2009, out of which N24.76 million was released and accessed to implement its capital projects. The amount was utilized to implement some on-going projects and programmes of the college which were vital to the achievement of its objectives. The projects executed in the second quarter were at various levels of implementation as reported below:

i. *Construction of Female Hostel Lot 2 (36 Room Single Storey Building)*

The project was awarded to Messrs Maigida Rio and Sons Nig. Ltd at a cost of N32.73 million out of which N17.06 million was released and utilized. Works on the project commenced in November, 2007 and was expected to be completed by December, 2009. As at the time of inspection the evaluation teams was informed that the structure had achieved 95% completion and external works were about to be awarded to bring the project to completion.

ii. *Road Rehabilitation (1.3 KM Length)*

This contract was awarded to Tamcon Engineering Co. Ltd at a cost of N10.27 million. In the 2009 Budget Appropriation, the sum of N7.68 million was provided for the project, released and utilized. The implementation commenced in February, 2008 and was expected to be completed by December, 2009. The achievement recorded include: grading, filling, compaction and partial priming. The evaluation team was informed that the project had attained a 75% level of completion as at time of the inspection.

60. *Federal College Of Education (Technical), Asaba, Delta State*

The total capital budget appropriated in year 2009 for the College was ₦302 million. This amount was mostly deployed to complete the on-going projects started in year 2007 and for those projects/programmes for which funds were mopped up. The team was informed that the College paid the sum of ₦224.2 million for the 2007/2008 capital projects, leaving an outstanding balance of ₦159.15 million. 15 out of 23 projects executed had attained 100% level of completion whereas the remaining 8 were at 40% level of completion as at the time of visit. The projects of the College monitored included the following:

i. *Supply of Facilities for the take–off of Adult Education*

The sum of ₦3million was appropriated for the project in 2009 fiscal Year. The contract was awarded to Messrs Cun Nig. Ltd, who has since completed the supplies and received payment.

ii. *Computerization of Accounting Records*

The sum of ₦2 million was appropriated for the project in the 2009 fiscal year. The contract was awarded to Messrs Global Systems Ltd, who had since mobilized to work at the College and had attained 75% level of completion. The training of staff had progressed steadily. To minimize disruption of work, the Contractor had phased the training. The total sum of ₦1.99 million had been paid to the contractor.

iii. *Furnishing & Installation of Fixtures in 4 Science Laboratories Lot I – Physics, Lot II-Biology, Lot III-Chemistry & Lot IV-Integrated Science*

The sum of ₦10 million was appropriated for the project in the 2009 fiscal year. The contract was awarded to various contractors who have since completed the supplies of equipment and received payment.

iv. *Provision of ICT Fixtures for Prof. Chike Edozien Obi Centre*

The sum of ₦3 million was appropriated for this project in the 2009 fiscal year. The contract was awarded to Messrs Frontage Machines, who had since completed the supplies and received payment.

v. *Provision of Science Equipment*

The sum of ₦3 million was also appropriated for the project in the 2009 fiscal year. The contract was awarded to Messrs Foca Engineering Ltd who have since completed the supplies and received payment.

vi. Computerization of Personnel Records

The sum of ₦3 million was appropriated for this project in the 2009 fiscal year. The contract was awarded to Messrs Trust Software System and was on-going as at the time of visit. The sum of ₦2.93 million was paid to the Contractor.

vii. Rehabilitation of Buildings

The sum of ₦3 million was appropriated for the general rehabilitation of buildings including maintenance works at the ETF Boys & Girls Hostels, Auditorium, Entrance Gate, Drawing Studio and School of Science Education. The Contract was awarded to Messrs Kensid Integrated Services at the cost of ₦3 million out of which the sum of ₦2.9 million had been paid. As at the time of visit, the Contractor had attained a 90% level of Completion.

61. <u>Federal College Of Education (Technical) Umunze</u>

i. Completion of Library Complex

The Federal College of Education (Technical) Umunze in Anambra State was established in 1989 but didn't admit its first set of students until 1990. The college library complex construction was divided in two phases, with phase 2 being funded as a Millennium Development Goals project. The contract for the completion of phase 1 of the library complex was awarded to Excellent Concept Ltd in 2006, at cost of N43.06 million while phase 2 was awarded to Fimark Group Ltd at a sum of N47.14 million. Work commenced on Phase 1 of the project in 2007 with 75% of funds appropriated, released and utilized to it that year while the remaining 25% was mopped up. On completion, the project aims to provide a conducive reading environment for users. The sum of N1.04 million was appropriated for the project in the 2009 Budget. As at the time of the visit roofing, plastering and fixing of louvers had been completed. Outstanding works included painting and the construction of the access road.

ii. Completion of Science Laboratory Complex

In order to provide and install quality science equipment and achieve academic excellence, the college awarded the contract for this project to Secs Nig. Ltd at a sum of N43.85 million. In the 2009 Budget, the sum of N3.38 million was appropriated for this project. On inspection, the team observed that the science laboratory complex which had been completed had some plumbing problems. Outstanding works included construction of the access road and external works.

iii. *Male Hostel at the Permanent Site*

This project was embarked on in order to provide accommodation for male students. The contract was awarded to Macgreg Nigeria Limited in November, 2008 at a cost of N3 million. The sum of N3.15 million was appropriated in 2009 Budget out of which N2.96 million was released and utilized. As at the time of visit, the following had been completed: painting, tiling, fixing of doors and windows, roofing and ceiling works. Outstanding works were: fencing of the hostel, fixing of bulbs and fluorescent lighting. The male hostel had a capacity of 20 rooms each to accommodate 4 students. It was expected that the hostel would be ready for occupation by October. As at the time of monitoring the project had attained 80% level of completion.

iv. *Completion of New Store Complex*

This project was awarded to Ayamelum Associates at a cost of N10 million, including consultancy fees. Some of the achievements included site clearing and roofing while the outstanding works were: Plastering/wall finishings, painting, mechanical and electrical works and fixing of louvers.

v. *Provision of 350KVA Perkins Generator*

In the 2009 Budget, the sum of N5 million was appropriated for the purchase of a 350KVA Perkins Generator. On inspection, the team was informed that the college made a proposal of N10 million but only N5 million was approved. Consequently a decision was taken by the College Council to procure 250KV Perkins Generator at a cost of N6.2 million. Though the MDA proposed to fund the difference of N1.2 million from its Internally Generated Revenue (IGR), the team drew the attention of the MDA to the regulations guiding expenditures from MDAs' IGRs.

62. *Federal College Of Education, Yola, Adamawa State.*

i. *Construction of Education College Complex Phase II:*

This project started in July, 2009 at a cost of N50.98 million and was awarded to Messrs Garberjoe Nigeria Limited. The sum of N25 million was appropriated in 2009 and N6.2 million was released. The contractor had mobilised to site, as at the time of visit and work was at a sub-structure level. The team noted further that the same contractor was handling phases I and II. However, the evaluation team was informed that the pace of work was slow because the same contractor was handling many aspects of the work. The team subsequently advised the MDA against overloading any single contractor with jobs particularly where it could affect their ability to deliver on target.

ii. *Rehabilitation Of Internal Roads (Outstanding 2007 Capital Liabilities):*
The contract for the rehabilitation of 1.2km internal road with one side drainage was awarded to Plaren Nigeria Limited in June, 2007 at the cost of N15 million out of which N14.13 million had been committed since inception. In the 2009 Appropriation, N873,666 was appropriated while N218,416 was released. The planned deliverables was completion of the roads. The level of completion was 85%.

iii. *Expansion of College Library Complex:*
This project to construct an annex to the library to accommodate the growing student population was awarded to Messrs Bashar Enterprises Nigeria Limited in June, 2007 at a cost of N43.94 million. N10 million was appropriated in 2009, out of which N2.5 million had been released. The planned deliverable was the completion of the project which had attained 85%. The team noticed some structural defects on the external wall. The Director of Works in the college informed us that the contractor had been advised to rectify this before further payment on the contractor's certificates. The team however noted the need for better budgeting practice by the MDA in view of projects of this importance and which requires little funding requirement to complete.

iv. *Supply of Teaching Aids/Equipments:*
The project was being executed by Messrs Benis Nigeria Limited at a contract sum of N6 million. The work started in June, 2007 and N5.39 million had been spent since inception. N607,192.50 was allocated for this project in 2009 out of which N303,596 had been released. The project had attained 100% level of completion.

Federal Capital Territory Administration (FCTA):

63. Out of the total appropriated sum of N66.65 billion, the sum of N32.23 billion was released and cash backed during the first half of the year to the FCTA to accomplish its planned deliverables in the 2009 Budget of completing among others the Headquarters of Foreign Affairs Ministry, Federal Secretariat Building Phase II (Bullet House) and Shehu Shagari Complex. But as at the end of June, 2009 the Administration was able to utilize N22.83 billion or 70.83% in the execution of its capital projects/programmes which included among others the following visited by the monitoring teams.

i. *Provision Of Engineering Infrastructures To Abuja Technology Village (Phase 1)*
The contract for the Provision of Engineering Infrastructures to Abuja Technology Village was awarded to Messrs Gilmor Engineering (Nig) Limited at cost of N20.87 billion on 27th April, 2007. The project which was

embarked upon to provide infrastructural facilities to the Abuja Technology Village so as to open up the park for potential investors commenced on 8th of June 2007 and was expected to be completed on 7th of June 2010.

In 2009 the sum of N4.5 billion was appropriated for the project and during the first half of the year, the sum of N3.16 billion was released and utilized to achieve an additional 8% job completion level over the 12% level achieved in 2008. Jobs executed included: road clearance – 19 ha; stripping of top soil – 23 ha; cutting and filling – 6.1 km; 5 box culverts of various cells completed; 7 box culverts at various stages of completion; rock drilling and blasting; supply and installation of storm water pipes; 69 No.s of 2x2 meter manholes/chambers installed; 48 No.s of 1.5x1.5m manholes/chambers installed; supply and installation of 500m of foul sewer pipes; and river training/diversion. The total sum of N8.87 billion had been spent to bring the project to 20% level of completion. The major constraint facing the project was the pending final design and compensation issues which might affect the target completion date.

ii. *Provision of Engineering Infrastructure to Katampe District Extension Located in the Northern Part of Phase II of the Federal Capital City*

The contract for the provision of engineering infrastructure to Katampe District Extension was awarded on the 12th of January 2001 to Messrs Reynolds Construction Company (RCC) Nigeria Limited at the initial cost of N7.94 billion but this was later revised to N12.53 billion. Works commenced in April 2001 with an initial completion date of 23rd September 2003 but this has now been extended to June 2010.

