

**REVIEW OF THE 2014 FEDERAL BUDGET PROPOSALS IN THE LIGHT
OF THE FISCAL RESPONSIBILITY ACT**

**REVIEW OF THE 2104 FEDERAL BUDGET PROPOSALS IN THE LIGHT
OF THE FISCAL RESPONSIBILITY ACT**

UNDERTAKEN BY

JIMOH TUNDE SALMAN

Table of Contents

List of Tables	6
List of Figures	7
Abbreviations and Acronyms	8
Executive Summary	9
Section 1 - Introductory Issues	13
1.1 Budget Theme.....	13
1.2 Timing And Manner Of Budget Presentation.....	13
1.3 The MTEF 2014-2016	14
1.4 Accompanying Documentation	14
1.5 Developmental Targets And The Fiscal Target Appendix	15
Section 2: The 2014 Budget Estimates	17
2.1 The 2014 Estimates	17
2.2 Recurrent Vote	19
2.3 Capital Expenditure	20
2.4Subsidy Reinvestment and Empowerment Programme	21
2.5 Debt Service and the Deficit	21

2.6 Request for New Borrowing and Absence of Cost Benefit Analysis	25
2.7 Contingent Liabilities	25
2.8 Subsidy for Kerosene	26
2.9 Macroeconomic Assumptions	26
2.9.1 Crude Oil Production and Proper Metering	26
2.9.2 The Benchmark Oil Price	27
2.9.3 Exchange Rate	28
2.9.4 Joint Venture Cash Call	28
2.10 The Allocations and Priorities	28
2.11 Human Capital Development	33
2.11.1 Education	34
2.11.2 Health	35
2.11.3 Labour and Productivity	35
2.12 Service Wide votes	37
2.13 Agriculture	37
2.14 The Presidency	40
2.15 National Assembly	40

Section 3: The Allocations And The Transformation Agenda (TA)	41
Section 4: Conclusions	44
Section 4: Recommendations	48
5.1 Preliminary And Procedural Issues	48
5.2 Substantive Provisions	48
5.2.1 Capital Expenditure	48
5.2.2 Recurrent Expenditure	49
5.2.3 Debt, Borrowing and Contingent Liabilities	49
5.2.4 Kerosene Subsidy	50
5.2.5 Crude Oil Production and Proper Metering	50
5.2.6 Job Creation	50
5.2.7 Health	50

LIST OF TABLES

- Table 1: Details And Percentages of the 2014 Budget
- Table 2: 2013-2014 Budget in Comparison
- Table 3: Comparison of the 2013 And 2014 Votes with SURE-P
- Table 4: Debt Service as a Percentage of Capital Expenditure
- Table 5: Capital Votes 2013 and 2014 of Key Ministries versus Debt Service
- Table 6: Debt Service as a Percentage of Retained Revenue
- Table 7: Macroeconomic Assumptions of the 2014 Budget Proposals
- Table 8: Summary of MDA Votes
- Table 9: MDA Votes as Percentages of Overall Vote
- Table 10: MDA Allocations as a Percentage to the Total Allocation (%)
- Table 11: Examples of Funding Gaps in the Agriculture Budget
- Table 12: Ambiguous Items in the Agriculture Vote
- Table 13: The Allocations and the Transformation Agenda

LIST OF FIGURES

- Figure 1: Debt Service in Billions 2010-2014
- Figure 2: Debt Service and Debt Service as a Percentage of GDP (2010 – 2016)
- Figure 3: Actual Prices for Nigeria's Bonny Light (\$/Pb)
- Figure 4: Human Capital Development 2014 Budget Breakdown
- Figure 5: Declining Trend of the Agriculture Vote In Relation To CAADP

ABBREVIATIONS AND ACRONYMS

ASUU:	Academic Staff Union of Universities
Bpd:	Barrel Per Day
FGN:	Federal Government of Nigeria
FRA:	Fiscal Responsibility Act
GSP:	Gross Domestic Product
IPPIS :	Integrated Personnel and Payroll Information System
KPPP:	Key Priority Projects and Programmes
Mbpd:	Million Barrel Per Day
MDGs:	Millennium Development Goals
MTEF:	Medium Term Expenditure Framework
NASS:	National Assembly
NIP:	National Implementation Plan
SURE- P:	Subsidy Reinvestment Empowerment Programme
TA :	Transformation Agenda
UBEC:	Universal Basic Education

EXECUTIVE SUMMARY

Section 1 deals with the preliminary and background issues including the late presentation of the budget and the fact that the First National Implementation Plan of Vision 20:2020 has expired by the effluxion of time and the Second National Implementation Plan 2014-2017 has not been prepared. The budget has no strong links with Vision 20:2020. The budget was not accompanied by the evaluation of results of programmes financed with budgetary resources in accordance with the FRA. Capital budget implementation for 2013 is reported to be poor following the tradition of previous budgets.

Section 2 deals with the provisions of the 2014 budget proposals. The 2014 budget is a 6.97% decline from the 2013 figures. Capital budget declined from 32.51% to 23.7%. Statutory and debt expenditure increased, all leading to an increase in recurrent (non debt) expenditure. Personnel expenditure is gulping 71% of the recurrent vote and 37% of aggregate expenditure. The section reviews the implementation of the IPPIS, the ghost worker syndrome and the apparent relegation of the Monetisation Programme. It recalls that the Orosanye Committee report is gathering dust on the shelves. The provisions for capital expenditure and SURE-P are reviewed with recommendations for an increase in capital expenditure and for the prudent management of available resources. The increasing debt service and its relationship to capital expenditure, retained revenue, etc is reviewed. The request for new borrowing which does not comply with the demands of FRA is also reviewed. The Part further reviews contingent liabilities and kerosene subsidy. The implications of the macroeconomic assumptions are analysed. The fact is clear that criminality and economic sabotage has reduced the quantity of crude oil available for export whilst the continuation of demands for Joint Venture Cash Call is a fallout of an unreformed fiscal regime, which the PIB seeks to reform.

Another section of Section 2 deals with the allocations and priorities and reviews the proposals for education, health, labour and productivity, service wide votes and the allocations to NASS and the Presidency. It also reviews the agriculture budget. The front running MDAs in terms of allocations are the Ministry of Finance and Service Wide Votes with 35.61%, followed by Education with 10.63%, Defence got 7.33%; Police Affairs and Command got 6.46% and Health received 5.66%.

Section 3 is on the allocations and the Transformation Agenda showing a huge disconnect between the Transformation Agenda's capital expenditure proposals and the 2014 capital expenditure proposals for all the key sectors within the identified thematic areas. The only exceptions are waterways and sea ports; aviation; as well as defence and security.

Section 4 is on Conclusions while Part Five is on the Recommendations. The recommendations are as follows.

Introductory Issues

- ❖ Future MTEFs and budgets should be presented by the executive and approved early enough by the legislature for budget implementation to start on January 1 of the budget year.
- ❖ It is imperative for the President to continue with the tradition of addressing a joint session of the NASS during budget presentation. This will allow the President to give an account of his fiscal and economic stewardship in the year while explaining the projections for the incoming year.
- ❖ NASS should nudge the executive to ensure that the Second National Implementation Plan of Vision 20:2020 is prepared and approved.
- ❖ Legislative approval of the MTEF should go beyond the determination of the benchmark price of crude oil. Sectoral envelopes, growth projections, projections for employment and job creation, etc, should be reviewed. NASS should open up the MTEF approval process to popular participation.
- ❖ NASS should insist on the executive, as part of the documents accompanying the budget, to submit the evaluation of results of programmes financed with budgetary resources as provided in Section 19 (d) of the FRA. This evaluation is not about fiscal projections and actuals or contracts awarded. It is about results achieved through the expenditure of public resources.

Substantive Issues

Capital Expenditure

- ❖ The allocation of a mere 23.7% of the budget to capital expenditure should be reviewed and not less than 30% should be voted for capital expenditure. There are a number of line items/issues from which savings can be made, already identified in Recommendations on the 2014 Federal Budget Estimates (*Inappropriate, Unclear and Frivolous Expenditure*) published by the Citizens Wealth Platform.
- ❖ NASS should streamline the number of projects being funded, continue with existing projects and discountenance new ones unless they are absolutely necessary. NASS should seek to build consensus with the executive and

other stakeholders and decide on key national infrastructure projects that should be completed in the short term and channel the bulk of the expenditure to them.

- ❖ NASS should play an active role in collaboration with MDAs and the Infrastructure Concession Regulatory Commission in designing the modalities for funding existing projects through public private partnerships, dedicated bonds, etc.
- ❖ NASS should specifically increase the capital votes for education, health, agriculture by not less than 100%.
- ❖ NASS should expeditiously consider and pass pending bills such as the Federal Road Fund Bill and the Development Planning and Projects Continuity Bill into law.

Recurrent Expenditure

Steps should be taken to reduce recurrent expenditure especially the personnel vote. Core steps should include:

- ❖ Ensure that every MDA has been reviewed and captured in the IPPIS;
- ❖ Prosecute the officers responsible for the loss of N108b to ghost workers;
- ❖ Implement the recommendations of the Oronsanye Committee through new laws and policies that may merge, repeal and restructure existing government agencies;
- ❖ Full implementation of the Monetisation Programme.

Debt, Borrowing and Contingent Liabilities

- ❖ New borrowing proposals from the executive should come with the list of capital projects to be funded from the borrowing, their cost benefit analysis and the terms of the borrowing which should not exceed 3% per annum as required by the FRA. NASS should meticulously review and approve these proposals.
- ❖ NASS should insist on the setting of the Consolidated Debt Limit as required by section 42 of the FRA before approving new borrowing.

- ❖ NASS should demand and approve the full details of contingent liabilities on infrastructure projects listed in the budget.

Kerosene Subsidy

Considering that the subsidy is not reaching the intended beneficiaries and there are no plans in place to stop the subsidy scam, NASS should specifically abolish the subsidy with a clause in the Appropriation Act prohibiting the NNPC and any other government agency from spending any public resources on the subsidy.

Crude Oil Production and Proper Metering

- ❖ Considering that the executive that should champion the cause of proper metering is not forthcoming for the cause, NASS should pro-actively provide funds for a new and appropriate metering system to enhance transparency and accountability in documentation of oil production and exports.
- ❖ The passage of the Petroleum Industry Bill before the end of the second quarter of 2014 is imperative for proper accountability and the reprogramming of funds for Joint Venture Cash Call.

Job Creation

All agencies seeking a vote for job creation should provide NASS with key performance and measurable indicators in terms of the number of jobs to be created, the sectors where the jobs will be created, linkages with other sectors of the economy, the sustainability of the jobs, etc.

Health

NASS should consider compulsory contributions by all citizens to a pool of funds for a health insurance scheme that covers all Nigerians.

SECTION 1

INTRODUCTORY ISSUES

1.1 BUDGET THEME

The 2014 federal budget is described as a budget of job creation and inclusive growth. The budget theme is in consonance with the economic objectives of state in section 16 of the 1999 Constitution¹ to wit; to harness and distribute the material resources of the nation to serve the common good. In the last ten years, Nigeria witnesses an average of 7% growth per annum while poverty and unemployment increased. This is a paradox of a growth without jobs and growth whose impact is not felt by the majority of the population. It is therefore not a pro-poor growth. It was therefore imperative for government to take steps to create jobs using the fiscal governance framework and to control the national economy in such a manner to secure maximum welfare, freedom, and happiness of every citizen on the basis of social justice and equality of status and opportunity². The budget's theme is therefore in harmony with the overall intendments and the long title of the Fiscal Responsibility Act (FRA).

1.2 TIMING AND MANNER OF BUDGET PRESENTATION

The FRA anticipates early presentation and passage of the budget before the commencement of the new financial year. The budget was presented to the National Assembly (NASS) by the Minister of Finance on December 19 2013. This was late in the year and 19th was the last working day before the National Assembly proceeded on its Christmas and New Year break. The implication is that the budget was not reviewed or worked upon until 2014. This will lead to late budget approval, may be after the end of the first quarter and its consequent challenges of poor capital budget implementation. The late presentation offended the Financial Year Act which defines Nigeria's financial year as the period between January 1st to December 31st of every year; and this is the period the budget is expected to run. The Financial Year act does not anticipate the carrying over of capital projects from a given year to the end of the first quarter of the succeeding year. In the last six years, budget have been presented and approved late and the expectation was that lessons would have been learnt from the experience of previous years. By the 19th of December when the budget was laid, it was very late in the year and NASS merely received the budget and proceeded on their Christmas and New Year vacation the following day. The implication is that the budget will not be approved by NASS before the end of the first quarter of 2014.

¹ Unless the context otherwise refers, any reference to the Constitution is a reference to the Constitution of the Federal Republic of Nigeria 1999.