The sum of N1.6 billion was appropriated for this project in 2009 but nothing had been assigned to it from the FCTA as at the end of the first half of the year. However, work on this project has been completed using money released in previous years. Work completed includes: the 90% installation of interlocking tiles along the walkways and top-soiling of the verges, completion of erection of street lighting poles and bases along all the road axes, plot connections to foul sewer and water supply within the new neighborhood area, training of the stream channels A, B, C, D and E within the district, construction of the cut-off drain, works on water supply line to Tank 2 and installation of sewage treatment plant equipment. The total sum of N10.94 billion has so far been spent on the project to attain a 93% level of completion. This project has an outstanding liability of N244.31 million while the sum of N1.59 billion is required to complete the project. Outstanding works include electrical supply to the district which requires the pegging out of the right of way of the ONEX (Kubwa Express Way) just awarded by the FCTA and laying of washout valves, air release valves and fire hydrants along water supply lines.

Picture 3: Landscaping/Culvert Works at the Provision of Infrastructure to Katampe District Extension

iii. *Construction Of Tanks 1 & 6*

This project was designed to supply water to Phase III of the Federal Capital City (FCC) and to improve access to potable water in the Federal Capital Territory (FCT). The scope involved supply and laying of 61.97 km length of D1 pipe from Lower Usuma Dam (LUD) to Apo Sefyi District, and the Construction of 2 Nos. 40,000 m^3 each; reinforced concrete Tanks at Dawaki and Apo Sefyi Districts. The contract was awarded to Messrs Sarplast West Africa limited at a total cost of N11.77 billion. The sum of N2.5 billion was appropriated in 2009 Budget but yet to be utilized. The total amount committed to date stands at N5.27 billion with the outstanding liability of N230.8 million. Works on the project commenced in November 2006 and was to be completed by October 2009. The achievements for Tank 1 included the supply of 5.3km length of pipes, the laying of 1.96km length of pipes, the casting of 9,625.3 m^3 of reinforced concrete with 15% level of completion in the second quarter while the total level of completion stood at 85%. On the other hand, Tank 6 had the following achievements: excavation of the site, completion of the concrete blinding as well as the base foundation. There was no recorded achievement in the second quarter on Tank 6 but the work had attained 3% level of completion. There were problems of obstruction/encroachment on the pipeline corridor requiring compensation before demolition. Furthermore, cost escalation of the pipes to be delivered by the contractor constituted a further problem.

iv. *Construction of National Assembly Complex Phase III Part II*

The objective of the project was to provide office accommodation and other ancillary facilities for federal legislators. The project consisted of two distinct blocks (one each for the Senate and the House of Representatives). The scope included completion of structural works to 5 storeys in House of Representatives building as well as structural works to 4 storeys in the Senate building. The contract was awarded to Julius Berger Nigeria Ltd at a cost of N9.19 billion for onshore components and €45.75 million for offshore components. Total amount committed as at June 2009 stood at N4.25 billion onshore and €45.75 million offshore. The sum of N5.97 billion was appropriated for the project in 2009, out of which N2.97 billion was released and utilized. The recorded achievements included: completed structural/block works at the House of Representatives block; ongoing structural/block works at the Senate block; finishing works to both the Senate and House of Representatives buildings; completion works to the new generator house and external works. The project had achieved a 25% level of completion as at the time of the visit, with outstanding work remaining to be done on finishing works, plastering/laying of tiles, and the installation of electrical and mechanical equipment (transformers, generators, etc).

v. *Rehabilitation & Expansion of Airport Expressway Lot I & II*

The contracts for these projects (Lots I & II) were awarded to Messrs Julius Berger (Nig.) Plc on 7th May, 2009 at a cost of ₦59.22 billion and ₦49.2 billion respectively. The projects which commenced on 13th May, 2009 were scheduled for completion on 13th April, 2011 (i.e. 23 months). A total of ₦7.5 billion (or 12.66% of the cost) had been paid to the contractor to date for Lot I while ₦7.38 billion (or 15% of the cost) has been paid on Lot II since inception. Lot I, which comprised of the rehabilitation and improvement of the existing carriageways, construction of additional carriageways and service lanes on both sides, storm water drainages, site clearance and earthworks, 1 No. interchange structure and 3 Nos. river bridges, 12 Nos. pipes and 2 Nos. Box culverts, 14 km length of 8–way telecommunication ducts, 1948 Nos. Street lighting poles and 4 Nos. assembled outdoor package substations, has achieved only 4% level of completion as at the time of the visit.

The team observed that the contractor has done the ground level survey, enumeration and cutting of trees had been completed on both sides of the existing carriageways, soil investigation had also been carried out at the points of the river bridge. Top soil removal had been completed on the northern lane of the expressway. Generally, the contractor had shown some level of enthusiasm for this work. However, the issue of compensation to farmers who planted crops and other economic trees within the right of way width of the carriageway and the relocation of the existing services such as electric poles, telecommunication masts and bill boards on the right of way width of the service carriageway were the current challenges being addressed by the contractor.

Similarly, the contractor for Lot II of the project had mobilized to site and completed cutting of trees on both sides of the expressway. The site clearance and top soil removal had been completed on 10 km of the service carriageway. 0.5 km length of earthworks of the service lanes had been completed; extension of 2 Nos. pipe culverts had reached 50% completion. The team equally observed that the subsoil investigation had been completed.

The implementation of Lot II of the project had similar challenges like those affecting Lot I as earlier mentioned. These included the payment of compensation to farmers whose crops and economic trees were located within the right of way of the expressway and the interchange location and the relocation of the existing services such as electrical poles, telecommunication cables masts and bill boards on the right of way of the expressway.

vi. *Construction Of Phases 3 & 4 (20,000m^3/Hr) Lower Usuma Dam Water Treatment Plants*

The contract for the construction of Phases 3 and 4 of the Lower Usuma Dam water treatment plant was awarded to Messrs Biwater Nig. Limited at an original contract sum of ₦14.29 billion on 14th July, 2005. Work commenced in August 2005 and a total payment of ₦11.4 billion had been made to date. The sum of ₦5.1 billion was appropriated for the project in 2009, out of which ₦1.28 billion was released as at July, 2009. The project had achieved 65% level of completion based on the original scope and 56% based on the revised scope of work.

The project, with an anticipated revised contract sum of ₦18.09 billion entailed the construction of an additional water treatment plant that will produce 20,000m^3/hr of treated water for supply to Abuja city in order to enhance the socio-economic well being of the people within the Federal Capital City. The actual performance of the project as at the time of visit included the completion of 1 no. identical water treatment module of 5,000m^3/hr capacity, including the relevant electro-mechanical systems; 1 no. administrative building; 1 no. sludge treatment plant; 1 no. chlorine gas scrubber; 450m long DN 2500mm steel pipes connecting Gurara pipe at the bifurcation to the new treatment plants; 1,850m long DN 1800mm steel pipes; and 440m length DN 1500mm steel pipe connecting Gurara pipeline to the existing treatment plants.

Additional works/variations to the tune of ₦3.8 billion were awaiting FEC approval. The team was informed that the sum of ₦6.69 billion was required to complete the contract by the new planned completion date of March, 2010. The contractor informed the team that the initial challenges to the project include: additional excavation in rock and soil; deepening of the excavation which led to foundation problems that warranted treatment with mass concrete; procurement of raw water pipeline from the bifurcation point and Lower Usuma Dam to phases 3 and 4 treatment plants which are critical to the project delivery; and delays in awaiting final approval of FEC for the outstanding variations and additional works in the sum of ₦3.8 billion and BPP's certificate of No Objection.

vii. *Provision Of Engineering Infrastructure To Gudu District II*

The contract for the provision of Engineering Infrastructure to Gudu II was awarded to Messrs Dantata & Sawoe Const. Co Nig. Ltd at a cost of N3.11 billion (onshore) plus €125.20 million (offshore) in March, 2000. Work commenced in April, 2000 with a planned completion date of April, 2010. In the 2009 Budget, the sum of N3.2 billion was appropriated but nothing was released by the Ministry because no Certificate of Valuation had been raised. A total sum of N2.54 billion and €122.74 million had been committed to the project since inception.

The project includes Addenda 3 & 4 (Arterial Road S20 Sections 3 and 4 & Rural Road 1(RR1) - Rural Road 2(RR2) - Wasa Road). As at the time of visit, the following had been completed: 4 Nos. precast reinforced concrete bridges, street lighting and 2 Nos. substations which had been commissioned and handed over to the Power Holding Company of Nigeria (PHCN). Work was ongoing on the laying of pipes; construction of gully inlet meant to collect water from the road and channel it out; wearing of the walkways; construction of concrete box and chambers; and the completion of the sewage treatment plant. The main outstanding work was the construction of a 70 metre road at Akpmanjeya Village.

On completion, the project would provide 24km of various categories of roads, good water drainages, as well as electricity and telecommunication to the area. The challenges facing the progress of work included unfavourable weather conditions and encroachment of right of way of Minor Road M13 by Akpmanjeya village settlement. The project had attained 96% level of completion.

viii. *Completion Of Federal Ministry Building Plot 4 Phase II*

The completion of Federal Ministry Building Plot 4 Phase 2 was awarded to Messrs Bulet Construction Nig. Ltd in 2002 with a planned completion date of December, 2009. The initial contract cost of the project was N4.2 billion but this was later revised to N6.3 billion. In the 2009 Budget, the sum of N2 billion was appropriated out of which N640 million has been released. The evaluation team was informed that outstanding work at this site included the painting of offices, fixing of generators, fixing of air conditioners and installation of lifts, among others. Based on conversations with relevant officials and a physical inspection the evaluation team concluded that this work had reached 83% level of completion as at the time of monitoring. The total amount committed to the project from inception was N4.74 billion. The contractor informed the team that the constraint facing the project was the irregular release of funds from the Main Ministry.

ix. *Provision Of Engineering Infrastructure To Area D, Asokoro District*

This project was awarded to Messrs SCC Nigeria Limited for a contract sum of N5.08 billion. The project was aimed to provide various categories of road networks, culverts, water supply, storm and sewage water drainage system, power supply and telecommunication ducts to Area D, Asokoro District, Abuja. The project commenced in November, 2008 and was expected to be completed in September, 2012. The sum of N3 billion was appropriated for the project in the 2009 fiscal year, out of which N915 million was released, accessed and utilized by the contractor as at the end of June, 2009. The sum of N2.4 billion has been spent on the project from inception. The amount was spent on the site clearance/topsoil removal on 6.5km road (35.3Ha), Earthwork on 5.3Km of road (87,450m^3), Pavement on 600m road (3,600m^2), Storm Water Drainage of various pipe sizes (5,500m), 2000mx2000m Double Cell Culvert (2Nos), Foul Water Drainages of various pipe sizes (5,700m), Water Supply Network of various sizes (3,000m), Telecom Ducts of various types (4,400m), Power Supply Network (High and Low Voltage Cables) of 1,000m and 138 units of Street Lighting Poles to achieve 50% overall level of completion at the end of June, 2009.

x. *Provision Of Complementary Engineering Infrastructure to FCC Phase II, Abuja*

This project was conceived in 2001 in order to provide enabling traffic for the hosting of the All African Games hosted by the country in 2003. The contract was awarded to Messrs Julius Berger Nigeria Limited at contract costs of €173.39 million (offshore) and N26.67 billion (onshore). The BOF team was informed about proposed variations to the costs of the project which were awaiting FEC approval. The project was designed to reduce the chaotic traffic congestion in the city, reduce time delays at junctions and improve the socio-economic environment in the FCT. Project execution commenced in June 2005 with a completion target of June 2007. Sequel to the delay in the approval of the contract from 2001 when the project was conceived to 2005 when it was finally approved, the cost of materials and operations have increased leading to request for cost variations of N1.81 billion (onshore) and €27.69 million (offshore) by the contractors. In addition, the proposed project completion date was extended from 2009 to 2011 subject to the approval of the variation costs and accelerated funding.