² See section 16 (1) (b) of the Constitution.

This development cannot in any way accelerate the implementation of fiscal reforms and has laid a strong foundation for the impending failure of budget implementation especially, the implementation of the capital vote.

As a departure from the past, the President did not present the budget himself and there was no accompanying budget speech and address. Although the Constitution³ did not specifically demand his personal attendance, but this presentation format was a departure from the tradition built over the years. The beauty of the tradition is that it hitherto provided opportunities for the President to give an account of his management of the national economy in the last 12 months and make projections for the next one year. The tradition served the cause of accountability and transparency and should not have been discarded.

1.3 THE MTEF 2014-2016

The 2014 Budget is based on the 2014-2016 MTEF. The MTEF was sent late to the legislature in September and the approval did not come out until December. However, the MTEF did not contain sectoral envelopes following the failure of Ministry of Finance to cause the MDAs to prepare the background Medium Term Sector Strategies (MTSS). This is a big flaw because there is no documentation to compare the budget projections against the background of earlier approved sector estimates. When it is considered that the MTEF is the basis for the preparation of the annual budget⁴, the absence of sectoral envelopes would be better appreciated. The consideration of the MTEF by NASS was restricted the approval of the following; benchmark oil price and daily production benchmark, non-oil revenue assumptions, exchange rates and general expenditure projections. Growth projections, interest rate, inflation rate, etc, which are part of the MTEF were not reviewed nor approved. As an anchor to the 2014 budget, the MTEF despite the participatory spirit of the FRA was not a product of popular participation from its preparation in the executive to the approval in NASS.

1.4 ACCOMPANYING DOCUMENTATION

Section 19 (d) of the FRA demands that the Minister of Finance prepares and presents information to the legislature on the evaluation of the results of programmes financed with budgetary resources. The word evaluation is defined to mean;

³ See section 81 of the Constitution

⁴ Section 18 of the FRA.

..to form an opinion of the amount, value or quality of something after thinking about it carefully – some form of assessment. This would essentially involve an analysis of the impact of the programmes on the population or segments of the population targeted by specific programmes. It should deal with such issues as increase in school enrolment and improvements in learning outcomes, greater number of mothers and children reached with maternal and child health services, increased access to immunization, number of new households that have access to portable water, etc. The evaluation of results is not about the fiscal projections in terms of revenue and expenditure projected versus the actual(s) and the reasons for realizing or not realizing the forecasts which the quarterly budget reports are assigned to do. The evaluation should lead us to what has changed positively or negatively through the expenditure of government resources⁵.

The 2014 Budget and the accompanying documents did not provide the evaluation of results of programmes financed with budget resources as demanded by section 19 (d) of the FRA.

1.5 DEVELOPMENTAL TARGETS AND THE FISCAL TARGET APPENDIX

Section 19 (e) of the FRA demands that the Appropriation Bill be accompanied by:

A Fiscal Target Appendix derived from the underlying macroeconomic framework setting out the following targets for the financial year-

- (i) Target inflation rate*
- (ii) Target fiscal account balances*
- (iii) Any other development target deemed appropriate*

There are projections on the target inflation rate, target fiscal balances, GDP growth rate and exchange rate of the naira in the MTEF and Budget. The Budget was silent on development targets. If it is a budget for job creation; where are the targets, milestones and number of jobs to be created and in which sectors? What improvements would be recorded in health, education, access to sanitation and drinking water, etc. the budget was silent on all these. Macroeconomic stability in fiscal aggregates is important for growth and development, but it does not on its own guarantee development. Fiscal targets and balances are not a n end in themselves. They are a means to an end and should pave the way for

⁵ *Evaluation of Budgetary Performance*, paper written by Eze Onyekpere Esq.

improvements in livelihoods, job creation and a growth process that takes care of the basic rights of all. This is in the light of section 16 of the Constitution provides inter alia that:

(2) The State shall direct its policies towards ensuring:

(d) that suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, unemployment and sick benefits and welfare of the disabled are provided for all citizens.

The National Assembly is entitled by the FRA to demand for this development targets to guide its approval of the new budget.

SECTION 2 THE 2014 BUDGET ESTIMATES

2.1 THE 2014 ESTIMATES

The budget is for a total sum of N4,642,960,000,000 (Four Trillion, Six Hundred and Forty-Two Billion, Nine Hundred and Sixty Million Naira) only, of which N399,687,801,891 (Three Hundred and Ninety Nine Billion, Six Hundred and Eighty-Seven Million, Eight Hundred and One Thousand, Eight Hundred and Ninety-One Naira) only is for Statutory Transfers; N712,000,000,000 (Seven Hundred and Twelve Billion Naira) only is for Debt Service; N2,430,665,361,597 (Two Trillion, Four Hundred and Thirty Billion, Six Hundred and Sixty-Five Million, Three Hundred and Sixty-One Thousand, Five Hundred and Ninety-Seven Naira) only is for Recurrent (Non-Debt) Expenditure while the balance of N1,100,606,836,512 (One Trillion, One Hundred Billion, Six Hundred and Six Million, Eight Hundred and Thirty-Six Thousand, Five Hundred and Twelve Naira) only is for contribution to the Development Fund as Capital Expenditure. This is detailed in Table 1.

TABLE 1: DETAILS AND PERCENTAGES OF THE 2014 BUDGET

PROPOSED BUDGET EXPENDITURE	ALLOCATION (N)	% OF AGGREGATE EXPENDITURE
Recurrent Expenditure (Non-Debt)	2,430,665,361,597	52.35%
Statutory Expenditure	399,687,801,891	8.61%
Debt Servicing: <i>(Domestic: N663,610,000,000)</i> <i>(Foreign: N48,390,000,000)</i>	712,000,000,000	15.34%
Capital Expenditure	1,100,606,836,512	23.70%
AGGREGATE BUDGET	4,642,960,000,000	100

Table 2 is a comparison of the votes for 2013 and 2014.

2013-2014 BUDGET IN COMPARISON

	2014 PROPOSED BUDGET EXPENDITURE		2013 APPROVED BUDGET EXPENDITURE	
	ALLOCATION (N)	% OF AGGREGATE EXPENDITURE	ALLOCATION (N)	% OF AGGREGATE EXPENDITURE

Recurrent Expenditure (Non-Debt)	2,430,665,361,597	52.35	2,386,024,770,349	47.84
Statutory Expenditure	399,687,801,891	8.61	387,976,000,000	7.78
Debt Servicing	712,000,000,000	15.34	591,764,000,000	11.87
	<i>(Domestic: N663,610,000,000 or 93.2% of the Total Debt Servicing)</i>		<i>(Domestic: N543,376,000,000 or 91.8% of the Total Debt Servicing)</i>	
	<i>(Foreign: N48,390,000,000 or 6.8% of the Total Debt Servicing)</i>		<i>(Foreign: 48,388,000,000 or 8.2% of the Total Debt Servicing)</i>	
Capital Expenditure	1,100,606,836,512	23.7	1,621,477,655,252	32.51
AGGREGATE BUDGET	4,642,960,000,000	100	4,987,220,425,601	100

Table 2 above shows that there was a 6.97% decline in the approved budget of 2013 compared to the 2014 proposals. Capital budget declined from 32.51% to 23.7%. Statutory and debt expenditure increased, all leading to an increase in recurrent (non debt) expenditure. However, if the vote for Subsidy Reinvestment and Empowerment Programme (SURE-P which is also about capital expenditure) is added, the new Table for 2013 and 2014 will be as follows.

TABLE 3: COMPARISON OF THE 2013 AND 2014 VOTES WITH SURE-P

	2014 PROPOSED BUDGET EXPENDITURE		2013 APPROVED BUDGET EXPENDITURE	
	ALLOCATION (N)	% OF AGGREGATE EXPENDITURE	ALLOCATION (N)	% OF AGGREGATE EXPENDITURE
Recurrent Expenditure (Non-Debt)	2,430,665,361,597	49.49	2,386,024,770,349	45.35
Statutory Expenditure	399,687,801,891	8.14	387,976,000,000	7.37
Debt Servicing	712,000,000,000	14.50	591,764,000,000	11.24
	<i>(Domestic: N663,610,000,000 or 93.2% of the Total Debt Servicing)</i>		<i>(Domestic: N543,376,000,000 or 91.8% of the Total Debt Servicing)</i>	

	(Foreign: N48,390,000,000 or 6.8% of the Total Debt Servicing)		(Foreign: 48,388,000,000 or 8.2% of the Total Debt Servicing)	
Capital Expenditure	1,100,606,836,512	22.41	1,621,477,655,252	30.82
SURE-P	268,370,000,000	5.46	273,522,000,000	5.20
AGGREGATE BUDGET	4,911,330,000,000.00	100	5,260,764,425,601	100

If the SURE-P votes are added, 2014 provides for 27.87% capital expenditure compared to 36% in 2013. However, the impression given in the MTEF 2014-2106 is that capital expenditure is bearing the brunt of decreased revenue. Tables 2 and 3 above show that capital expenditure is reducing due to increased recurrent (non debt) and other expenditure and not necessarily, as a result of diminished revenue.

2.2 RECURRENT VOTE

According to the Federal Ministry of Finance, personnel expenditure is gulping 50% of the recurrent vote and 37% of aggregate expenditure. It is the fastest growing head of expenditure. The Ministry in justifying the reduced capital expenditure further states⁶:

Most elements of the recurrent spending are not easy to adjust downward overnight. You cannot reduce the wage bill unless you sack workers, and Government does not like to fire people. So, if revenue goes down, items such as salaries, debt service, etc, must still be accommodated before any other expenditure item. The expenditure ceiling for capital is the balance after key elements of recurrent type expenditure have been accommodated.....In the recent years, the wage bill has been rising steadily; from about N857 billion in 2009, it has doubled to about N1.72 trillion in 2013 following continued demands for wage increases.

One of the steps FGN is taking to control the growth of the wage bill is the Integrated Personnel and Payroll Information System (IPPIS) to weed out ghost workers. The IPPIS reforms have been ongoing since 2007. However, not much appears to have been achieved considering the fact that ghost workers have been purportedly weeded out of service and

⁶ Citizens Guide to the 2014 Federal Budget.

over N118b saved. Yet, the wage bill is rising. But it is clear that since no one was held responsible and prosecuted for the loss of the said sum of money, new ghosts are bound to emerge.

The IPPIS reform has a vote of N1.5b under Service Wide Votes in the current proposal and votes have been made for the reform in the past eight years. IPPIS must not be a perpetual reform gulping large sums of money. It must have a terminal date beyond which smaller sums will be required for routine maintenance. NASS is therefore enjoined to use its oversight powers to ensure the prosecution of the accounting officers and all officers responsible for this huge loss to the Treasury. Also, there is the need to fully implement the Monetisation Programme to save costs and avoid duplicating expenditure on already monetized services and benefits. The second part of the personnel challenge is that the recommendations of the Oronsaye Committee are gathering dust on the shelves. FGN is yet to release a white paper on the subject while the report contains concrete and achievable targets for reducing personnel and other recurrent votes. NASS is also enjoined to take steps through bills that would implement the recommendations of this Committee.

2.3 CAPITAL EXPENDITURE

Considering the poor capital budget implementation record of FGN over the years and the paltry sum allocated to it, it is imperative for NASS to consider alternative sources of funding infrastructure projects. Considering that revenues will be dedicated to capital expenditure only after meeting other expenses and federal revenues may not improve in the short term, alternative sources of funding are needed. The decision on the sources of funding particularly where they involve creation of new indebtedness should not be left to the executive alone. NASS should streamline the number of projects being funded, continue with existing projects and discountenance new ones unless they are absolutely necessary. Essentially, NASS should take steps to ensure that capital resources are not spread too thinly. Especially in the Ministry of Works, with so many projects that cannot be completed with available resources, NASS should seek to build consensus with the executive and other stakeholders and decide on key national infrastructure projects that should be completed in the short term and channel the bulk of the expenditure to them. In other words, NASS should prioritise the projects so that budgetary funding can achieve the desired results.

Further, NASS should play an active role in collaboration with MDAs and the Infrastructure Concession Regulatory Commission in designing the modalities for funding existing projects through public private partnerships, dedicated bonds,

etc. The brings to the fore the need to expeditiously consider and pass bills such as the Federal Road Fund Bill and the Development Planning and Projects Continuity Bill into law.

2.4 SUBSIDY REINVESTMENT AND EMPOWERMENT PROGRAMME

The proposal for SURE-P is for the sum of N268.37b made up of N180b in expected inflow for 12 months while N88.370b is the carry-over from 2013. Funds were also carried over from 2012 to 2013 and the excuse was that the secretariat commenced work within the year. Considering that a good part of SURE-P funds are invested as augmentation of ongoing infrastructure projects, it is unimaginable that the sum of N88.370billion is being carried over. Why is it being carried over? Is it about the absorptive capacity of the implementing MDAs or the contractors handling the projects? Is it possible the funds were not released and cash-backed to the implementing agencies when they needed the funds? NASS is enjoined to find out the true state of affairs and take remedial measures for 2014.