In 2009 fiscal year, the sum of N4 billion was appropriated for the project, while N8.77 billion onshore and €152.5 million offshore have been paid to the project at the end of the first half of the year. The amount released to the project in the year was expended on various projects including: 5.3km length of road (N8 Northern Parkway) with all associated infrastructure with 6 No. bridges; 2.5km length of road and associated infrastructure S20 except walk way; 11km of road work along RRI fully completed with 4No. bridges and street lighting were ongoing; 6 No. bridges completed along N11; 7.3km (6 lanes each 3.5m wide); site clearance and earthwork of Arterial N11 (RR1 to RR2). Other works completed included: 2km (6 lanes each 3.5m wide) Wearing Course of Arterial N11 (RR1 to RR2); 1.5km length of fresh water pipeline along Arterial N11; 1km length of telecommunication duct along Arterial Road N11; 7km (3.5 on both carriageways) Storm water drainage of Arterial N11 (RR1 to RR2); 3km High Tension Duct on N11; 3 Nos. box culverts and ring culverts were completed. The work had attained 88% overall level of completion as at 30th June 2009.

The BOF team recommended that action should be taken to expedite the negotiations of the variation costs of N1.81 billion (onshore) and €27.69 million (offshore) to enable the contractor complete the project as scheduled and avoid further price fluctuations.

xi. *Provision Of Engineering Infrastructure To Guzape District Lot I*

This project was awarded to Dantata & Sawoe Nigeria Limited on 7th March, 2003 at a total sum of N6.32 billion plus €62,568,018.80. The sum of N5.80 billion plus €53,511,429.84 had so far been spent. The appropriation in 2009 was N1.2 billion but nothing was released in the quarter. The scope of the project comprises: road network of various categories; box culverts of various sizes; storm water drainage system; a waste water drainage system including a mini sewage treatment plant; water supply distribution network including water reservoir and booster station; power supply distribution and street lighting together with a (3X15MVA)33/1KV sub-stations and 11/0.45KV 500KVA package transformers.

The work done includes: 6km of road work to formation level cut and fill 50,000m^3; Kerbs all types 44,000m; Rock excavation of 27,000m^3; crushed rock sub-base 5,000m^3; 49,336 m^2; 2km length of storm water lines; 63 Nos. Manholes; 5km Foul lines; and 82 Nos. Manholes; 10km water distribution network; 15% of electrical and telecommunications ducting including manholes.

The planned deliverables for the quarter comprised: earthworks and rock, excavation for 4km roads, crushed rock sub-base for 3km road, Kerbs type A and B for 3km roads and Asphaltic binder for 3km road. The actual performance in the quarter included: earthworks and rock, Excavation for 4km roads, Crushed rock sub-base for 3km roads length, Kerbs type A & B for 3 km roads and Asphaltic binder for 3km road. As at the time of the visit, based on the information it received, the evaluation team considered the performance of the contractor to be but slow.

xii. *<u>Provision of Engineering Infrastructure To Guzape District Lot II</u>*

This project aimed to provide Engineering Infrastructure to Guzape District Lot II. The work started on 10th December, 2003 at an estimated cost of N7 billion (onshore) plus €69,319,417.58 (offshore). It was awarded to Gilmor Engineering Nigeria Limited with an expected completion date of 5th March, 2010. The scope of work included: construction of various categories of roads, storm foul water lines, electricity, telecom ducts, power station and sewage treatment plant.

The sum of N5.04 billion plus €59,338,901.84 has been committed to the project since inception. The appropriation for 2009 was N3.05billion, out of which N1.09 billion was released and N1.05billion utilized. This amount was used to achieve the following: 10km length of various categories of roads (16, 988m^2 of site clearance/km of road; 97, 775.2m^3 of earthworks/km of road; 17,159.8m^3 of rock excavation/km of road; 11.1km of various sizes of underground storm water drainages; 12.8km of various sizes of underground foul water drainages; 18.3km length of portable water supply network of various sizes; 3 Nos. reinforced concrete box culverts of various sizes; and 40.9km of telecommunication ducts.

The team was informed of various challenges confronting the completion of the project including: delays in release of certified amount, difficult project site terrain, delays in compensation and resettlement of villagers.

Federal Ministry of Health:

64. During the first half of the year, the sum of N18.21 billion was released while N18.16 billion was cash-backed for the Federal Ministry of Health out of the total sum of N50.8 billion appropriated in the 2009 Budget for the execution of this ministry's capital projects/programmes. The releases were made up of N13.63 billion and N4.58 billion for first and second quarters respectively. As at the end of June, 2009 the actual utilization was N4.73 billion or 26.05%. The utilization of funds was on activities which were in line with the planned 2009 deliverables of completing the upgrading and modernization of specialist hospitals and medical centers. The projects evaluated include the following:

i. *Federal Medical Centre, Abeokuta, Ogun State*
The sum of N728.1 million was appropriated in 2009 for the implementation of this centre's capital projects/programmes. During the first half of the year, the sum of N277.69 million was released while the sum of N27.7 million was utilized for the completion of House Officers and Medical Records Block which were ongoing. The balance of N249.99 million was set aside for the other components of the centre's 2009 capital projects which consisted of: Modification of Clinical Consulting Block (N16.4 million), Upgrading of Administrative Extension Block to House GOPD and Specialty Clinic at FMC Abeokuta (N82 million), Upgrading OPD to Emergency Treatment Room at FMC Abeokuta (N60 million), Extension of Administrative Block to House Displaced Officers at FMC Abeokuta (N25 million), Procurement, Installation and Commissioning of CT Scan Machine at FMC Abeokuta (N150 million) and Purchase of 2 Dialysis Machines (N50 million) which were in the processes of award as at 31st July 2009.

ii. *Completion of House Officers & Medical Records Blocks*
The contract for this project consisted of the completion of 24 self-contained rooms with necessary amenities and the medical records building, roofing, windows, fittings, plumbing, mechanical and electrical works and was awarded to Eagles Rite International Ltd and Linkline Construction Ltd at the sums of N19.87 million and N14.71 million respectively. The contract for the house officers' block was awarded on 25th July 2007 while that of medical records was on 14th December 2007. The two projects were continuations of projects which were abandoned due to the mopping up of un-utilized funds at the end of 2007. The projects had an appropriation of N27.7 million in 2009 and the entire amount was released during the first half of the year. As at the time of the visit, the project had achieved additional 30% level of execution from the time it was initially abandoned bringing it to a cumulative completion level of 52.5%.


Picture 4: Ongoing Construction of House Officers Block at Federal Medical Centre Abeokuta

iii. *Federal Medical Centre, Ebute Metta, Lagos State*

The sum of N495.92 million was appropriated for this centre's capital projects in 2009. During the first half of the year, the sum of N311.15 million was released while N8.7 million was utilized for the procurement and installation of 250KVA Perkins Generating Set. The balance of N302.45 million was utilized for other components of the centre's capital projects which included the following: Payment of 2007 Projects and Programmes for which funds were returned at the end of 2007 (N26.21 million); Renovation of Hospital Leaking Roofs/Wards (N15.94 million); Completion of Oxygen Plant (N36.5 million); Procurement of Obstetrics & Gynaecology Equipment (N18.57 million); Completion and Installation of 12-Bed Dialysis Unit, including Diapact Machine (N350 million); and Oxygen Piping to FMC Ebute-Metta (N40 million). The contracts for the above projects had been awarded and the contractors were just mobilizing to sites as at the time of the visit.

a. Procurement and Installation of 250KVA Generating Set

The contract for the procurement and installation of 250KVA Perkins Sound Proof Generating Set was awarded to Agnol (Nigeria) Ltd at the cost of N12.85 million. The sum of N8.7 million was appropriated, released and utilized to complete the project. The generating set had been supplied, installed and in use while the full payment to the contractor was being processed. The procured generating set had increased the power supply to the centre and had also reduced the pressure on the old generating set thereby saving running costs attributable to the frequent breakdown and maintenance cost of the old generator.

iv. *Federal Medical Centre, Katsina, Katsina State*

The sum of N443.57 million was appropriated for the centre's capital projects in 2009. During the first half of the year, the sum of N65.54 million was released while N53.93 million was utilized for various projects including the following:

a. *Construction of Consulting Block*

The contract for the construction work was divided into three (Blocks A, B, and C) and awarded to three contractors in order to fast-track the execution of the project. Blocks A and B consisted of 10 consulting offices to accommodate 20 consultants serving the Pediatrics and Gynecology Wards in the centre while Block C consisted of two conference halls and concrete/roofed walk ways, linking the wards with the consulting blocks. The halls were to serve as meeting venues for the two consulting blocks where medical findings, policies and issues would be discussed. The contracts were awarded to Messrs Abdullahi Na Lurama & Sons Limited, Falikhams Investment and Abas Investment Limited, respectively. The three projects were awarded at a total cost of N50 million and commenced in June, 2009 with a completion period of December, 2009.

In 2009, the sum of N50 million was appropriated for the project; N25 million representing 50% of the appropriated sum had been released and spent on the project. Work done included the foundation, completion of the block works and roofing of the two consulting blocks, while the plastering and finishing works in the two conference halls were in progress. Going by the ministry's report, the project had achieved a 55% level of completion as at the time of the visit.

b. *Construction of Dialysis Blocks for Eye, Nose and Throat (ENT) Dept.*

The contract for the construction of the ENT block were divided into three and awarded to different contractors. The Ear and Nose Unit was awarded to Messrs Ayfaams Nigeria Limited at a cost of N14.37 million, while the Eye Unit was awarded to Messrs B. Waliyi Nigeria Ltd at a cost of N13.09 million. The walkways to the units were awarded to Messrs Abdullahi Luaran & Sons Ltd at a cost of N6.52 million. The scope of work was to construct six consulting rooms, reception, two wards, theatres and a central store in each of the two units.