Further, the proposed specific expenses of N2b for the Federal Ministry of Information-public enlightenment on SURE-P is frivolous and makes no economic sense considering that the Ministry has a generous vote for sensitization in the main budget. Also, the N1.2b for the Programme Board and N500m for monitoring and evaluation are on the high side. There is a vote for a nebulous special presidential intervention in the sum of N12b. This should not be allowed to scale through unless the details are provided and they constitute a reasonable expenditure proposal. The ongoing review of SURE-P in the NASS should get to the root of the matter to avoid misapplication of resources meant for SURE-P.

2.5 DEBT SERVICE AND THE DEFICIT

Figure 1 shows the progression of debt service over the past four years. The trend is an increase in the resources set aside for debt service as the national debt grows. Despite assurances by the Debt Management Office and the Ministry of Finance that Nigeria's debt is sustainable. The picture below is not good for the economy. It speaks of opportunities lost to invest in critical sectors of the economy.

FIGURE 1: DEBT SERVICE IN BILLIONS 2010-2014

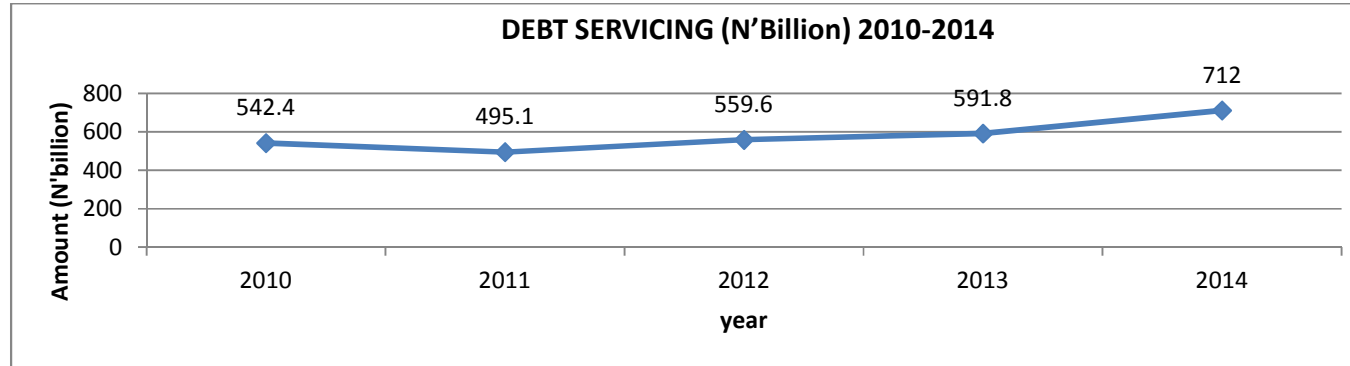
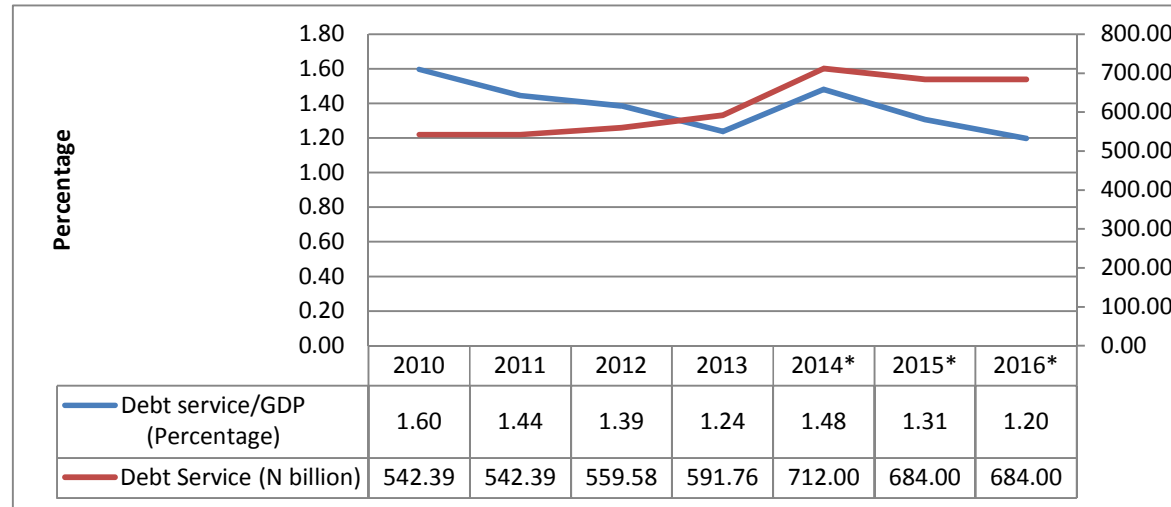


Figure 1 shows that using 2010 as the base year; in 2011, debt service decreased by 8.72%; and increased by 13.03% in 2012. It increased by 5.75% in 2013 and further soared by 20.36% in 2014. The following Tables speak to the growing increase in debt servicing. Figure 2 shows debt service as a percentage of GDP

FIGURE 2: DEBT SERVICE AS A PERCENTAGE OF GDP (2010 – 2016)



Source: Computed from various MTEFs & FSPs and Approved FGN Budgets

The projected debt service of N712 billion in the 2014 budget would increase debt service as a percentage of GDP compared to rates recorded in the past 3 years. Total debt service in 2014 is projected to increase from N591.764 billion as budgeted in 2013 to N712 billion in 2014. Of this amount, debt service on domestic debt is projected to increase in 2014 while the service on foreign debt would remain the same with the amount in the 2013 FGN budget. While the projection expresses the willingness of FGN to service its debt in 2014 fiscal year, it would increase the debt service percentage of GDP to 1.48 percent. Debt service as a percentage of GDP stood at 1.44 percent in 2011 and dropped to 1.39 percent in 2012. With the projected increase of budget deficit from -1.85 in 2013 percent to -1.90 percent in 2014, it would be important to channel borrowings into productive activities that would generate employment and address poverty⁷.

There is also a relationship between debt service and availability of funds to invest in regenerating capital expenditure.

TABLE 4: DEBT SERVICE AS A PERCENTAGE OF CAPITAL EXPENDITURE

2014 BUDGET CAPITAL EXPENDITURE	DEBT SERVICING
N1,100,606,836,512	N 712,000,000,000
DEBT SERVICING AS A PERCENTAGE OF CAPITAL EXPENDITURE (%)	64.69%

TABLE 5: CAPITAL VOTES 2013 AND 2014 OF KEY MINISTRIES VERSUS DEBT SERVICE

2013 APPROVED BUDGET			2014 PROPOSED BUDGET		
S/N	CAPITAL VOTES OF MDA	CAPITAL ALLOCATION (N)	S/N	CAPITAL VOTES OF MDA	CAPITAL ALLOCATION (N)
1	AGRICULTURE & RURAL DEVELOPMENT	50,808,871,428	1	AGRICULTURE & RURAL DEVELOPMENT	35,151,172,583
2	EDUCATION	71,937,785,489	2	EDUCATION INCLUDING UBEC	49,536,035,231
3	HEALTH	60,082,469,275	3	HEALTH	46,339,384,706
4	POWER	73,159,378,866	4	POWER	59,051,290,389

⁷ Dr Amakom Uzochukwu, supra.

5	TRANSPORT	44,527,673,725	5	TRANSPORT	29,334,108,913
6	WORKS	168,173,800,000	6	WORKS	100,146,203,055
7	MINES & STEEL DEVELOPMENT	3,400,000,000	7	MINES & STEEL DEVELOPMENT	2,026,868,615
8	AVIATION	48,500,000,000	8	AVIATION	26,157,892,040
9	NIGER-DELTA	62,331,222,222	9	NIGER-DELTA INCLUDING NDDC	46,903,704,194
10	DEFENCE/MOD/ARMY/AIR FORCE/NAVY	64,013,000,000	10	DEFENCE/MOD/ARMY/AIR FORCE/NAVY	34,290,000,000
KEY CAPITAL VOTES		646,934,201,005	KEY CAPITAL VOTES		428,936,659,726
DEBT SERVICE		591,764,000,000	DEBT SERVICE		712,000,000,000
KEY CAPITAL VOTES AS A % OF DEBT SERVICING		109.3%	KEY CAPITAL VOTES AS A % OF DEBT SERVICING		60.24%

Table 4 shows that the resources set aside for debt servicing is 64.69% of the money set aside for capital expenditure. In our usual tradition of utilising not more than 60% of appropriated capital vote, we may end up spending more on debt service compared to capital expenditure. The resources for debt service could have been channeled to capital investments in needed infrastructure. But when the capital votes of 10 key ministries are compared with the resources set aside for debt service, the picture is not flattering. These are important ministries for the realisation of Vision 20:2020 and the Transformation Agenda of the administration. They are the ministries to drive job creation, reduce the infrastructure deficit, eradicate insecurity for development to proceed in the North East, etc. Table 5 shows the details. In 2013, the capital votes of 10 key ministries was more than the debt service vote at 109.35% but in 2014, the capital vote of these key ministries amounts to only 60.24% of the debt service.

TABLE 6: DEBT SERVICE AS A PERCENTAGE OF RETAINED REVENUE

RETAINED REVENUE	DEBT SERVICING
N3.73 Trillion	N 712 Billion
PERCENTAGE OF DEBT SERVICE TO RETAINED REVENUE (%)	19.09%

Table 6 shows that debt service will take 19.09% of retained revenue while we are still procuring new indebtedness.

The fiscal deficit of N911.96b is to be financed from the following sources - privatization proceeds (N15b), Excess Crude Account (324.97b), and new borrowing (571.99b). All the financing sources are realistic and would eventually accrue for use. However, the new borrowing of N571.99b is not predicated or supported by any Consolidated Debt Limit as required by the provisions of Section 42 (1) of the Fiscal Responsibility Act. Therefore, the approval of the 2014 budget provides a good opportunity for NASS to insist on the President proposing a Consolidated Debt Limit for the three tiers of government which it will approve.

2.6 REQUEST FOR NEW BORROWING AND ABSENCE OF COST BENEFIT ANALYSIS

The request for new borrowing in the sum of N571 is submitted without a list of projects and their cost benefit analysis as required by the FRA. According to sections 41 (1) and 44 (1) of the FRA:

41 (1): Government at all tiers shall only borrow for capital expenditure and human development, provided that such borrowing shall be on concessional terms with low interest rate and with a reasonably long amortization period subject to the approval of the appropriate legislative body where necessary.

44 (1): Any Government in the Federation or its agencies and corporations desirous of borrowing shall, specify the purpose for which the borrowing is intended and present a cost-benefit analysis, detailing the economic and social benefits of the purpose to which the intended borrowing is to be applied.

Borrowed monies are only to be used for capital expenditure and human development and the borrowing request should be accompanied by a CBA. Borrowing should be on concessional terms defined to mean an interest rate below 3 percent per annum. NASS should therefore insist on a review of the CBA and the terms of the borrowing before approving the new borrowing, otherwise they will be approving borrowing for recurrent expenditure and on terms which are not concessional.

2.7 CONTINGENT LIABILITIES

There is nothing in the MTEF 2014-2016 or in the body of the 2014 Budget stating the contingent liabilities that will arise in the implementation of the budget. For instance, despite the provisions for the Lagos-Ibadan Expressway and the augmentation in the SURE-P budget, FGN through the Ministry of Works has announced a plan to raise funds from the private sector to speed up the completion of the project. How will the funds raised from the private sector be repaid and on what terms and through which means? It is therefore imperative for the budget to state the quantum of such contingent

liabilities and what measures are to be taken to ensure that they do not crystallize and or how to deal with them if they crystallize.

2.8 SUBSIDY FOR KEROSENE

The amount budgeted for subsidy on kerosene (or whether there is any provision at all) is not clear on the face of the budget. It is clear from emergent evidence that Late President Yar'Adua on June 15, 2009 directed NNPC to stop subsidy claims on kerosene and it was stopped for a while before the hawks in NNPC and the Ministry of Petroleum Resources resurrected it. Considering the sharp practices and fraud perpetrated by industry insiders and the fact that the subsidized kerosene does not get to the targets who are poor, NASS should explicitly withdraw and prohibit further payment of any sums of public money for kerosene subsidy. In 2012/2013, N341.53bn was used for kerosene subsidy. The sum saved from this stoppage will be remitted to the Federation Account for sharing by the three tiers of government in 2014.