The sum of N38 million was appropriated for the project in the 2009 Budget, out of which N19.5 million was released and spent on the completion of the Eye Unit and Walk-ways, while the Ear and Nose

Units had been roofed, plastered, painted and were undergoing various finishing works. The project which commenced in June 2009 had attained 80% overall job completion in the first half of the year and was due to be completed in November, 2009.

c. *Procurement of Hospital Furniture*

The project to procure furniture for the Medical Centre was awarded to Messrs Minjirya Health Services in April, 2009 at a cost of N19.98 million. The project was designed to procure various hospital beds, benches, trolleys, executive chairs and tables for use in different departments of the Federal Medical Centre. The sum of N15.92 million was appropriated for the project in 2009 fiscal year, out of which N8.5 million was released and committed to the purchase of 12 hospital beds, 6 trolleys, 40 chairs, 20 tables, 10 refrigerators, 10 air-conditioners (1.5 HP) and 10 benches. The furniture was newly supplied and was to be distributed to various Wards and Consulting rooms of the Medical Centre. Other hospital furniture was expected to be supplied in the third and fourth quarters of the year. The project had achieved 45% implementation as at June, 2009.

d. *Equipment of Accident & Emergency Unit (A&EU)*

The contract for the supply of equipment to the Accident and Emergency Unit (A&EU) was awarded to Messrs JNCI, a renowned medical equipment manufacturer. This was in line with government directive that the government hospitals and medical centres should procure their medical equipment directly from the manufacturers. The objective of this project was to provide state-of-the art equipment for use in the Accident and Emergency Ward. The sum N100 million was appropriated for the project in 2009 Budget out of which N50 million had been released to the centre in the first half of the year. Some of the equipment ordered from the manufacturer were: 15 units of manual proofing bed (N6.97 million); 15 units of standard 4-section mattress (N330,000); 15 units of single bedside locker with suspended finish (N640,000); 4 units of lifeguard patient emergency trolleys (N2.77 million); and instrument cabinet single floor standing (N1.38 million). The contract for the supply of the equipment was awarded in June 2009 and was scheduled to be fully supplied before the end of October 2009.

Picture 5: Completed Eye Unit section of the ENT complex at the Federal Medical Centre, Katsina

v. *Federal Medical Center, Gusau, Zamfara State*

a. *Construction of Roads & Parking Spaces (Phase II)*
This road construction project was awarded to Messrs. Mimis Construction Company Ltd at a contract sum of N37.24 million. The project was designed to provide road networks and parking spaces to the service areas in the hospital. The same contract sum was appropriated for the project in the 2009 Budget. As at June 2009, N5.58 million was released to the project to achieve 10% level of completion. The terrain of the permanent site was water-logged as at the time of visit which prevented the contractor from moving its construction equipment to site much earlier. However, the contractor had mobilized to site and stockpiled construction materials in anticipation of the time when the site would be suitable for construction work.

b. *Construction of Power House, Fuel Dump and Cabling*
The project was awarded to Messrs Amsa Engineering Company Ltd at a contract sum of N30.6 million. The project was to construct a power house consisting of two fuel storage rooms, 3 Nos. generator rooms, stores and offices. The entire contract sum was appropriated for the project in the 2009 Budget out of which N4.59 million was released as at June 2009. The amount released was spent on the construction of the power house fuel dump and for the cabling of the project. The project had reached the lintel level and achieved 15% level of completion at the end of June 2009. It was scheduled to be completed before the end of the year.

c. *Construction of Mortuary Complex*
The project was awarded to Messrs. Emm Why Jee Ltd at a cost of N33.03 million. It was embarked upon to provide mortuary services for the medical centre. The complex was to provide pathologist office, autopsy office, refrigerator body, storage room, preparation/body washing room, attendant/record office, etc. The same contract sum of N33.03 million was appropriated for the project out of which N4.95 million was released and committed to the construction of the foundation and block works to window level with an attainment of 25% level of completion. The project was targeted to be completed in November 2009.

d. *Construction of Laboratory and Blood Bank*
The project was awarded to Messrs. Danyakasai Property Development Nigeria Ltd at a cost of N59.77 million. It consisted of a reception; laboratories for haematology, pathology and reagents; and 4 administrative offices attached to each of the laboratories. The entire contract sum of N59.77 million was appropriated for the project out of which N8.96 million was released for the execution of the project in the first and second quarters of the year. The project was on-going as at the time of visit and had achieved 25% level of completion.

vi. *Federal Medical Centre, Bida, Niger State*
In 2009, the sum of N67.2 million was appropriated for Federal Medical Centre, Bida, out of which N46.62 million was released and accessed to implement its capital projects as reported below:

a. *Completion of Intensive Care Unit (ICU) & Dialysis Unit*
The project was awarded to Messrs Edusoko and Sons (Nig) Ltd at a cost of N62.2 million out of which N41.62 million was released and utilized. The implementation commenced in July 2009 with a scheduled completion date of December 2010. Auxiliary works on the building such as civil, electrical, mechanical, plumbing and finishing works were on-going at the time of inspection. The project had achieved 30% level of completion as at June 2009.

b. *Drilling of Borehole & Provision of Overhead Tank*
The project was conceived to ameliorate the severe problem of water shortage facing the Federal Medical Centre, Bida. The scope of works included the drilling of borehole, excavation, laying of pipes and erection of scaffold for the overhead tank. The contract was awarded to Abodem Nigeria Ltd at a cost of N5 million which was released and accessed by June 2009. The execution commenced in July 2009 and was expected to be

completed by December 2010. Based on the information it received, the evaluation team estimated that this project had attained a 20% level of completion.

vii. *Federal Medical Centre, Keffi, Nasarawa State*

The Federal Medical Centre, Keffi, was allocated a sum of N300.7 million while N105.54 million was released as at June 2009. These sums were utilized to execute vital on-going projects. Several projects were in the process of being awarded as at the time of the inspection. However, the completion of an oxygen plant was ongoing at the time of the visit as indicated below:

a. *Completion of Oxygen Plant*

The project was to improve emergency service and promote health care delivery in the hospital. It was awarded to Air Separation Nig. Ltd at a sum of N36.5 million. Implementation commenced in April 2009 and was to be completed in 2010. The sum of N36.5 million was appropriated in 2009, out of which N12 million was released and utilized to achieve 80% level of completion. The team was informed that this level of work was reached by the contractor in view of their standing relationship with the MDA. The remaining projects were in the process of being awarded as at the time of the inspection.

viii. *Federal Medical Centre, Asaba, Delta State*

The sum of ₦160.76 million was appropriated for the centre in the 2009 Budget. This amount was deployed mainly to complete the on-going projects started in year 2007. The team was informed that the medical centre received the sum of ₦62.69 million only in the first quarter for the execution of those projects/programmes for which funds were mopped up. The projects monitored were as follows:

a. *Completion of Two Storey G.O.P.D Complex Housing Adult A & E, Child A & E, Consulting Rooms & Clinics.*

The evaluation team was informed that the sum of ₦40 million was appropriated for this project in the 2009 Budget out of which nothing had been released by the Federal Ministry of Health. As at the time of visit, the evaluation team was informed that the due process procedures had been concluded and the contract awarded while the contractor was yet to mobilize to site. The project was expected to be completed by the third quarter if approved funds were released as at when due.

b. Oxygen Plant

The sum of ₦38 million was appropriated for the construction, procurement and installation of the oxygen plant. As at the time of visit, due process procedures had been concluded and contract awarded. The contractor's was being expected to mobilize to site at the time of evaluation.

ix. <u>Federal Medical Centre, Yenegoa, Bayelsa State</u>

The total capital appropriated in year 2009 for the Medical Centre was ₦1.62 billion. The amount was mostly deployed to complete the on-going projects started in year 2007. The team was informed that the medical centre received a sum of ₦596.04 million in the second quarter for the execution of its projects/programmes. The projects monitored were as follows:

a. 2007 Projects & Programmes for which Funds Were Mopped-up in 2007

The sum of ₦63.17 million was appropriated for the 2007 projects whose allocations were mopped up. It had achieved 60% level of completion as at the time of visit. The project was executed by various contractors. The planned deliverables achieved in the quarter included the full payment of retention fees for all completed projects, the Obstetrics & Gyneacology (O&G) Block had been decked, and the Orthopaedic Block was at roofing stage. Due to the late release of funds by the Ministry, the commencement of work was delayed. Projects were expected to be completed by the end of September 2009.

b. Completion of One Storey O & G Block and One Storey Male Ward

The team was informed that the sum of ₦24.98 million was appropriated for the project in the 2009 Budget out of which ₦21.21 million was released in the second quarter. The contract was awarded to Messrs Hanowest Resources and Joh-Winnk Nig. Ltd. The team was informed that funds were actually released very late in June 2009 and therefore work on both blocks could not commence as planned. The sum of ₦3.76 million was the total financial commitment in the second quarter and the project was expected to be completed in the third quarter.

c. Completion & Equipping of a Kidney Dialysis Centre

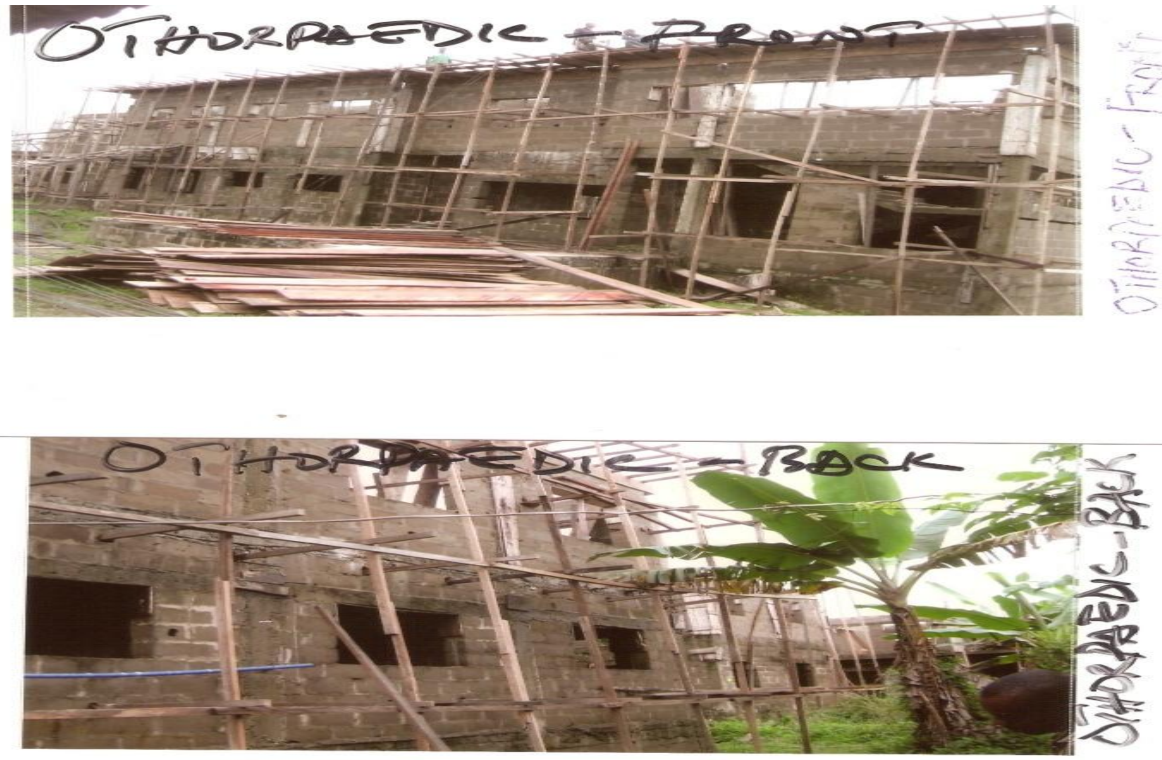
The sum of ₦25.61 million was appropriated for the completion & equipping of the Kidney Dialysis Centre. As at the time of the visit, due process procedures had been concluded and contract awarded to Messrs Sonica International Ltd. Funds were released very late in June 2009 hence work on the project could not commence as planned. The project would be completed by the third quarter. The team was informed that contracts for the following projects were not awarded due to the late release of funds and others had to do with direct purchase. The projects included:

1. Administrative Block (two storey)
2. Air-conditioners for the Administrative Block
3. Furniture for the Administrative Block
4. Radiology Equipment
5. Equipment for Medical Laboratory Services Block
6. Dental Equipment Set
7. ENT Unit

The sum of ₦80 million was appropriated and released for the procurement, supply and installation of a 6-bed ICU but as at the time of visit, the medical centre was in the process of procuring the equipment by direct purchase. The sum of ₦118 million was also released for the construction of the Radiology Block. However, due to the late release of fund in June 2009, work on the project could not commence as planned. The project was awarded to Messrs Fanus Koki & Sons (Nig) Ltd. The construction of the Medical Laboratory Services Block was awarded to Messrs Penib & Sons (Nig) Ltd and the sum of ₦141.56 million had been released for the project in the second quarter. Work did not commence because of the late release of funds by the Ministry.

The procurement of 500 KVA Generator was awarded to Messrs Mikano International Ltd. The sum of ₦28.6 million had been appropriated and released to the Medical Centre. The evaluation team was informed that the negotiations for the direct purchase had been completed and the equipment would soon be supplied.

Similarly, the evaluation team was informed that the construction of the 500 KVA generator house and the construction of 2 Nos. ward blocks which were awarded to Messrs Nesiet Engineering Services Ltd at the sums of ₦21.4 million and ₦80 million respectively were released late in the second quarter, therefore the project could not take off.



Picture 6: Work in-progress at the Orthopaedic Block at Federal Medical Centre, Yenegoa – Bayelsa State

x. Federal Medical Centre, Umuahia, Abia State

The sum of N87 million was appropriated for the centre in the 2009 Budget, out of which N38.68 million was released and utilized as at June 2009. The releases were expended on various projects including:

a. Completion of Paediatrics Section of Accident/Emergency Ward

The contract was awarded to Afuto Nigeria Limited at a cost of N24.48 million in 2008 and was expected to be completed by September 2009. In the 2009 Budget, the sum of N12 million was appropriated, out of which N2.63 million had been released and utilized by June 2009. On completion, the ward will have a laboratory and a pharmacy.

As at the time of visit, the evaluation team was informed that, tiling, roofing and ceiling, plastering and plumbing works had been completed while the fixing of doors, louvers and electrical fittings were in progress. However, painting work was yet to be started. The major constraint facing the project is the increase in the cost of materials prompting the call for contract cost variation by the contractor.

b. Completion of 250 Bed Ward

The contract was awarded in 2007 at a cost of N66.1 million. The sum of N17.38 million was appropriated in the 2009 Budget and the entire amount was released and utilized as at June 2009. The objective of the project was to improve the national health system and alleviate the shortage of bed spaces for patients. As at the time of the visit, the fixing of doors, louvers, electrical fittings, and other plumbing and plastering work had been completed. However, outstanding works to be completed included painting and tiling.

c. *Completion of Maternal and Child Health Building*
The contract was awarded in 2007, at the cost of N66.28 million. In the 2009 Budget, the sum of N18.67 million was appropriated and the entire amount had been released and utilized by June 2009. As at the time of visit, plastering and roofing work had been completed while the fixing of louvers and doors was in progress. However, painting and flooring work was yet to start. On completion, the ward would have a library, pharmacy and a consultancy room.

d. *Oxygen Reticulation*
In the 2009 Budget, the sum of N40 million was appropriated for the procurement and installation of oxygen piping to the medical centre. The contract was awarded to Air Separation Nigeria Limited at a cost of N40 million in 2009. However, as at the time of visit, the evaluation team was informed that no funds had been released to the project. The team observed that no work was ongoing on the project at the time of the visit.

xi. *Federal Medical Centre, Abakaliki*

a. *Completion of Multipurpose Ward inclusive of various Facilities*
This project involved the completion of a two storey building complex designed to accommodate the Children's Emergency ward, Isolation ward, Accident and Orthopaedic ward, Labour ward, Obstetrics and Gynaecology wing, Administrative block and Staff Canteen. It was awarded to various contractors. The contract for the children's ward was awarded at the sum of N79.29 million in 2007 to Maxima Concept Ltd. On completion, it is expected to have 30 beds with offices. The contract for the Isolation Ward was awarded to B.O. Nnolum (Nig) Ltd at a cost of N48.45 million in 2007. It is expected to have 32 beds for both male and female patients. The contract for the Accident & Emergency ward was awarded at a cost of N68.7 million in 2007 to Maxima Concept Ltd. On completion, it would have a 30-bed ward, doctors call rooms and nurses' stations. The contract for the administrative block was awarded to B. Ben Integrated in 2009, at a cost of N182.03 million. On completion, the administrative block would have offices for staff, board room and a conference hall. Similarly, the contract for the Obstetrics and Gynaecology Wing was awarded to B. Ben Integrated at the cost of N86.38 million and when completed it is expected to have a gynecology clinic and ward with operating theatre.

In the 2009 Budget, the sum of N169.5 million was appropriated for the completion of the Children's Emergency Ward, Isolation Ward, Staff Canteen, Administrative Block and Accident & Orthopaedic Ward, out of which the sum of N65.45 million was released and utilized as at June. The sums of N30 million and N25 million, respectively, were appropriated for the O & G Wing and Labour Ward. However, N26.74 million had been utilized for the O & G Wing in the first half of the year. As at the time of visit, all the projects in the complex had been decked to the first floor level while the electrical fittings and plumbing works were in progress. Outstanding works included plastering, flooring, roofing, fixing of doors, louver/sliding windows and access road.

b. *Completion & Installation Of 12-Chamber Mortuary/Histopathology Unit*

N100 million was appropriated for this contract in 2009. A total sum of N27.9 million had been spent on the project since its inception in 2007. The contract for the completion and installation of a 12-chamber mortuary/histopathology unit was awarded to De-Ifeson Ltd/Emcrux Engineering Limited. As at the time of the visit, the centre was awaiting delivery of the equipment. The team was informed of plans to upgrade it to a 30-chamber mortuary at additional cost.

Picture 7: Ongoing Construction of Multi-Ward Complex at Federal Medical Centre Abakaliki, Ebonyi State

Federal Ministry of Power:

65. The Federal Ministry of Power had a total of N94.62 billion in its 2009 capital budget. During the first half of the year the total sum of N43.83 billion made up of N28.32 billion in the first quarter and N15.5 billion in the second quarter was released and cash backed for the execution of its capital projects/programmes. However, as at the time of this report the ministry had only utilized N5.78 billion or 13.19% of the total releases. The utilization was for the actualization of its planned deliverables which included attaining 6,000 mw of electricity power generation and distribution by December 2009.

The projects visited are listed below:

i. *Transmission – Egbin-Ikeja West /Benin Main 330KV D/C Line and S/S*

The contract for the construction of a double circuit line from Egbin 330KV switchyard to link existing Ikeja West – Benin 330KV line at Tower No. 78 on a turn-out arrangement was awarded in 2001 to Messrs Energo Nigeria Ltd at the cost of N1.24 billion but actual work commenced in 2003. The project was initiated to assist in the effective evacuation of generated energy from Egbin to the National Grid via Ikeja West and Benin substations. The Egbin-Ikeja West 330KV lines 1 and 2 which hitherto existed before this contract was awarded could not cope with evacuation of generated energy from Egbin to the National Grid if all the gas requirements were met. The construction of these double circuit lines linking Egbin to Benin and Ikeja West had provided flexibility and improved the security of the National Grid thereby increasing efficiency. This project, as informed by the site personnel, had been completed in 2007 and handed over to the Power Holding Company of Nigeria (PHCN) in May 2008 without any outstanding liabilities.

Picture 8: Completed Transmission – Egbin-Ikeja West/Benin Main 330KV D/C Line and S/S

ii. *Lokoja-Obajana 330 KV DC Line & Associate S/S*

The construction of the Obajana 1 x 150 MVA, 330/132/33 KV and 1 x 60 MVA, 132/33 KV Substation and 2 x 330 KV line Bays at Lokoja was awarded to Paymabargh company of Iran and CarLark International Ltd at a cost of Euro9.23 million (off-shore) and N645.37 million (on-shore). An advance payment of N96.81 million on-shore was made in March, 2008 while Euro1.38 million off-shore was paid in December 2007. The implementation was expected to have commenced in December 2007 with the scheduled completion date of October 2009. However, the completion date has been shifted from October 2009 to March 2010 due to delay in acquiring land for the project.

At the time of the team's visit, the land had not been acquired. All efforts by the evaluation team to access information on the contractor's claim of having started the implementation in terms of the engineering drawings and procurement of some items proved abortive. The contractor failed to honour the invitation to appear in person at the project site or provide documents that may support his claims. It is recommended that the project should be closely monitored by the Ministry of Power to avoid cost overrun or abandonment.

iii. *Transmission: 2nd Benin – Onitsha 330 KV S/C Line*

The contract was originally awarded to ABB in 2001. However, due to delay in payment from 2002, the contractor demobilized and the contract was eventually terminated. The contract was re-awarded to Messrs Dextron Engineering Ltd in 2008 at a total cost of ₦4.19 billion with a scheduled completion date of 15 July 2010. While the sum of ₦1.87 billion has been committed to the project so far, ₦1.5 billion was appropriated for the project in the 2009 Budget.

As at the time of visit, the team was informed that the sum of ₦1.5 billion had been accessed and fully utilized on the project. It had 18-months execution period with 15th July, 2010 as the proposed date of completion. The project comprised of 131KM 330 KV OHTL S/C, Niger River crossing (1.8 KM span), rehabilitation of 19 towers at Benin Line End Section and construction of 2 KM 132KV D/C OHTL.