2.9 MACROECONOMIC ASSUMPTIONS

The budget is predicated on the following macroeconomic assumptions as shown in Table 7.

TABLE 7: MACROECONOMIC ASSUMPTIONS OF THE 2014 BUDGET PROPOSALS

MACROECONOMIC ASSUMPTIONS OF THE 2014 BUDGET PROPOSALS	
OIL PRICE (PER BARREL)	\$77.5
CRUDE OIL PRODUCTION (mbpd)	2.388
EXCHANGE RATE (N/\$)	160
GDP GROWTH RATE (%)	6.75
RETAINED REVENUE	N3.73 Trillion
BUDGET DEFICIT (-)	N0.91 Trillion
JOINT VENTURE CASH CALL	858.588

2.9.1 CRUDE OIL PRODUCTION AND PROPER METERING

Oil production is projected at 2.3883mbpd in 2014 (including condensates) which is less than the 2,5260mbpd projected for 2013. The principal reason for lowering the projection is crude oil theft and illegal bunkering projected at 400,000bpd. At an average price of \$100 per barrel, this amounts to the loss of \$40million per day. This is not right for an economy that is mainly dependent on oil. Government exists to maintain law and order, protect lives and property as it controls the security apparatus of the state. Government should not be seen to be retreating from criminals. Instead of attacking the

challenge through the effective policing of oil installations, the government by lowering the production benchmark is surrendering to criminals. FGN should work towards increasing the production volume for 2014 even if the estimates are retained as they are. The security apparatus should be mobilised by the President to perform their basic duties and criminals should be arrested, prosecuted and sent to jail⁸. If the above recommendation is implemented, this would definitely lead to improved production and oil revenue. For a country that has spent hundreds of billions of naira prosecuting the Amnesty Programme which is supposed to reduce criminality and militancy in the Niger Delta region to be retreating from criminals in 2014 presupposes the failure of the Amnesty Programme.

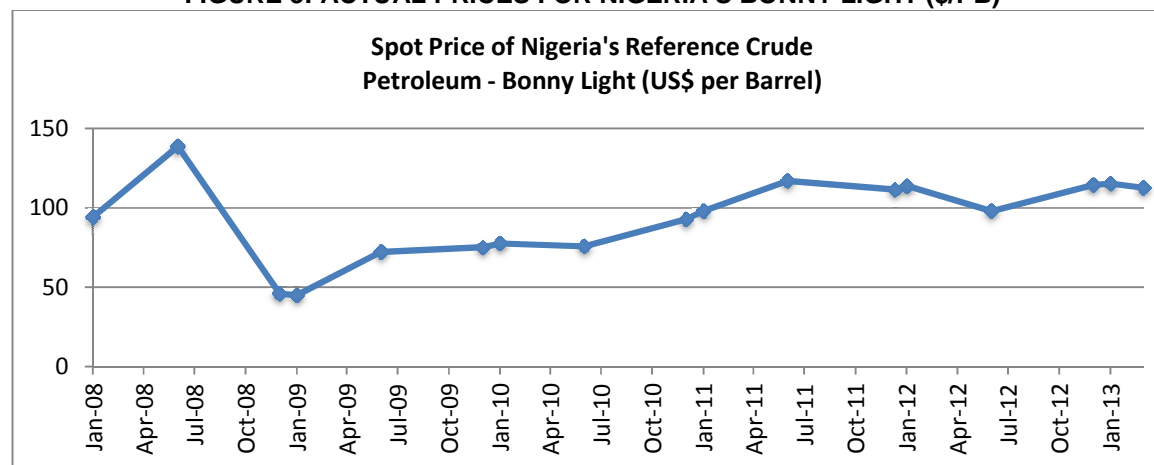
The second point is the production figures released from time to time by the NNPC do not seem reliable due to the lack of a proper metering system for the measurement of oil production and lifting in Nigeria. A situation where Nigeria continues to rely on figures by companies who are in business for information to determine quantity of crude produced is inappropriate and unacceptable. Recently, the Department of Weights and Measures in the Ministry of Trade and Investment disclosed that Nigeria conservatively lost about N2.2 trillion annually to inaccurate measurement system adopted across all sectors of the economy, especially in the oil and gas sector which accounts for a large part of the country's total annual earning. It has therefore become imperative for NASS to pro-actively provide funds for a new and appropriate metering system. It is apparent the executive that should champion this cause is not forthcoming.

2.9.2 THE BENCHMARK OIL PRICE

The benchmark price set by the National Assembly in the MTEF 2014-2016 which was a slight deviation from the executive proposal (of \$72 per barrel) appears reasonable. Figure 3 shows the movement of crude oil prices.

⁸ The security forces include the Nigerian Army, Navy, Airforce, NIMASA, Police, the SSS, NIA and the companies contracted to secure the pipelines and other oil installations.

FIGURE 3: ACTUAL PRICES FOR NIGERIA'S BONNY LIGHT (\$/PB)



2.9.3 EXCHANGE RATE

Nigeria imports virtually all her needs resulting in unfavourable trade balances. Lately, Nigerians have been exporting a lot of resources for education and health services outside our shores. With the depleting external reserves, reduction in inflows of portfolio and foreign investments and possibility of reduced oil prices in the international market, it may be difficult to sustain the naira at N160 to the USD for the whole year.

2.9.4 JOINT VENTURE CASH CALL

The provision of the sum of N858.588b for Joint Venture Cash Call brings to the fore the delay in the passage of the Petroleum Industry Bill by the National Assembly. Joint Venture Cash Calls will be history after the passage of the bill into law. Nigeria should not be spending monies than can be saved and channeled to more productive ventures. NASS is called upon to prioritise the passage of the bill before the end of the second quarter of this year.

2.10 THE ALLOCATIONS AND PRIORITIES

Table 8 shows the allocations detailing the priorities of government in the recurrent (personnel and overhead) and capital votes.

TABLE 8: SUMMARY OF MDA VOTES

2014 FGN BUDGET PROPOSAL – SUMMARY (N)						
S/ N	MDA	PERSONNEL COST	OVERHEAD COST	TOTAL RECURRENT	CAPITAL ALLOCATION	TOTAL ALLOCATION
1	PRESIDENCY	12,799,956,849	12,216,763,911	25,016,720,760	8,390,001,806	33,406,722,566
2	OFFICE OF THE SECRETARY TO THE GOVERNMENT OF THE FEDERATION	39,485,744,325	6,715,238,763	46,200,983,088	16,986,206,242	63,187,189,330
3	YOUTH DEVELOPMENT	67,649,154,543	8,308,453,788	75,957,608,331	4,926,186,656	80,883,794,987
4	POLICE AFFAIRS	3,992,901,634	486,850,266	4,479,751,900	2,789,131,188	7,268,883,088
5	POLICE FORMATION AND COMMANDS	279,061,950,772	6,499,861,312	285,561,812,085	6,790,000,000	292,351,812,085
6	WOMEN AFFAIRS	926,000,948	612,262,602	1,538,263,550	2,992,311,641	4,530,575,191
7	AGRICULTURE & RURAL DEVELOPMENT	28,975,633,261	2,517,870,095	31,493,503,356	35,151,172,583	66,644,675,939
8	WATER RESOURCES	6,453,723,291	1,253,507,355	7,707,230,646	30,673,743,742	38,380,974,388
9	AUDITOR-GENERAL FOR THE FEDERATION	2,255,896,616	939,389,688	3,195,286,304	1,943,134,021	5,138,420,325
10	INDEPENDENT CORRUPT PRACTICES AND OTHER RELATED OFFENCES COMMISSION	3,565,887,517	977,102,357	4,542,989,874	132,897,643	4,675,887,517
11	DEFENCE/MOD/ARMY/AIR FORCE/NAVY	273,813,411,323	32,228,928,549	306,042,339,871	34,290,000,000	340,332,339,871
12	EDUCATION INCLUDING UBEC	421,032,329,092	22,889,765,945	443,922,095,037	49,536,035,231	493,458,130,268
13	FEDERAL CAPITAL TERRITORY ADMINISTRATION			0	30,410,000,000	30,410,000,000
14	FOREIGN AFFAIRS	23,337,646,327	23,258,098,677	46,595,745,004	16,081,563,540	62,677,308,544
15	FINANCE INCLUDING SERVICE-WIDE VOTES	125,183,318,581	1,091,124,939,734	1,216,308,258,314	437,115,888,625	1,653,424,146,940
16	HEALTH	210,519,482,396	5,883,484,772	216,402,967,168	46,339,384,706	262,742,351,874
17	TRADE AND INVESTMENT	10,190,815,483	2,658,178,299	12,848,993,782	2,209,994,962	15,058,988,744
18	INFORMATION	19,326,341,367	3,110,802,017	22,437,143,384	3,620,414,506	26,057,557,890
19	COMMUNICATION TECHNOLOGY	10,110,600,707	516,331,786	10,626,932,493	4,020,032,066	14,646,964,559
20	INTERIOR	133,426,189,087	11,295,039,276	144,721,228,363	6,299,311,467	151,020,539,830
21	OFFICE OF THE HEAD OF SERVICE OF THE FEDERATION	5,176,932,158	2,249,911,343	7,426,843,501	4,139,125,454	11,565,968,955
22	JUSTICE INCLUDING NHRC	16,117,996,825	4,726,784,074	20,844,780,899	1,073,500,135	21,918,281,033
23	LABOUR AND PRODUCTIVITY	7,392,816,838	1,176,359,786	8,569,176,624	1,551,548,597	10,120,725,221
24	POWER	2,527,357,603	870,452,641	3,397,810,244	59,051,290,389	62,449,100,632
25	SCIENCE AND TECHNOLOGY	19,948,794,239	4,110,715,629	24,059,509,868	6,787,308,701	30,846,818,569
26	TRANSPORT	7,417,430,665	749,975,595	8,167,406,260	29,334,108,913	37,501,515,172
27	PETROLEUM RESOURCES	53,846,744,188	1,859,430,269	55,706,174,457	6,221,948,219	61,928,122,676
28	WORKS	7,635,187,673	20,865,168,258	28,500,355,931	100,146,203,055	128,646,558,986
29	LANDS & HOUSING	5,208,486,928	416,168,478	5,624,655,406	12,888,821,003	18,513,476,409
30	MINES & STEEL DEVELOPMENT	8,884,567,332	1,695,389,458	10,579,956,791	2,026,868,615	12,606,825,405
31	AVIATION	5,015,079,393	1,135,779,358	6,150,858,752	26,157,892,040	32,308,750,792
32	NATIONAL SALARIES, INCOMES & WAGES COMMISSION	566,978,022	149,831,003	716,809,025	173,438,793	890,247,818

33	ENVIRONMENT	11,928,955,076	2,336,008,400	14,264,963,475	7,395,898,681	21,660,862,156
34	CULTURE & NOA	14,480,646,551	3,239,448,755	17,720,095,306	3,708,941,052	21,429,036,358
35	NATIONAL PLANNING COMMISSION	5,405,461,598	913,670,222	6,319,131,820	1,868,068,871	8,187,200,691
36	NATIONAL SPORTS COMMISSION	1,585,898,504	4,490,209,269	6,076,107,773	1,534,028,442	7,610,136,215
37	OFFICE OF THE NATIONAL SECURITY ADVISER	53,155,144,175	13,469,928,732	66,625,072,907	44,100,000,000	110,725,072,907
38	NIGER-DELTA INCLUDING NDDC	63,070,143,399	1,159,471,538	64,229,614,937	46,903,704,194	111,133,319,131
39	SPECIAL DUTIES	0	104,591,265	104,591,265	53,212,473	157,803,738
40	SPECIAL DUTIES AND INTERGOVERNMENTAL AFFAIRS	263,497,424	312,159,180	575,656,604	200,405,367	776,061,971
41	FISCAL RESPONSIBILITY COMMISSION	244,266,691	296,959,830	541,226,521	53,835,005	595,061,526
42	INFRASTRUCTURAL CONCESSION REGULATORY COMMISSION	581,538,998	280,731,567	862,270,565	47,878,526	910,149,091
	SUB-TOTAL: EXECUTIVE	1,962,560,908,397	1,300,102,013,844	3,262,662,922,241	1,096,115,437,149	4,358,778,359,390

In terms of numbers, Table 8 reveals that the Ministry of Finance and Service Wide Votes takes the lead with N1.653trillion, followed by Education with N493b, Defence got N340b; the Police N299.6b and Health received N262b. However, the reason behind the huge allocation to Service Wide Votes is not clear.

Table 9 further shows the percentage allocations for all the MDAs.

TABLE 9: MDA VOTES AS PERCENTAGES OF OVERALL VOTE

2014 FGN BUDGET PROPOSAL - MDA Allocations as a Percentage to The Aggregate Budget Expenditure {N4,642,960,000,000} (%)											
S/N	MDA	PERSONNEL COST	% of AGG. EXP	OVERHEAD COST	% of AGG. EXP	TOTAL RECURRENT	% of AGG. EXP	CAPITAL ALLOCATION	% of AGG. EXP	TOTAL ALLOCATION	% of AGG. EXP
1	PRESIDENCY	12,799,956,849	0.28	12,216,763,911	0.26	25,016,720,760	0.54	8,390,001,806	0.18	33,406,722,566	0.72
2	OFFICE OF THE SECRETARY TO THE GOVERNMENT OF THE FEDERATION	39,485,744,325	0.85	6,715,238,763	0.14	46,200,983,088	1.00	16,986,206,242	0.37	63,187,189,330	1.36
3	YOUTH DEVELOPMENT	67,649,154,543	1.46	8,308,453,788	0.18	75,957,608,331	1.64	4,926,186,656	0.11	80,883,794,987	1.74
4	POLICE AFFAIRS	3,992,901,634	0.09	486,850,266	0.01	4,479,751,900	0.10	2,789,131,188	0.06	7,268,883,088	0.16
5	POLICE FORMATION AND COMMANDS	279,061,950,772	6.01	6,499,861,312	0.14	285,561,812,085	6.15	6,790,000,000	0.15	292,351,812,085	6.30
6	WOMEN AFFAIRS	926,000,948	0.02	612,262,602	0.01	1,538,263,550	0.03	2,992,311,641	0.06	4,530,575,191	0.10
7	AGRICULTURE & RURAL DEVELOPMENT	28,975,633,261	0.62	2,517,870,095	0.05	31,493,503,356	0.68	35,151,172,583	0.76	66,644,675,939	1.44
8	WATER RESOURCES	6,453,723,291	0.14	1,253,507,355	0.03	7,707,230,646	0.17	30,673,743,742	0.66	38,380,974,388	0.83
9	AUDITOR-GENERAL FOR THE FEDERATION	2,255,896,616	0.05	939,389,688	0.02	3,195,286,304	0.07	1,943,134,021	0.04	5,138,420,325	0.11
10	INDEPENDENT CORRUPT PRACTICES AND OTHER RELATED OFFENCES COMMISSION	3,565,887,517	0.08	977,102,357	0.02	4,542,989,874	0.10	132,897,643	0.00	4,675,887,517	0.10
11	DEFENCE/MOD/ARMY/AIR FORCE/NAVY	273,813,411,323	5.90	32,228,928,549	0.69	306,042,339,871	6.59	34,290,000,000	0.74	340,332,339,871	7.33
12	EDUCATION INCLUDING UBEC	421,032,329,092	9.07	22,889,765,945	0.49	443,922,095,037	9.56	49,536,035,231	1.07	493,458,130,268	10.63
13	FEDERAL CAPITAL TERRITORY		0.00		0.00	0	0.00	30,410,000,000	0.65	30,410,000,000	0.65

	ADMINISTRATION										
14	FOREIGN AFFAIRS	23,337,646,327	0.50	23,258,098,677	0.50	46,595,745,004	1.00	16,081,563,540	0.35	62,677,308,544	1.35
15	FINANCE INCLUDING SERVICE-WIDE VOTES	125,183,318,581	2.70	1,091,124,939,734	23.50	1,216,308,258,314	26.20	437,115,888,625	9.41	1,653,424,146,940	35.61
16	HEALTH	210,519,482,396	4.53	5,883,484,772	0.13	216,402,967,168	4.66	46,339,384,706	1.00	262,742,351,874	5.66
17	TRADE AND INVESTMENT	10,190,815,483	0.22	2,658,178,299	0.06	12,848,993,782	0.28	2,209,994,962	0.05	15,058,988,744	0.32
18	INFORMATION	19,326,341,367	0.42	3,110,802,017	0.07	22,437,143,384	0.48	3,620,414,506	0.08	26,057,557,890	0.56
19	COMMUNICATION TECHNOLOGY	10,110,600,707	0.22	516,331,786	0.01	10,626,932,493	0.23	4,020,032,066	0.09	14,646,964,559	0.32
20	INTERIOR	133,426,189,087	2.87	11,295,039,276	0.24	144,721,228,363	3.12	6,299,311,467	0.14	151,020,539,830	3.25
21	OFFICE OF THE HEAD OF SERVICE OF THE FEDERATION	5,176,932,158	0.11	2,249,911,343	0.05	7,426,843,501	0.16	4,139,125,454	0.09	11,565,968,955	0.25
22	JUSTICE INCLUDING NHRC	16,117,996,825	0.35	4,726,784,074	0.10	20,844,780,899	0.45	1,073,500,135	0.02	21,918,281,033	0.47
23	LABOUR AND PRODUCTIVITY	7,392,816,838	0.16	1,176,359,786	0.03	8,569,176,624	0.18	1,551,548,597	0.03	10,120,725,221	0.22
24	POWER	2,527,357,603	0.05	870,452,641	0.02	3,397,810,244	0.07	59,051,290,389	1.27	62,449,100,632	1.35
25	SCIENCE AND TECHNOLOGY	19,948,794,239	0.43	4,110,715,629	0.09	24,059,509,868	0.52	6,787,308,701	0.15	30,846,818,569	0.66
26	TRANSPORT	7,417,430,665	0.16	749,975,595	0.02	8,167,406,260	0.18	29,334,108,913	0.63	37,501,515,172	0.81
27	PETROLEUM RESOURCES	53,846,744,188	1.16	1,859,430,269	0.04	55,706,174,457	1.20	6,221,948,219	0.13	61,928,122,676	1.33
28	WORKS	7,635,187,673	0.16	20,865,168,258	0.45	28,500,355,931	0.61	100,146,203,055	2.16	128,646,558,986	2.77
29	LANDS & HOUSING	5,208,486,928	0.11	416,168,478	0.01	5,624,655,406	0.12	12,888,821,003	0.28	18,513,476,409	0.40
30	MINES & STEEL DEVELOPMENT	8,884,567,332	0.19	1,695,389,458	0.04	10,579,956,791	0.23	2,026,868,615	0.04	12,606,825,405	0.27
31	AVIATION	5,015,079,393	0.11	1,135,779,358	0.02	6,150,858,752	0.13	26,157,892,040	0.56	32,308,750,792	0.70
32	NATIONAL SALARIES, INCOMES & WAGES COMMISSION	566,978,022	0.01	149,831,003	0.00	716,809,025	0.02	173,438,793	0.00	890,247,818	0.02
33	ENVIRONMENT	11,928,955,076	0.26	2,336,008,400	0.05	14,264,963,475	0.31	7,395,898,681	0.16	21,660,862,156	0.47
34	CULTURE & NOA	14,480,646,551	0.31	3,239,448,755	0.07	17,720,095,306	0.38	3,708,941,052	0.08	21,429,036,358	0.46
35	NATIONAL PLANNING COMMISSION	5,405,461,598	0.12	913,670,222	0.02	6,319,131,820	0.14	1,868,068,871	0.04	8,187,200,691	0.18
36	NATIONAL SPORTS COMMISSION	1,585,898,504	0.03	4,490,209,269	0.10	6,076,107,773	0.13	1,534,028,442	0.03	7,610,136,215	0.16
37	OFFICE OF THE NATIONAL SECURITY ADVISER	53,155,144,175	1.14	13,469,928,732	0.29	66,625,072,907	1.43	44,100,000,000	0.95	110,725,072,907	2.38
38	NIGER-DELTA INCLUDING NDDC	63,070,143,399	1.36	1,159,471,538	0.02	64,229,614,937	1.38	46,903,704,194	1.01	111,133,319,131	2.39
39	SPECIAL DUTIES	0	0.00	104,591,265	0.00	104,591,265	0.00	53,212,473	0.00	157,803,738	0.00
40	SPECIAL DUTIES AND INTERGOVERNMENTAL AFFAIRS	263,497,424	0.01	312,159,180	0.01	575,656,604	0.01	200,405,367	0.00	776,061,971	0.02
41	FISCAL RESPONSIBILITY COMMISSION	244,266,691	0.01	296,959,830	0.01	541,226,521	0.01	53,835,005	0.00	595,061,526	0.01
42	INFRASTRUCTURAL CONCESSION REGULATORY COMMISSION	581,538,998	0.01	280,731,567	0.01	862,270,565	0.02	47,878,526	0.00	910,149,091	0.02
	SUB-TOTAL: EXECUTIVE	1,962,560,908,397	42.27	1,300,102,013,844	28.00	3,262,662,922,241	70.27	1,096,115,437,149	23.61	4,358,778,359,390	93.88
	FEDERAL EXECUTIVE BODIES										
43	NATIONAL POPULATION COMMISSION	4,788,894,615	0.10	502,311,183	0.01	5,291,205,798	0.11	1,003,588,087	0.02	6,294,793,885	0.14
44	CODE OF CONDUCT BUREAU	1,497,315,123	0.03	358,843,437	0.01	1,856,158,560	0.04	1,006,147,091	0.02	2,862,305,651	0.06
45	CODE OF CONDUCT TRIBUNAL	295,156,583	0.01	165,072,841	0.00	460,229,424	0.01	52,440,642	0.00	512,670,066	0.01
46	REVENUE MOBILISATION ALLOCATION &	1,410,063,061	0.03	549,642,242	0.01	1,959,705,303	0.04	1,100,722,408	0.02	3,060,427,711	0.07

	FISCAL COMMISSION										
47	FEDERAL CIVIL SERVICE COMMISSION	641,791,390	0.01	597,296,013	0.01	1,239,087,404	0.03	254,136,819	0.01	1,493,224,223	0.03
48	POLICE SERVICE COMMISSION	445,647,261	0.01	336,975,890	0.01	782,623,151	0.02	1,013,220,850	0.02	1,795,844,001	0.04
49	FEDERAL CHARACTER COMMISSION	1,778,626,811	0.04	394,802,904	0.01	2,173,429,715	0.05	61,143,466	0.00	2,234,573,181	0.05
	SUB-TOTAL: FEDERAL EXECUTIVE	10,857,494,844	0.23	2,904,944,511	0.06	13,762,439,355	0.30	4,491,399,363	0.10	18,253,838,719	0.39
	MDAs EXPENDITURE	1,973,418,403,241	42.50	1,303,006,958,355	28.06	3,276,425,361,597	70.57	1,100,606,836,512	23.70	4,377,032,198,109	94.27

In terms of percentages, Table 9 reveals that the Ministry of Finance and Service Wide Votes takes the lead with 35.61%, followed by Education with 10.63%, Defence got 7.33%; Police Affairs and Command got 6.46% and Health received 5.66%.

Table 10 shows MDA allocations in personnel, overhead and capital as percentages of their overall vote.

TABLE 10: MDA ALLOCATIONS AS A PERCENTAGE TO THE TOTAL ALLOCATION (%)