The evaluation team was informed that the following activities had been completed: studying of approved tower drawings and existing documentation handed over to PHCN by ABB; line route survey for the entire project; detailed survey for the entire project; and the purchase from ABB of different tower erection equipment, foundation construction equipment and other tools/equipment.

The approved sub-contractor for piling works started this work after several trials. The evaluation team was informed that the piling operation (that is, finishing 12 piles of the 299-location tower) had been completed, that cross towers had been constructed and were being shipped to the site, and that bush clearing activities would soon commence pending approval of the line profile and compensations of the uncompensated areas of line.

The evaluation team was also informed that the crossing towers manufacturer Messrs Mitas had done the prototype assembly test for the anchorages plates, stub bolts, the lower section of the crossing suspension and anchorages towers. Prototype testing for the crossing towers in turnkey projects was still on-going. Furthermore the company confirmed to the team that 171 tonnes of tower materials for the Niger River crossing (i.e. 8 containers) had arrived Apapa Port in Lagos. Documents had been submitted to the bank for obtaining RAR and other clearing procedures.

Furthermore, the evaluation team was informed that community related issues had hampered the progress of work in some areas. Difficult terrain and access especially to the Niger River crossing base site and the rainy period made the access on site very difficult. The site had no reliable access roads. All materials had to be transported manually from a discharge point to the working place, which caused delays and additional costs.

iv. *Umuahia –Mbalano SC 132 KV Transmission Line*

The project was awarded to Santon Energy in May 2001 while work commenced in October and was expected to be completed in 2003 but later revised to April 2006 and then to October 2009. The sum of N146.52 million was appropriated for this project in the 2009 Budget.

The team observed that the pace of work was slow. On inspection, 15km out of 30km of bush had been cleared, 27 out of 81 foundations had been completed while only 23 out of 81 towers had been erected. Procurement of other line materials such as OPGW, insulator fittings and ACSR were yet to be imported.

Picture 9: One of the Newly Erected Towers at Umuahia – Mbalano Transmission Line

v. *Transmission Gombe – Yola – Jalingo 330KV S/C Line:*

The team could not evaluate this job as the location manager, Engr. E. Ejeregbe, who was to guide the team, was not on ground.

Federal Ministry of Works Housing and Urban Development:

66. The Ministry's activities in 2009 was in pursuance of its planned deliverables of completing the construction and rehabilitation of 3,293 km of roads, maintaining over 10,000 km of federal roads annually over the next 3 years and zonal intervention road projects to cover about 2,400km of roads. A total sum of N130.48 billion was released and cash-backed as at June out of the appropriated sum of N208.62 billion provided in the 2009 Budget. The sum of N49.27billion or 37.76% accessed and utilized from this amount during the first half of the year. Some of the key capital projects/programmes executed with the funds, which include the following, were visited by the monitoring teams.

i. *Completion Of the Rehabilitation of and Upgrading of Lagos - Shagamu Road in Lagos/Ogun States C/No. 5943*

The contract involves the complete rehabilitation and upgrading of existing Lagos-Shagamu Road, construction of an additional lane, drains, stone pitching/grassing. The contract commenced on 20th May 2007 and was awarded to Messrs Reynolds Construction Company (Nigeria) Ltd for the sum of N3.44 billion with an expected completion date of 19th November 2009. The sum of N2.14 billion had been committed to the project since inception. In 2009, the sum of N1 billion was appropriated and fully released while

N666.27 million was utilized for the project during the first half of the year. According to the Chief Resident Engineer (FMWH&UD) the project had been completed and the one year retention period started from 15th July 2009. Works done included the upgrading of existing road, construction of additional 20km road (Km11+900 – Km32+00) and construction of drains. Outstanding works include: the construction of trailer park and provision of road signs. The team was informed that the concession of the road had been awarded to Bicourtney Nigeria Ltd for the sum of N89.5 billion under the DBOT scheme of the Federal Government. The MOU had been signed and a detailed design of the new road was being undertaken by a consultant to the concessionaire.

It is recommended that repair works should be carried out on the road from (Km 00 to Km11+900) for smooth flow of traffic on the road. The outstanding works like the construction of trailer park and the road signs, should be completed despite the concessioning of the road since it was part of the scope of the original contract which was paid for by the government.

ii. *Addendum to Dualization of Otta – Abeokuta Road C/No. 3278a*

The project is for additional works to the dualization of the Otta – Abeokuta Road. It consists of three sections (Link Road from Adigbe to Obada-Oko – 6km; Construction of Roundabout and Fly-over Bridge at Sango–Otta in Ogun State; and Rehabilitation and Pavement Strengthening of Lagos-Otta Road). The contract was awarded to Julius Berger PLC at the cost N9.6 billion on 7th March 2006 while actual work commenced 21st March 2006 with an expected date of completion of 31st June 2010. A total amount of N7.9 billion had so far been committed to this project. In the 2009 Budget, the sum of N1.9 billion was appropriated and released for the project while the sum N1.5 billion was utilized in first half of the year. The contractor was just re-mobilizing to site after stoppage of works since December 2007. Based on the information it received, 80 % of the work on this project has been completed. Work was on-going on the construction of side drainage for storm water and placement of kerbs though not on full scale.

The evaluation team was provided with information which suggests that one challenge facing this project was the inadequate release of funds; leading to the contractor abandoning the site in December 2007. The contract agreement which tied payment on the job to currency exchange rate fluctuation and interest on unpaid certificates had also escalated the cost of the project. The contractor requested additional funds to re-mobilize to site, due to the previous demobilization from site. In addition, part of the previous work done had been damaged therefore requiring additional money for the work on the road and bridge.

Picture 10: On-going Construction of Fly-over Bridge at Otta-Abeokuta Road, Ogun State

iii. *Rehabilitation of Funtua-Gusau-Sokoto Road Section II: Gusau - Talata Mafara C/N 5694*

The contract for this rehabilitation project was awarded to Messrs Mothercat Nigeria Ltd on the 18th December, 2002 at an initial cost of N2.19 billion and a revised cost of N3.69 billion. The project was designed to rehabilitate a 94 km stretch of road, raising of low-lying sections, provision of road drains, kerbs, chutes and road markings at necessary points. The project starts from Km 0 at Gadabiu Roundabout in Gusau Metropolis and passes through Bungudu Local Government, Maru and Dambata Villages and terminates at Talata Mafara (Km 94). Project implementation commenced on 14th February, 2003 and was expected to have been completed on 13th August, 2004 but was extended to 31st December, 2009. In order to address the 87km portion of the road that was severely damaged, rehabilitation works started at Km 7 through to Km 94 at Talata Mafara. The 87km portion of the road had been fully completed as at December 2008 and is currently under the contractor's maintenance. However, request for the augmentation of contract sum to complete Km 0 to Km 7 was awaiting approval at the time of this visit. The sum of N3.59 billion had been committed to the project from inception to achieve 87.73% level of completion.

In 2009, the sum of N1.24 billion was appropriated for the project. The Ministry reported that the amount was fully released in the first half of the year, while N758.9 million had been spent to meet outstanding liabilities on the project in 2009 as at 30th June 2009. However, during the budget monitoring exercise, the project engineer informed the evaluation team that the project had attained 87.73% completion as at December 2008.

Picture 11: On-going Rehabilitation of Section II of the Gusau–Talata Mafara Road, Zamfara State at 87.73% completion Stage

iv. *Rehabilitation Of Funtua-Gusau-Sokoto Road Section III: Gusau Talata Mafara C/No 5695*

The contract for the rehabilitation of Funtua-Gusau-Sokoto Road Section III was awarded to Messrs CGC Nigeria Limited on 5th December, 2005 at the cost of N3.12 billion. The scope of work included the total rehabilitation of 107 kilometer road with 60mm layer of asphalt, 40mm wearing course, 1.5 meter surface dressing shoulder, concrete lined drains, and the provision of road marking and signs. The road project starts from Kilometer 0 at Talata Mafara, passes through the Dange-Shumi, Yargada, Tsamiya and Kwanawa communities, and terminates at Sokoto City Gate (Km 107).

The MDA's template to the Budget Office of the Federation regarding this project shows that the project which execution commenced on the December 12, 2005 with initial completion date of June 2009, was extended to June 2010. The sum of N317.31 million appropriated for the project in 2009 was fully released as at June 2009. The team however gathered from the personnel on ground that the project was completed in December 2008. Further clarification of this contradiction is expected from the Ministry.

Picture 12: Rehabilitation of Talata Mafara–Sokoto Road Section III, Fully completed and in use

v. *Dualization Of Abuja-Lokoja Road, Section II: Abaji-Kotonkarfe*

The dualization of 49.4 km highway from Abaji – Kotonkarfe was initiated to reduce traffic congestion and road accidents on this road, which serves as a major link between the southern part of the country and the Federal Capital Territory (FCT). The project comprised of the construction of: 111 Nos. culverts (boxes and pipes); median and road side drains; 2 Nos. Bridges; and improvement of the existing carriageway. The contract was awarded to Bulletine Construction Company Ltd at the cost of N9.7 billion. Implementation commenced on 12th October, 2006 and was initially expected to be completed by 11th April, 2009 but had been extended to 10th September, 2010 due to inadequate funding. The sum of N2 billion was appropriated in 2009, out of which N1.9 billion was released and utilized on the project to offset the outstanding payments certified in 2007/2008.

Work already executed included the completion of 85 Nos. culverts and drains, while the site clearance, stone base on carriageway, lateritic base on shoulder, prime coat, asphalt binder and construction of bridges were all in progress. The project had achieved an aggregate implementation level of 25.72% from inception, with 1% achievement in the second quarter.

vi. *Construction of Langtang-Lanlin-Tunkus-Shendam Road*

The construction of the 43.4km length Langtang-Shendam Road which traverses three Local Government Areas namely: Langtang North, Mikang and Shendam Local Government Areas, all in Plateau State was in progress as at the time visit. It is envisaged that the road would enhance socio-economic development, ease the movement of goods and services, as well as reduce the rate accidents on the road.

The project was contracted to Messrs Mothercat Ltd at the initial cost of N3 billion but later revised upward to N4.71 billion. In the 2009 Budget Appropriation, the sum of N1.42 billion was provided for the project, out of which N1.33 billion was released in the second quarter. However, only the sum of N182.97 million was utilized on the project.