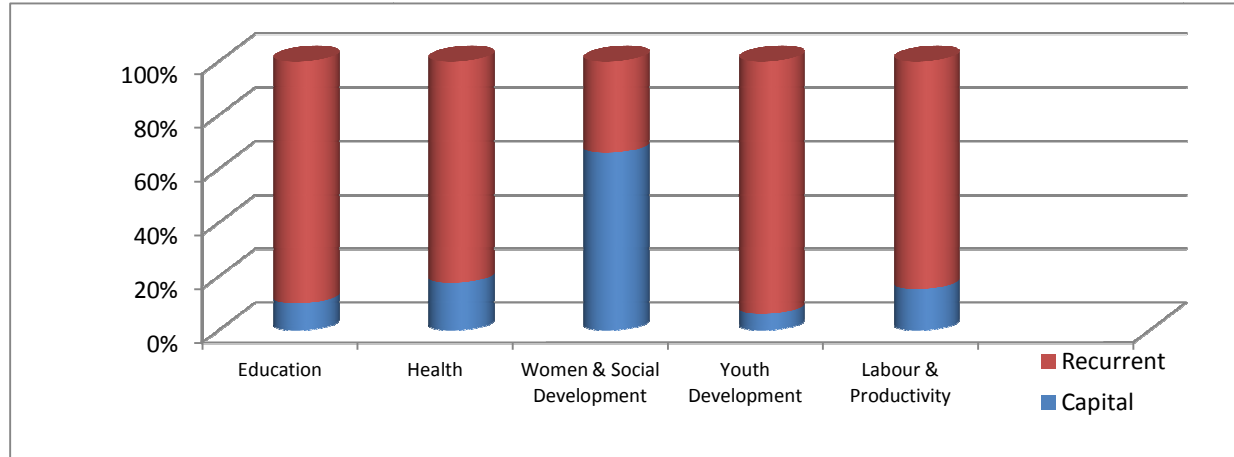
2014 FGN BUDGET PROPOSAL – MDA Allocations as a Percentage to Their Total Allocation (%)										
S/N	MDA	PERSONNEL COST	% of MDA Total Allocation	OVERHEAD COST	% of MDA Total Allocation	TOTAL RECURRENT	% of MDA Total Allocation	CAPITAL ALLOCATION	% of MDA Total Allocation	TOTAL ALLOCATION
1	PRESIDENCY	12,799,956,849	38	12,216,763,911	37	25,016,720,760	75	8,390,001,806	25	33,406,722,566
2	OFFICE OF THE SECRETARY TO THE GOVERNMENT OF THE FEDERATION	39,485,744,325	62	6,715,238,763	11	46,200,983,088	73	16,986,206,242	27	63,187,189,330
3	YOUTH DEVELOPMENT	67,649,154,543	84	8,308,453,788	10	75,957,608,331	94	4,926,186,656	6	80,883,794,987
4	POLICE AFFAIRS	3,992,901,634	55	486,850,266	7	4,479,751,900	62	2,789,131,188	38	7,268,883,088
5	POLICE FORMATION AND COMMANDS	279,061,950,772	95	6,499,861,312	2	285,561,812,085	98	6,790,000,000	2	292,351,812,085
6	WOMEN AFFAIRS	926,000,948	20	612,262,602	14	1,538,263,550	34	2,992,311,641	66	4,530,575,191
7	AGRICULTURE & RURAL DEVELOPMENT	28,975,633,261	43	2,517,870,095	4	31,493,503,356	47	35,151,172,583	53	66,644,675,939
8	WATER RESOURCES	6,453,723,291	17	1,253,507,355	3	7,707,230,646	20	30,673,743,742	80	38,380,974,388
9	AUDITOR-GENERAL FOR THE FEDERATION	2,255,896,616	44	939,389,688	18	3,195,286,304	62	1,943,134,021	38	5,138,420,325
10	INDEPENDENT CORRUPT PRACTICES AND OTHER RELATED OFFENCES COMMISSION	3,565,887,517	76	977,102,357	21	4,542,989,874	97	132,897,643	3	4,675,887,517
11	DEFENCE/MOD/ARMY/AIR FORCE/NAVY	273,813,411,323	80	32,228,928,549	9	306,042,339,871	90	34,290,000,000	10	340,332,339,871
12	EDUCATION INCLUDING UBEC	421,032,329,092	85	22,889,765,945	5	443,922,095,037	90	49,536,035,231	10	493,458,130,268
13	FEDERAL CAPITAL TERRITORY ADMINISTRATION		0		0	0	0	30,410,000,000	100	30,410,000,000
14	FOREIGN AFFAIRS	23,337,646,327	37	23,258,098,677	37	46,595,745,004	74	16,081,563,540	26	62,677,308,544
15	FINANCE INCLUDING SERVICE-WIDE VOTES	125,183,318,581	8	1,091,124,939,734	66	1,216,308,258,314	74	437,115,888,625	26	1,653,424,146,940
16	HEALTH	210,519,482,396	80	5,883,484,772	2	216,402,967,168	82	46,339,384,706	18	262,742,351,874
17	TRADE AND INVESTMENT	10,190,815,483	68	2,658,178,299	18	12,848,993,782	85	2,209,994,962	15	15,058,988,744
18	INFORMATION	19,326,341,367	74	3,110,802,017	12	22,437,143,384	86	3,620,414,506	14	26,057,557,890
19	COMMUNICATION TECHNOLOGY	10,110,600,707	69	516,331,786	4	10,626,932,493	73	4,020,032,066	27	14,646,964,559
20	INTERIOR	133,426,189,087	88	11,295,039,276	7	144,721,228,363	96	6,299,311,467	4	151,020,539,830
21	OFFICE OF THE HEAD OF SERVICE OF THE FEDERATION	5,176,932,158	45	2,249,911,343	19	7,426,843,501	64	4,139,125,454	36	11,565,968,955
22	JUSTICE INCLUDING NHRC	16,117,996,825	74	4,726,784,074	22	20,844,780,899	95	1,073,500,135	5	21,918,281,033

23	LABOUR AND PRODUCTIVITY	7,392,816,838	73	1,176,359,786	12	8,569,176,624	85	1,551,548,597	15	10,120,725,221
24	POWER	2,527,357,603	4	870,452,641	1	3,397,810,244	5	59,051,290,389	95	62,449,100,632
25	SCIENCE AND TECHNOLOGY	19,948,794,239	65	4,110,715,629	13	24,059,509,868	78	6,787,308,701	22	30,846,818,569
26	TRANSPORT	7,417,430,665	20	749,975,595	2	8,167,406,260	22	29,334,108,913	78	37,501,515,172
27	PETROLEUM RESOURCES	53,846,744,188	87	1,859,430,269	3	55,706,174,457	90	6,221,948,219	10	61,928,122,676
28	WORKS	7,635,187,673	6	20,865,168,258	16	28,500,355,931	22	100,146,203,055	78	128,646,558,986
29	LANDS & HOUSING	5,208,486,928	28	416,168,478	2	5,624,655,406	30	12,888,821,003	70	18,513,476,409
30	MINES & STEEL DEVELOPMENT	8,884,567,332	70	1,695,389,458	13	10,579,956,791	84	2,026,868,615	16	12,606,825,405
31	AVIATION	5,015,079,393	16	1,135,779,358	4	6,150,858,752	19	26,157,892,040	81	32,308,750,792
32	NATIONAL SALARIES, INCOMES & WAGES COMMISSION	566,978,022	64	149,831,003	17	716,809,025	81	173,438,793	19	890,247,818
33	ENVIRONMENT	11,928,955,076	55	2,336,008,400	11	14,264,963,475	66	7,395,898,681	34	21,660,862,156
34	CULTURE & NOA	14,480,646,551	68	3,239,448,755	15	17,720,095,306	83	3,708,941,052	17	21,429,036,358
35	NATIONAL PLANNING COMMISSION	5,405,461,598	66	913,670,222	11	6,319,131,820	77	1,868,068,871	23	8,187,200,691
36	NATIONAL SPORTS COMMISSION	1,585,898,504	21	4,490,209,269	59	6,076,107,773	80	1,534,028,442	20	7,610,136,215
37	OFFICE OF THE NATIONAL SECURITY ADVISER	53,155,144,175	48	13,469,928,732	12	66,625,072,907	60	44,100,000,000	40	110,725,072,907
38	NIGER-DELTA INCLUDING NDDC	63,070,143,399	57	1,159,471,538	1	64,229,614,937	58	46,903,704,194	42	111,133,319,131
39	SPECIAL DUTIES	0	0	104,591,265	66	104,591,265	66	53,212,473	34	157,803,738
40	SPECIAL DUTIES AND INTERGOVERNMENTAL AFFAIRS	263,497,424	34	312,159,180	40	575,656,604	74	200,405,367	26	776,061,971
41	FISCAL RESPONSIBILITY COMMISSION	244,266,691	41	296,959,830	50	541,226,521	91	53,835,005	9	595,061,526
42	INFRASTRUCTURAL CONCESSION REGULATORY COMMISSION	581,538,998	64	280,731,567	31	862,270,565	95	47,878,526	5	910,149,091
	SUB-TOTAL: EXECUTIVE	1,962,560,908,397	45	1,300,102,013,844	30	3,262,662,922,241	75	1,096,115,437,149	25	4,358,778,359,390
FEDERAL EXECUTIVE BODIES										
43	NATIONAL POPULATION COMMISSION	4,788,894,615	76	502,311,183	8	5,291,205,798	84	1,003,588,087	16	6,294,793,885
44	CODE OF CONDUCT BUREAU	1,497,315,123	52	358,843,437	13	1,856,158,560	65	1,006,147,091	35	2,862,305,651
45	CODE OF CONDUCT TRIBUNAL	295,156,583	58	165,072,841	32	460,229,424	90	52,440,642	10	512,670,066
46	REVENUE MOBILISATION ALLOCATION & FISCAL COMMISSION	1,410,063,061	46	549,642,242	18	1,959,705,303	64	1,100,722,408	36	3,060,427,711
47	FEDERAL CIVIL SERVICE COMMISSION	641,791,390	43	597,296,013	40	1,239,087,404	83	254,136,819	17	1,493,224,223
48	POLICE SERVICE COMMISSION	445,647,261	25	336,975,890	19	782,623,151	44	1,013,220,850	56	1,795,844,001
49	FEDERAL CHARACTER COMMISSION	1,778,626,811	80	394,802,904	18	2,173,429,715	97	61,143,466	3	2,234,573,181
	SUB-TOTAL: FEDERAL EXECUTIVE	10,857,494,844	59	2,904,944,511	16	13,762,439,355	75	4,491,399,363	25	18,253,838,719
	MDAs EXPENDITURE	1,973,418,403,241	45	1,303,006,958,355	30	3,276,425,361,597	75	1,100,606,836,512	25	4,377,032,198,109

2.11 HUMAN CAPITAL DEVELOPMENT

Human capital development in this analysis comprises education, health, women and social development, youth development and labour and productivity. All the sub-sectors with the exception of women and social development have their recurrent budget higher than the capital budget which may not be faulty owing to the fact that they are focused on service delivery that requires a lot of human efforts. See Figure 4 for details of the subsectors.

FIGURE 4: HUMAN CAPITAL DEVELOPMENT 2014 BUDGET BREAKDOWN



Source: Computed from the 2014 FGN proposed Budget

2.11.1 EDUCATION

It is interesting to note that the N100 billion capital funding agreed for the next four years between ASUU and FGN is yet to be factored into the budget because the total capital vote for all federal universities in the 2014 budget proposal is less than N50 billion. But this capital vote is paltry considering the dearth of equipments, books and infrastructure necessary to upgrade the quality of education rendered in these tertiary institutions. It is also a fact that polytechnic lecturers have been on strike for over four months and the budget seems to be silent on the funds that will resolve the industrial action. A vote of 10.63% of the overall budget to education including UBEC will not meet the demands of the sector. It falls short of the 26% demanded by international standards. Even if we do not meet the standards, the capital allocation to education should be beefed up from savings made in the relevant MDAs and it should not be less than N150b⁹. The children of the Nigerian elite have abandoned Nigerian tertiary institutions due to the poor quality education and Nigeria is reported to spend about N1.5trillion abroad every year in education¹⁰. Thus, the call for increased funding is based on *res ipsa loquitur* - the thing speaks for itself.

⁹ See *Recommendations on the 2014 Federal Budget Estimates (Inappropriate, Unclear and Frivolous Expenditure)* by Citizens Wealth Platform.

¹⁰ Exam Ethics International Nigeria; Premium Times Online Newspaper, November 14, 2012; Sunday Trust, November 20, 2011 and Punch Newspaper September 9, 2012.

It is imperative for the relevant NASS committees to exercise oversight over the expenditure of the budgetary allocations and huge internally generated revenue of tertiary institutions. Many universities charge all manner of fees and monies are also raised from alumni associations and from corporate social responsibility of blue chip companies. This will enhance value for money and accountability in the system.

2.11.2 HEALTH

The vote is a paltry 5.66% of the overall budget. This also misses the international standard of 15% of the budget. The demands of resident physicians in December 2013 which led to a warning strike were conspicuously omitted. Medical tourism is costing the nation hundreds of millions of dollars every year and high ranking public officials do not treat their ailments in Nigerian hospitals. Thus, the case for increased funding to the sector is also another one based on *res ipsa loquitor* - the thing speaks for itself. The capital vote for health should be increased by not less than 100%.

Considering that many Nigerians are willing to pay for overpriced medical services in health institutions outside Nigeria, it is imperative that the public private partnership as a tool for new investments in the health sector be encouraged. NASS can play a key role through nudging the Ministry of Health and institutions under it to develop frameworks and models for bankable PPPs. It is reported that Nigerians spend over N78b annually for foreign medical services¹¹. This shows that some Nigerians have the resources to pay for good quality healthcare.

Further, the paucity of funds for health makes a case for universal health insurance for all Nigerians. The coverage of the National Health Insurance Scheme is limited. It is imperative that NASS considers a new law that makes it mandatory and compulsory for all to contribute to a large pool of funds that can be used to take care of the basic health needs of the majority of the population.