The implementation commenced in November 2002 and was expected to be completed by February 2010. The work in progress included base core, earth works, culverts and stone pitching works. The evaluation team, based on the information it received, considers that works on 6 Nos. bridges were at an advanced stage of completion with the deck and approach slabs completed except for the sixth bridge whose slab was yet to be done. The actual performance in the second quarter stood at 2% bringing the total achievement to 67.4% level of completion.

vii. *Rehabilitation & Asphalt Overlay of Benin-Shagamu Dual Carriageway (Benin – Ofosu Section) Phase I in Edo State C/N.5900*

This project was awarded to Messrs Reynolds Construction Company (Nig.) Ltd on 16th January, 2007 at a contract sum of ₦7.59 billion, with a revised completion date of 2nd June, 2009 (i.e. 23 months). The sum of ₦2.2 billion was appropriated for the project in the 2009 Budget. The entire appropriation was released by the second quarter, of which ₦1.35 billion had been utilized as at June 2009. The project's financial commitment was ₦6.62 billion to date.

Based on the information received from the Ministry, the contractor had achieved a 99.5% level of completion as at the time of the visit. The original contract had been substantially completed. The BPP had also issued the Due Process Certificate for augmentation of the contract by ₦16.68 billion. The scope of work consisted of re-construction and asphaltic overlay of 50km length of the Benin bound carriageway of Benin-Ofosu section with a carriageway width of 9.1m and 2.75m outer surface dressed shoulder.

The team was informed that a permanent solution needs to be addressed in order to prevent early collapse of the reconstructed Benin bound carriageway being the second busiest road in Nigeria today. In this regard, the contractor was awaiting the approval of the addendum to the rehabilitation of the same road (Benin – Ofosu Section, Lagos bound) with an appropriation of N3 billion in 2009 Budget.

viii. *Construction Of Yenegoa – Okarki – Kolo – Nembe - Brass Road, Bayelsa State C/N.5990*

The project was awarded to Messrs Enerco (Nig.) Ltd with a commencement date of 28th May, 2009 at a contract sum of ₦9.99 billion and a completion date of 27th November, 2011 (i.e. 30 months). The sum of ₦2.5 billion was appropriated for the project in 2009 and had a total financial commitment of ₦9.99 billion. The sum of ₦1.5 billion had been certified and paid to date (including VAT) to the contractor.

The road is a section of the Yenegoa-Brass Road leading to the oil rich brass region. It also links Yenegoa, the State capital, with the eastern part of the State. The contract provides for the construction of a two-lane carriageway of 33.5km length with 7.3m width of travel way and 2.75m width hard shoulders on both sides of the road.

The evaluation team was provided with information showing that the contractor had achieved a 20% level of completion as at the time of the visit. The work includes the following: construction of 100mm thick crushed stone base course; construction of 150mm thick sand cement stabilized sub-base course on a sand filled embankment; construction of 40mm thick asphalt concrete binder course; construction of 25mm thick asphalt concrete wearing course; 2 Nos. reinforced concrete bridges and drainage structures.

The project has since commenced with site clearance and the setting out of the horizontal alignment. The evaluation team was informed that the heavy rains at the time of the visit were preventing any meaningful construction work from taking place. Climatic conditions in Bayelsa – particularly heavy rainfall – could further delay construction.

Another challenge faced by the project is the issue of youth restiveness and militancy in the Niger Delta region. The team observed that all the expatriate construction workers had teams of mobile policemen attached to them to provide additional security.

ix. *Rehabilitation of Ekwulobia-Nnobi Road*

The contract for the rehabilitation of Ekwulobia-Nnobi Road with spur to Isuofia and Nanka in Anambra State is to cover 25.5 km. The project was awarded to Messrs. Master Holdings Nig. Ltd in April 2007 at a cost of N1.87 billion and was expected to be completed by December 2009. In the 2009 Budget, the sum of N800 million was appropriated and released while the sum of N434.97 million had been utilized so far in the year.

As at the time of visit, both site clearance and earth work had been completed. Culvert and drain/de-silting, pavement and surfacing, and asphalt overlay works were in progress. It was also observed that the quality of work was sound and the contractor had adequate plants, equipment and labour required for the completion of the project. The total expenditure of the project certified to date was N1.63 billion with 88.6% level of completion. The project engineer informed the team that a major constraint be-deviling the project was inclement weather condition.

x. *Dualisation of Onitsha-Owerri Road Section 1 C/No. 5660*

The Onitsha-Owerri Road is a major artery linking the western part of the country with the Eastern States of Anambra, Imo, Rivers and Cross Rivers States. Before the award of this contract, the road was a single carriage way. The dualisation of Onitsha-Owerri Road Section I commences at upper Iweka by Enugu-Onitsha Dual Carriageway Interchange. It runs through the fringes of Oba, Oraifite and Ozubulu towns before passing through the heart of Okija, Ihiala, Uli to terminate at Amorka Village in Anambra State. The project also included reconstruction of 8km single carriageway Onitsha Eastern Bypass.

The project was awarded to Consolidated Construction Company (CCC) in October, 2002 at a cost of N30.85 billion and was expected to be completed in December, 2010. In the 2009 Budget, the sum of N6.2 billion was appropriated and released while N711.2 million was utilized.

As at the time of visit, the following had been completed: 61 Nos. Pipe/box culverts, about 3,582m length of huge rectangular drain; 50,400m of trapezoidal drain; 4,363m length of access cover slabs and 1,141m of discharge drain, about 5000 Nos. Precast median barriers; about 28,180m^2 of stone pitching/riprap, while the following work as still in progress: site clearance, earthworks, sub-base, stone base, binder course, wearing course, construction of pile caps, pier/abutments at Nkpor.

Picture 13: Ongoing Construction of Onitsha – Owerri Road Section I, Anambra/Imo States

xi. *Dualization Of Onitsha-Owerri Road Section II C/No. 5820*

This section consists of the construction of 35km road and 2 Nos. bridges. It starts from the end point of section 1, that is, from Amorka Village in Anambra State through Mgbidi, Awommama, Ogbaku and Irete Towns before terminating at the round-about in front of Assumption Cathedral, Owerri, Imo State. The contract for the project was awarded to Messrs Julius Berger Nigeria PLC in November, 2005 at a cost of N19.42 billion. It commenced in January 2006 and was expected to be completed in December 2010. In the 2009 Budget, the sum of N6 billion was appropriated and released while N1.11 billion had so far been utilized on the project as at the time of the visit.

As at the time of the visit, the following had been completed: 8 Nos. cross culverts; 2 Nos. bridges at Njaba; over 14,937m of concrete lined drains while site clearance, earthworks, sub-base, stone-base, binder-course and wearing course were in progress. The sum of N12 billion has been committed to the project to attain 80% level of completion.

xii. *Dualization Of Kano – Maiduguri Road, Section IV, Potiskum – Damaturu (Contract No. 5881)*

The dualization of Kano – Maiduguri Road, Section IV, Potiskum – Damaturu which was on-going is 96.24km long and traverses through several villages, towns and farming communities. It was initiated to reduce the travelling time, rate of accident, operation and maintenance costs. The project starts at Potiskum junction linking Damagun, Garin Bingal, Dogon Kuka and Ngelzama ending at Damaturu. It was contracted to CGS Nigeria Limited in February 2007 at a contract sum of N30.25 billion and completion was expected by November 2009. A sum of N4.4 billion had been committed to the project since inception. The appropriation for 2009 was N1 billion which had been released and utilized as at June 2009. Only 1% instead of the 3% planned deliverables for the quarter was achieved to bring the project to 15.91% cumulative level of completion.

The evaluation team was informed that the major challenges faced by the project were insufficient funding and non-payment of the certified interim Statements made by the contractor. It is therefore recommended that the project be properly funded in order for the contractor to be able to complete it in 2011. This also underscores the need for the Ministry to focus its resources on completing ongoing projects before embarking on new ones.

xiii. *Dualization Of Kano – Maiduguri Road, Section V, Damaturu – Maiduguri (Contract No. 5869)*

This project is located in Borno State and was awarded to CCECC Nigeria Limited at a contract value of N39.99 billion. The project commenced on 3rd August, 2006 and was expected to be completed by the 2nd of December, 2009. The 131.91 km road project started from Kano – Maiduguri dual carriage-way and terminates at Damaturu. The financial commitment since inception stands at N4.95billion. In the 2009 Budget, N1 billion was released and utilized. The evaluation team was provided with information that showed that 7.5 % of this project was planned to be completed in the first quarter of 2009, but that only 1.8 % work was actually completed in the first quarter; meaning that by the end of the first quarter only 3.8 % of the project had been completed.

Among the challenges being experienced in the execution of the project, according to the contractor, were non-payment of Interim Payment Certificates which stood at 20%, non-payment of compensation and relocation of utilities like electricity poles and telecommunication towers. The team noted that the performance of the contractor was below expectation.

67. This chapter has set out some of the results from the evaluation of key capital projects by the Budget Office budget monitoring and evaluation teams. While significant progress has been recorded in the execution of capital projects over the first half of 2009, there is still much room for improvement across MDAs. Furthermore, there were certain instances where discrepancies and inconsistencies in the project execution data were identified by the Budget Office teams but not fully explained by the MDAs. These issues are being looked into. The concluding chapter of this Report derives a number of lessons from the evaluation exercise.

5.0 CONCLUSION

68. The 2009 Budget aims to maintain macro-economic stability and align expenditure with this Administration's 7-Point Agenda. The Government also focused on improving the efficiency of expenditure in the 2009 Budget by linking each key project and programme to specific deliverables, and by ensuring that MDAs monitor and review the performance of their capital budgets.

69. This review of budget implementation in the first half of 2009 demonstrates two key points. Firstly, the continued under-performance of oil and non-oil revenue has created a financing gap which threatens the implementation of the 2009 Budget. The data shows a shortfall of about N461.33 billion (or 25.75%) in aggregate revenue available for distribution among the tiers of government. The aggregate revenue available for implementation of the Federal Government Budget similarly fell short of the projected level of N1,132.61 billion by N363.43 billion (or 32.09%) in this period. To cope with the challenges of implementing the budget in view of this revenue shortfall, the Government augmented revenues by drawing funds from the Excess Crude Account and increasing domestic borrowing.

70. Secondly, the capital expenditure utilization rate increased significantly from the first quarter but still performed below budgeted expectations. Despite the early release[7] of capital warrants and full cash-backing in some instances, the data indicates a low utilization rate of 42.92%. There was, however, significant variance in performance among MDAs. About 27% (or 12) of MDAs including the FCTA, Niger Delta, and Aviation ministries utilized over 70% of the releases, while some other MDAs, including Power, Police Affairs/Formation and Commands, Education, and Transport have performed below the overall average throughout the first half of 2009. Furthermore, the utilization rate of some MDAs such as Works, Housing & Urban Development was lower in the second quarter than their utilization ratios in the first quarter of 2009.