2.11.3 LABOUR AND PRODUCTIVITY

Job creation is not a stand-alone project or programme. It requires the harmonisation of a number of sectoral policies including policies on trade, industry, education, housing, procurement, etc. Job creation should be treated as a cross-cutting issue to be mainstreamed in virtually all MDAs and sectors of the economy. Evaluating and streamlining the

¹¹ Dr Osahon Enebulele, President Nigerian Medical Association reported in Daily Trust Newspaper of 23rd October 2012; See also Punch Newspaper February 20, 2013.

activities of several agencies involved in job creation from the National Directorate of Employment, NAPEP, and the SURE-P interventions, etc, has become necessary. And this is a role reserved for NASS under its law making, budget approval and oversight powers. Every job creation agency must pass a value for money test. Distribution of tricycles and pepper grinding machines cannot be the same as poverty reduction. NASS should review the implementation of the circular requiring all memo submitted to EXCoF for approval regarding procurements to indicate the local employment content. There is no one recommendation or sets of recommendations that will solve all the challenge of job creation. But key recommendations will include the intensification of power sector reforms, the implementation of the buy made in Nigeria procurement policy, improvement of infrastructure, reduced interest rates and improved business environment and linking education to industry. While there are millions of unemployed Nigerians, the critical skills needed in key sectors of the economy are not locally available. Thus, in as much as palliatives are needed in the short term, NASS should take a long term view and support institutions, structures, laws and policies that will stabilize the economy to create private sector jobs.

The unemployed population is at present dominated by the youth who are mostly school leavers with senior secondary school qualifications and graduates of tertiary institutions. The composite employment data showed that the rate of unemployment surged from 11.9 per cent in 2006 to 14.6 per cent in 2007 and 21.1 per cent by January 2010 and has deteriorated to over 35 per cent in 2013. The Transformation Agenda has as its target, the implementation of a youth employment safety net support programme that includes conditional cash transfer and vocational training; the development of Industrial Clusters; reviewing of university curricula to align with industry job requirements and promotion of apprenticeship/work experience programmes and joint ventures; enforcement of mandatory sub-contracting and partnering with locals by foreign construction companies; as well as the implementation of mandatory skills transfer to Nigerians by foreign construction companies as part of effort towards reducing unemployment especially youth unemployment¹².

NASS is therefore enjoined to request that all agencies seeking a vote for job creation should provide key performance and measurable indicators in terms of the number of jobs to be created, the sectors where the jobs will be created, linkages with other sectors of the economy, the sustainability of the jobs, etc.

¹² See Dr Amakom Uzochukwu's Analysis of the Macroeconomic Framework of the 2014 Budget undertaken for CWP.

2.12 SERVICE WIDE VOTES

Service Wide Votes contain a lot of unclear expenditures. A lot of monies that are centralised under this vote need to be disaggregated and reprogrammed to the respective MDAs that will spend them. These include personnel votes of N118b, non regular allowances of N28.8b, election logistics support of N21b, sports development of N5b. Adjustment to capital cost of N5b and margin for increase in costs of N5.2b seem to be addressing one and the same issue.

2.13 AGRICULTURE¹³

Agriculture is reputed to contribute over 40% of Nigeria's GDP and contributes significantly to employment generation and poverty reduction. Production is dominated by rain-fed agriculture which is subject to the vagaries of the weather. It got a paltry vote of 1.44% of the overall budget and falls short of the Maputo commitment of African States. The new approach in the Ministry is to treat agriculture like a business under the value chain approach. Thus, it is expected that the private sector will drive the growth of the sector hence the reduced budget for the sector. However, even industrialised countries with far higher agricultural productivity still budget huge resources not just for farming alone, but for subsidies to keep farm jobs. There are numerous funding gaps in the sector exemplified below.

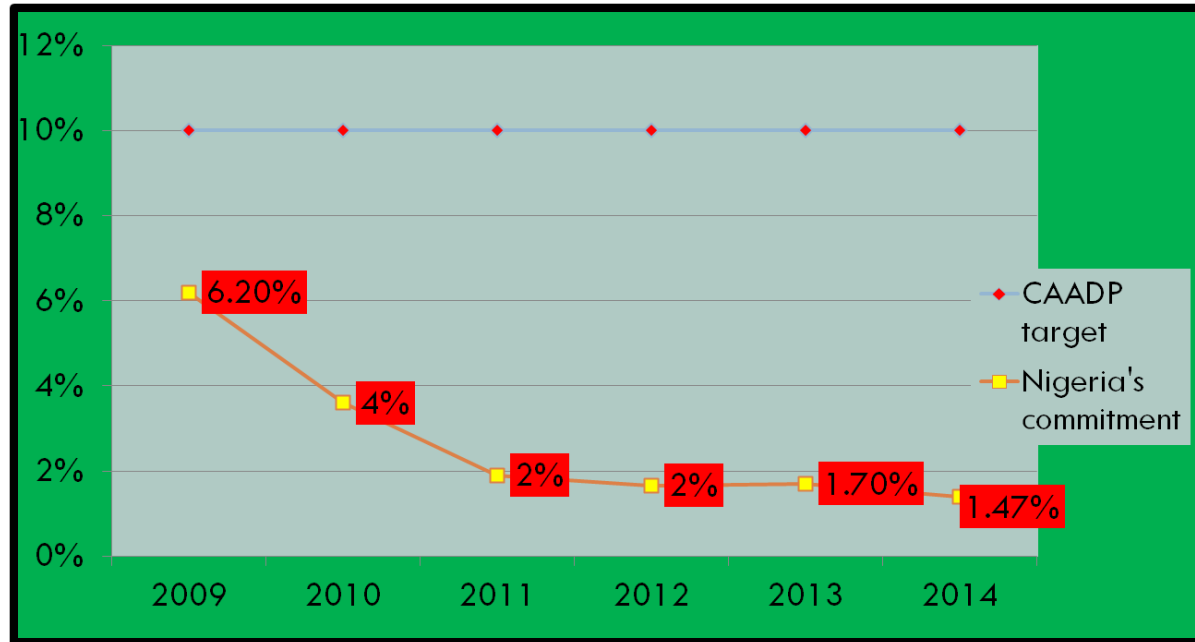
TABLE 11: EXAMPLES OF FUNDING GAPS IN THE AGRICULTURE BUDGET

	Required	Budgeted	Funding Gap
KPPPs in the ATA	100,159.118million	45million	55,159,118,000
FERTILIZER	480billion	2.704billion	About 477billion

Over the years, the budget for agriculture shows a declining trend. This is shown in Figure 5.

¹³ See Ken Ukoha's Review of the Agriculture Sector in 2014 undertaken for CWP.

FIGURE 5: DECLINING TREND OF THE AGRICULTURE VOTE IN RELATION TO CAADP



A review of the funding requirements for the Transformation Agenda reveals that overall public sector investment projected is N24.46 trillion with N607, 296.10m for 327 agricultural sector projects and N500,795.59m for key policies, programmes and projects (KPPP). If this amount is spread over the 5 year period of the Transformation Agenda, 2014 total budget for KPPPs should be N100,159.118million. Using fertiliser as an example:

- ❖ Nigeria requires about 12 million metric tonnes annually for food production.
- ❖ That quantity amounts to 240 million bags of 50kg and a bag costs an average of N2000 and therefore fertilizer costs for the country for the year 2014 should be about N480billion.
- ❖ Presently the proposed budget for fertilizer (all relations) in 2014 is N2,704,861,250 and that represents a huge gap (about N477billion) in resource allocation.

- ❖ Others such as planting materials and agrochemicals have proposed budgets that need to be beefed up to ensure that the basic inputs are sufficiently provided for Nigerian farming needs.
- ❖ The average fertilizer use in Nigeria is 13Kg/hectare compares to World average of 100Kg/hectare and 150Kg/hectare for Asia. Only 5% of Nigerian farmers could access the improved seeds, and they operate with only 10 tractors per 100 hectares compared to 241 tractors per 100 hectares in Indonesia.

The agriculture budget contains a number of ambiguous items. These include the details in Table 13

TABLE 12: AMBIGUOUS ITEMS IN THE AGRICULTURE VOTE

Items (as they appear in the List)	Frequency of Appearance in the budget	Combined Amount	Proposed
Seeds	3	1,702,875,000	
Seeds and Seedlings	1	288,750,000	
Improved seeds	8	1,375,200,000	
Access to Seeds/Feeds	2	27,500,000	
Inorganic fertilizer	14	2,193,748,750	
Organic fertilizer	14	474,112,500	
Access to fertilizer	2	37,000,000	
School feeding program and feeding less privileged members of the public in six poverty stricken states of the federation	1	172,000,000	

On the positive side, within the budget, the capital budget (52.74%) is greater than the recurrent (47.26%). There is a greater allocation to planting materials, fertilizer and agrochemicals over other supporting activities such as monitoring and evaluation. Perhaps, for the first time, the FMARD has made provisions specifically for women. N60,000,000 and N87,500,000 are proposed for 'training of 3,000 women in ten agricultural value chains including planting, storage, processing and marketing' and 'start-up pack for 2,500 women in the ten value chains' respectively.

The recommendations include increased funding to the sector; clarification of unclear and apparently frivolous expenditure; and early release of the agriculture vote is critical for the 2014 farming season.

2.14 THE PRESIDENCY

The allocation of the sum of N33.4b to the Presidency can be reduced by about 50% to save funds for investment in critical sectors. Not less than N9billion can be saved from the vote of the Presidency and rechanneled¹⁴.

2.15 NATIONAL ASSEMBLY

The allocation of the sum of N150b as statutory transfer to the National Assembly and a further commitment of N100b for Constituency Projects in Service Wide Votes is on the high side. At N150b, the vote of NASS amounts to 3.23% of the budget and at N250b, it amounts to 5.38%. NASS can run its affairs with no more than N75b. Drawing the sum of N150b from the budget in the past three years is abnormal and does not show frugality.

¹⁴ See CWP's Pull-Out of *Inappropriate, Unclear and Frivolous Expenditure* in the 2014 Budget Proposals..

SECTION 3

THE ALLOCATIONS AND THE TRANSFORMATION AGENDA (TA)¹⁵

Budgetary allocations should be based on policy and planning documents reflecting the long and short term developmental targets for the country. It is therefore imperative to compare the figures in some key sectors with the Transformation Agenda of the administration. Table 13 tells the story.

TABLE 13: THE ALLOCATIONS AND THE TRANSFORMATION AGENDA

Key Sectors	TA capital expenditure Proposal for 2014	Capital expenditure Proposal 2014	SURE-P Contribution	Total Capital expenditure Proposal for 2014	Shortfall/Variance ¹⁶
REAL SECTOR	267,722.37	70,061.78	-	70,061.78	197,660.59 (78.83)
Agriculture & Rural Development	136,221.85	35,151.17	-	35,151.17	101,070.68 (74.19)
Water Resources	75,768.00	30,673.74	-	30,673.74	45,094.26 (59.51)
Commerce & Industry	16,413.36	2,209.99	-	2,209.99	14,203.37 (86.53)
Mines & Steel Development	14,569.16	2,026.87	-	2,026.87	12,542.29 (86.08)
PHYSICAL INFRASTRUCTURE	540,310.00	245,460.84	-	441,460.84	98,849.16 (18.29)
Transport	420,560.00	17,820.36	100,000.00	117,820.36	302,739.64 (71.98)
Roads & Bridges	185,000.00	100,146.20	-	100,146.20	84,853.80 (45.86)
FERMA (for Maintenance of Roads)	74,550.00	24,549.40	-	24,549.40	50,000.60 (67.06)
Waterways and sea ports	3,210.00	7,247.75	-	7,247.75	-4,037.75 (-125.78)
Aviation (excluding BASA Funds)	17,500.00	26,157.89	53,000.00	79,157.89	-61,657.89 (-352.33)
Railways	140,300.00	4,265.99	43,000.00	4,265.99	136,034.01 (66.31)
Oil & Gas	24,750.00	6,221.95	-	6,221.95	18,528.05 (74.86)
Power	95,000.00	59,051.29	-	59,051.29	35,948.71 (37.84)
REGIONAL DEVELOPMENT	193,186.77	115,656.83	-	115,656.83	77,529.94 (40.13)

¹⁵ Dr Amakom Uzochukwu's, supra, in analysis of the macroeconomic framework of the 2014 budget –undertaken for CWP.

¹⁶ The value in parenthesis represents percentage deviation from the TA proposal.