71. Further to the first quarter Report, the Budget Office's Monitoring and Evaluation teams, in collaboration with relevant officers from MDAs, visited selected projects to assess their level of implementation. This assessment indicates that progress continued to be made in the implementation of capital projects although the pace varies from sector to sector. The team made some notable observations which include:

a. The relatively low rate of capital utilizations has occurred in part because some MDAs have attempted to implement a large number of new and ongoing projects which are often not completed until after a series of

[7] See the 2009 First Quarter Budget Implementation Report for a detailed discussion of this.

extensions and contract variations. This practice has limited the beneficial impact of the Budget Office making the bulk release of capital budget warrants to MDAs. Some MDAs, therefore, need to focus on completing key ongoing projects to achieve their deliverables;

b. Some MDAs were in the practice of overloading some contractors with more contracts than they can materially or financially handle. This was identified in the course of this monitoring exercise as a critical reason for the slow pace in execution of projects;
c. In some other cases, some MDAs were observed to finance execution of their capital projects from their Internally Generated Revenues without compliance with the relevant regulations in that respect;
d. There were a few discrepancies between some reports obtained from some MDAs on the one hand, and physical evaluation or information obtained from personnel at project sites on the other. These issues are being investigated further.

72. As indicated above, revenue and expenditure performance have improved over the course of the year, but they were still below their budgeted targets as at the time of this Report. Going forward, we expect oil revenue performance to improve on the back of higher oil production volumes and relatively high oil prices. It is also anticipated that non-oil revenue will increase because tax items such as customs, VAT and CIT are traditionally higher in the second half of the year. On the expenditure side, the recent performance of the MDAs has been encouraging and we expect that as they expedite efforts to fully implement their capital votes, a higher degree of their promised deliverables will be achieved in line with the government's overall development and public financial management objectives.

APPENDIX 1: CAPITAL BUDGET RELEASES UTILIZATION REPORT (As at June 30, 2009)

OFFICE OF THE ACCOUNTANT GENERAL OF THE FEDERATION.

FEDERAL MINISTRY OF FINANCE

FUNDS DEPARTMENT, GARKI - ABUJA

2009 CAPITAL PERFORMANCE FOR MDAs AS AT 30th June, 2009

S/NO	MINISTRY	1ST QUARTER WARRANT RELEASES =N=	2nd QUARTER WARRANT RELEASES =N=	PAYMENT THRO. AIEs =N=	TOTAL RELEASES = N=	AMOUNT CASHBACKED =N=	BALANCE =N=	CBN BALANCE @ 30th June 2009 =N=	UTILISATION =N=	PERFORMANCE %
1	PRESIDENCY	5,339,672,165.32	378,280,123.65	-	5,717,952,288.96	5,717,952,288.96	-	4,451,741,738.44	1,266,210,550.52	22.14
2	GOVT. OF THE FEDERATION (SGF)	2,905,274,639.25	-	100,000,000.00	3,005,274,639.25	3,005,274,639.25	-	1,955,268,330.65	1,050,006,308.60	34.94
3	YOUTH DEVELOPMENT	1,427,562,255.25	-	-	1,427,562,255.25	1,427,562,255.25	-	1,340,954,833.24	86,607,422.01	6.07
4	POLICE AFFAIRS				-	-	-	-		-
5	POLICE FORMATION	2,801,429,176.00	-	-	2,801,429,176.00	2,801,429,176.00	-	2,369,878,629.00	431,550,547.00	15.40
6	WOMEN AFFAIRS	419,200,000.00	-	-	419,200,000.00	419,200,000.00	-	419,200,000.00	-	-
7	AGRICULTURE & WATER RESOURCES	26,887,316,573.00	19,799,701,690.32	-	46,687,018,263.32	46,560,412,568.32	126,605,695.00	19,084,741,733.75	27,475,670,834.57	59.01
8	AUDITOR-GEN.	83,500,000.00	-	-	83,500,000.00	83,500,000.00	-	2,338,550.00	81,161,450.00	97.20
9	ICPC	372,084,541.00	-	-	372,084,541.00	372,084,541.00	-	372,084,541.00	-	-
10	DEFENCE	5,709,968,351.49	11,939,106,718.00	687,500,000.00	18,336,575,069.49	18,336,575,069.49	-	5,581,177,990.86	12,755,397,078.63	69.56
11	EDUCATION	12,622,071,974.53	3,511,897,446.06	-	16,133,969,420.59	16,118,700,934.59	15,268,486.00	9,538,190,990.31	6,580,509,944.28	40.83

S/NO	MINISTRY	1ST QUARTER WARRANT RELEASES =N=	2nd QUARTER WARRANT RELEASES =N=	PAYMENT THRO. AIEs =N=	TOTAL RELEASES = N=	AMOUNT CASHBACKED =N=	BALANCE =N=	CBN BALANCE @ 30th June 2009 =N=	UTILISATION =N=	PERFORMANCE %
12	FEDERAL CAPITAL TERRITORY ADMINISTRATION	3,178,631,875.00	29,046,368,125.00	-	32,225,000,000.00	32,225,000,000.00	-	9,392,025,436.16	22,832,974,563.84	70.85
13	FOREIGN & INTER GOVT. AFFAIRS	1,954,921,250.00	-	16,506,067,938.00	18,460,989,188.00	18,460,989,188.00	-	16,724,440,708.28	1,736,548,479.72	9.41
14	FINANCE	1,153,386,838.20	-	-	1,153,386,838.20	1,153,386,838.20	-	895,274,116.75	258,112,721.45	22.38
15	HEALTH	13,633,447,298.00	4,577,393,772.52	-	18,210,841,070.52	18,155,911,506.52	-	13,428,532,207.87	4,727,379,298.65	26.04
16	COMMERCE & INDUSTRY	451,736,318.00	-	-	451,736,318.00	451,736,318.00	-	169,189,631.30	282,546,686.70	62.55
17	INFORMATION & COMMUNICATION	962,500,000.00	-	-	962,500,000.00	962,500,000.00	-	238,013,918.96	724,486,081.04	75.27
18	INTERIOR	2,591,120,863.00	-	-	2,591,120,863.00	2,591,120,863.00	-	1,455,846,265.01	1,135,274,597.99	43.81
19	HEAD OF SERVICE	495,992,400.00	-	-	495,992,400.00	495,992,400.00	-	29,005,796.96	466,986,603.04	94.15
20	JUSTICE	288,341,370.00	-	-	288,341,370.00	288,341,370.00	-	273,104,250.46	15,237,119.54	5.28
21	LABOUR & PRODUCTIVITY	267,097,034.63	-	-	267,097,034.63	267,097,034.63	-	56,440,886.72	210,656,147.91	78.87
22	SCIENCE AND TECH.	2,252,575,462.02	-	-	2,252,575,462.02	2,252,575,462.02	-	957,086,879.40	1,295,488,582.62	57.51
23	WORKS	29,128,868,397.00	101,355,194,895.00	-	130,484,063,292.00	130,484,063,292.00	-	81,219,027,183.37	49,265,036,108.63	37.76
24	AVIATION	3,161,056,477.80	7,283,098,299.00	509,595,000.00	10,953,749,776.80	10,953,749,776.80	-	2,491,460,290.95	8,462,289,485.85	77.25
25	TRANSPORT	1,539,847,929.00	16,060,197,812.63	13,805,280,350.25	31,405,326,091.88	31,405,326,091.88	-	22,680,600,932.22	8,724,725,159.66	27.78
26	POWER	28,324,867,797.49	15,502,482,906.58	-	43,827,350,704.07	43,827,350,704.07	-	38,048,784,525.38	5,778,566,178.70	13.18
27	PETROLEUM	2,719,429,501.00	8,221,297,374.00	-	10,940,726,875.00	10,940,726,875.00	-	10,891,323,611.30	49,403,263.70	0.45
28	MINES & STEEL	794,168,956.00	-	-	794,168,956.00	794,168,956.00	-	548,605,367.97	245,563,588.03	30.92

S/NO	MINISTRY	1ST QUARTER WARRANT RELEASES =N=	2nd QUARTER WARRANT RELEASES =N=	PAYMENT THRO. AIEs =N=	TOTAL RELEASES = N=	AMOUNT CASHBACKED =N=	BALANCE =N=	CBN BALANCE @ 30th June 2009 =N=	UTILISATION =N=	PERFORMANCE %
29	NATIONAL WAGES & SALARIES	25,253,842.00	-	-	25,253,842.00	25,253,842.00	-	7,999,727.72	17,254,114.28	68.32
30	ENVIRONMENT,	1,222,583,850.00	-	-	1,222,583,850.00	1,222,583,850.00	-	1,061,759,336.43	160,824,513.57	13.15
31	TOURISM, CULTURE & NATIONAL ORIENTATION	472,320,271.00	-	-	472,320,271.00	472,320,271.00	-	289,097,013.82	183,223,257.18	38.79
32	NAT. PLANNING	633,127,336.75	-	1,205,541,441.00	1,838,668,777.75	1,838,668,777.75	-	881,922,263.82	956,746,513.93	52.03
33	NATIONAL SPORTS COMMISSION	668,345,824.00	-	2,000,000,000.00	2,668,345,824.00	2,668,345,824.00	-	663,320,824.00	2,005,025,000.00	75.14
34	OFFICE OF NATIONAL SECURITY ADVISER	250,000,000.00	-	3,600,000,000.00	3,850,000,000.00	3,850,000,000.00	-	3,850,000,000.00	-	-
35	NIGER DELTA	-	-	12,000,000,000.00	12,000,000,000.00	12,000,000,000.00	-	-	12,000,000,000.00	100.00
36	NAT. POPULATION	295,284,770.00	-	-	295,284,770.00	295,284,770.00	-	249,112,837.39	46,171,932.61	15.64
37	CODE OF CONDUCT BUREAU	63,863,044.00	-	-	63,863,044.00	63,863,044.00	-	59,900,000.00	3,963,044.00	6.21
38	CODE OF CONDUCT TRIBUNAL	117,324,826.00	-	-	117,324,826.00	117,324,826.00	-	10,324,826.00	107,000,000.00	91.20
39	PUBLIC COMPLAINTS COMMISSION	-		-	-	-	-	-	-	-
40	REV. MOB. ALL.	125,000,000.00	-	-	125,000,000.00	125,000,000.00	-	4,313,238.57	120,686,761.43	96.55
41	FCSC	25,000,000.00	-	-	25,000,000.00	25,000,000.00	-	25,000,000.00	-	-
42	POLICE SERVICE COMMISSION	22,665,000.00	-	-	22,665,000.00	22,665,000.00	-	-	22,665,000.00	100.00
43	INEC	348,234,000.00	-	-	348,234,000.00	348,234,000.00	-	326,904,000.00	21,330,000.00	6.13
44	FED. CHARACT. COMM.	142,700,176.00	-	-	142,700,176.00	142,700,176.00	-	-	142,700,176.00	100.00
Grand Total		187,684,635,822.73	222,000,000,016.39	50,413,984,729.25	460,098,620,568.37	449,880,632,313.58	10,217,988,254.79	254,707,378,969.67	193,080,321,917.90	42.92