Key Sectors	TA capital expenditure Proposal for 2014	Capital expenditure Proposal 2014	SURE-P Contribution	Total Capital expenditure Proposal for 2014	Shortfall/Variance¹⁶
Housing	54,183.24	12,888.82	23,000.00	35,888.82	18,294.42 (33.76)
Federal Capital Territory	35,600.00	30,410.00	30,000.00	60,410.00	-24,810.00 (-69.69)
Niger Delta	103,403.53	46,903.70	-	46,903.70	56,499.83 (54.64)
Knowledge-Based & ICT	32,485.98	14,646.96	-	14,646.96	17,839.02 (54.91)
Science and Technology	27,505.00	6,787.31	-	6,787.31	20,717.69 (75.32)
Information Communication Technology	4,980.98	4,020.03	-	4,020.03	960.95 (19.29)
HUMAN CAPITAL DEVELOPMENT	194,910.58	105,345.47	-	105,345.47	89,565.11 (45.95)
Education	106,500.00	49,536.04	-	49,536.04	56,963.96 (53.48)
Health	60,000.00	46,339.38	-	46,339.38	13,660.62 (22.76)
Women & Social Development	7,129.33	2,992.31	-	2,992.31	4,137.02 (58.02)
Youth Development	6,285.14	4,926.19	-	4,926.19	1,358.95 (21.62)
Labour & Productivity	14,996.11	1,551.55	-	1,551.55	13,444.56 (89.65)
DEFENCE & SECURITY	191,796.57	903,494.49	-	903,494.49	-711,697.92 (-371.06)
Total	3,044,837.97	1,976,544.33	206,000.00	2,182,544.33	862,293.64 (26.90)

Source: Computed from the Transformation Agenda Document and 2014 FGN Proposed Budget

The above Table reveals a huge disconnect between the 2014 Transformation Agenda capital expenditure proposals and the 2014 capital expenditure proposal for all the key sectors within the identified thematic areas, with the exception of waterways and sea ports; aviation; as well as defence and security. Even with direct intervention from the SURE-P, there is still in existence heavy discrepancies between the two provisions (TA and 2014 budget proposal). The incongruity is mostly felt in the broad category of real sector provisions with over 73 per cent variance, with provisions to the two major sub-sectors of agriculture and rural development (74.19 per cent) as well as water resources (59.51 per cent). Physical infrastructure, regional development as well as human capital development had their fair share of 18.24 per cent, 40.13 per cent and 45.95 per cent respectively.

On the reflex, the 2014 budget proposal for defence and security moved up by 371.1 percentage point from the TA provisions and proposal while that of waterways and sea ports, the federal capital territory (FCT) as well as aviation sub-sector increased dramatically by 125.78 percentage points, 69.69 percentage points and 352.33 percentage points

respectively. Such sharp contrast and disconnect between policy and budget is visible in the total capital budget provision for the year 2014 of less than 25 per cent capital expenditure proposal while recurrent expenditure increased dramatically to over 75 per cent of the total proposed budget at the expense of public spending on social services. A review of the previous budgets performances have shown poor capital budget performance.

SECTION 4 CONCLUSIONS

In the light of the foregoing, the following conclusions have been drawn.

The 2014 federal budget is tagged a budget of *job creation and inclusive growth*. The name appears to be a response to the criticism that Nigeria has been recording a jobless growth and the growth has accentuated inequality and widened the income gulf of the different strata of Nigerians. However, there is no empirical evidence based on the proposals that the budget will create jobs or promote inclusive growth. By the failure of the President to present a budget speech and address, the nation lost the opportunity of the President giving an account of his fiscal and economic stewardship in 2013 and throwing light on the policy thrust of the 2014 federal budget. The budget was laid late in the year before NASS and will not be passed before the end of the first quarter of 2014. It is also clear that there was no policy anchor for the budget as the NIP 2014-2017 is yet to be prepared.

The budget was not accompanied by an evaluation of results of programmes financed with budgetary resources in accordance with Section 19 (d) of the FRA. The implementation of the 2013 capital budget in accordance with previous years tradition was poor, being less than 50% of the approved sum. The 2014 budget is for a total sum of N4,642,960,000,000 (Four Trillion, Six Hundred and Forty-Two Billion, Nine Hundred and Sixty Million Naira) only, of which N=399,687,801,891 (Three Hundred and Ninety Nine Billion, Six Hundred and Eighty-Seven Million, Eight Hundred and One Thousand, Eight Hundred and Ninety-One Naira) only is for Statutory Transfers; N712,000,000,000 (Seven Hundred and Twelve Billion Naira) only is for Debt Service; N2,430,665,361,597 (Two Trillion, Four Hundred and Thirty Billion, Six Hundred and Sixty-Five Million, Three Hundred and Sixty-One Thousand, Five Hundred and Ninety-Seven Naira) only is for Recurrent (Non-Debt) Expenditure while the balance of N1,100,606,836,512 (One Trillion, One Hundred Billion, Six Hundred and Six Million, Eight Hundred and Thirty-Six Thousand, Five Hundred and Twelve Naira) only is for contribution to the Development Fund as Capital Expenditure. This shows a 6.97% decline in the approved budget of 2013 compared to the 2014 proposals. Capital budget declined from 32.51% to 23.7%. Statutory transfers and debt expenditure increased, all leading to an increase in recurrent (non debt) expenditure. However, if the vote for SURE-P,

which is focused on capital expenditure) is added, 2014 provides for 27.87% capital expenditure compared to 36% in 2013.

The personnel component of the recurrent expenditure is high. It is gulping 71% of the recurrent vote and 37% of aggregate expenditure. There is fiscal rascality in the refusal to prosecute those who padded the personnel vote with ghost workers. If IPPIS is to make meaning, those who contributed to the economic adversity of the Nigerian state should be brought to justice. Capital expenditure proposal is low and needs to be increased. Streamlining and prioritising the plethora of capital projects needs to be undertaken to achieve good results. Further, NASS should play an active role in collaboration with MDAs and the Infrastructure Concession Regulatory Commission in designing the modalities for funding existing projects through public private partnerships, dedicated bonds, etc. Various bills to improve capital budget implementation are still pending before NASS. SURE-P is not delivering enough value for the resources available to it and there is a number of frivolous expenditure in its proposals for 2014.

Using 2010 as the base year; in 2011, debt service decreased by 8.72%; and increased by 13.03% in 2012. It increased by 5.75% in 2013 and further soared by 20.36% in 2014. Debt service as a percentage of GDP stood at 1.44 percent in 2011 and dropped to 1.39 percent in 2012. With the projected increase of budget deficit from -1.85 percent in 2013 to -1.90 percent in 2014, it would be important to channel borrowed funds into productive activities that would generate employment and address poverty. The provision for debt service is 64.69% of the capital vote. Debt service is higher than the combined capital votes of 10 key ministries necessary for infrastructure growth, job creation and the improvement of the human condition. The capital votes of the 10 ministries of agriculture, education, health, power, transport, works, mines and steel, aviation, Niger Delta, defence is a paltry 60.24% of the debt service. Debt service also amounts to 19.09% of retained revenue. The request for new borrowing in the sum of N571b is also submitted without a list of projects, their cost benefit analysis and the terms and conditions of borrowing as required by the FRA. FGN has been borrowing to fund recurrent and wasting expenditure.

The amount budgeted for subsidy on kerosene (or whether there is any provision at all) is not clear on the face of the budget. The budget is predicated on the following macroeconomic assumptions; oil price per barrel -\$77.5; crude oil production of 2.388mbpd; exchange rate of N160=1USD, GDP growth rate of 6.75%; retained revenue of N3.73trillion and budget deficit of N0.91trillion and Joint Venture Cash Call of N858, 588.

In terms of numbers, the allocations and priorities reveal that the Ministry of Finance and Service Wide Votes takes the lead with N1.653trillion, followed by Education with N493b, Defence got N340b; the Police N299.6b and Health received N262b. However, the reason behind the huge allocation to Service Wide Votes is not clear. In terms of percentages, the Ministry of Finance and Service Wide Votes takes the lead with 35.61%, followed by Education with 10.63%, Defence got 7.33%; Police Affairs and Command got 6.46% and Health received 5.66%.

A vote of 10.63% of the overall budget to education including UBEC will not meet the demands of the sector. It falls short of the 26% demand by international standards. Even if we do not meet the standards, the capital allocation to education should be beefed up from savings made in the relevant MDAs. The capital vote for education is paltry and under N50b.

The vote for health is also a paltry 5.66% of the overall budget. This also misses the international standard of 15% of the budget. The demands of resident physicians in December 2013 which led to a warning strike were conspicuously omitted. Job creation is not a stand-alone project or programme. It requires the harmonisation of a number of sectoral policies including policies on trade, industry, education, housing, procurement, etc. Job creation should be treated as a cross-cutting issue to be mainstreamed in virtually all MDAs and sectors of the economy. This appears not to be the practice at present. There are no key performance and measurable indicators in terms of the number of jobs to be created, the sectors where the jobs will be created, linkages with other sectors of the economy, the sustainability of the jobs, etc, in the proposals by MDAs that seek to create jobs.

Service Wide Votes contain a lot of unclear expenditures. A lot of resources are centralised under this vote. These include personnel votes of N118b, non regular allowances of N28.8b, election logistics support of N21b, sports development of N5b. Adjustment to capital cost of N5b and margin for increase in costs of N5.2b seem to be addressing one and the same issue.

Agriculture got a paltry vote of 1.44% of the overall budget and falls short of the Maputo commitments of African States. The new approach in the Ministry is to treat agriculture like a business within the value chains approach. Thus, it is expected that the private sector will drive the growth of the sector hence the reduced budget for the sector. However, even industrialised countries with far higher agricultural productivity still budget huge resources not just for farming alone, but for subsidies to keep farm jobs. There are numerous funding gaps including the gap on fertiliser provisioning. The agriculture budget continued the yearly ritual of playing on words and repeating them over and over for the purpose of

drawing more resources out of the Treasury. The word play includes seed, seeds, seedlings, organic fertiliser, inorganic fertiliser, etc.

The allocation of the sum of N33.4b to the Presidency can be reduced by about 50% to save funds for investment in critical sectors. Not less than N9billion can be saved from the vote of the Presidency and rechanneled. Also, the allocation of the sum of N150b as statutory transfers to the National Assembly and a further commitment of N100b for Constituency Projects in Service Wide Votes is on the high side. At N150b, the vote of NASS amounts to 3.23% of the budget and at N250b, it amounts to 5.38%. NASS can run its affairs with no more than N75b. Drawing the sum of N150b from the budget in the past three years is abnormal and does not show frugality.

Allocations should be based on policy and planning documents reflecting the long and short term developmental targets of the country. Comparing budgetary figures in some key sectors with the Transformation Agenda of the administration shows disconnect in major thematic areas with the exception of waterways and sea ports; aviation; as well as defence and security. Even with the direct intervention from the SURE-P, there is still in existence heavy discrepancies between the two provisions (TA and 2014 budget proposal). The incongruity is mostly felt in the broad category of real sector provisions with over 73 per cent variance, with provisions to the two major sub-sectors of agriculture and rural development (74.19 per cent) as well as water resources (59.51 per cent). Physical infrastructure, regional development as well as human capital development had their fair share of 18.24 per cent, 40.13 per cent and 45.95 per cent respectively.

SECTION 5 RECOMMENDATIONS

The following recommendations flow from this Review.

5.1 PRELIMINARY AND PROCEDURAL ISSUES

- ❖ Future MTEFs and budgets should be presented by the executive and approved early enough by the legislature for budget implementation to start on January 1 of the budget year.
- ❖ It is imperative for the President to continue with the tradition of addressing a joint session of the NASS during budget presentation. This will allow the President to give an account of his fiscal and economic stewardship in the year while explaining the projections for the incoming year.
- ❖ Legislative approval of the MTEF should go beyond the determination of the benchmark price of crude oil. Sectoral envelopes, growth projections, projections for employment and job creation should be reviewed. NASS should open up the MTEF approval process to popular participation.
- ❖ NASS should insist on the executive, as part of the documents accompanying the budget, to submit the evaluation of results of programmes financed with budgetary resources as provided in Section 19 (d) of the FRA. This evaluation is not about fiscal projections and actual(s) or contracts awarded. It is about results achieved through the expenditure of public resources.

5.2 SUBSTANTIVE PROVISIONS

5.2.1 CAPITAL EXPENDITURE

- ❖ The allocation of a mere 23.7% of the budget to capital expenditure should be reviewed and not less than 30% should be voted for capital expenditure. There are a number of line items/issues from which savings can be made, already identified in Recommendations on the 2014 Federal Budget Estimates (*Inappropriate, Unclear and Frivolous Expenditure*).

- ❖ NASS should streamline the number of projects being funded, continue with existing projects and discountenance new ones unless they are absolutely necessary. NASS should seek to build consensus with the executive and other stakeholders and decide on key national infrastructure projects that should be completed in the short term and channel the bulk of the expenditure to them.
- ❖ NASS should play an active role in collaboration with MDAs and the Infrastructure Concession Regulatory Commission in designing the modalities for funding existing projects through public private partnerships, dedicated bonds, etc.
- ❖ NASS should specifically increase the capital votes for education, health, agriculture by not less than 100%.
- ❖ NASS should expeditiously consider and pass pending bills such as the Federal Road Fund Bill and the Development Planning and Projects Continuity Bills into law.

5.2.2 RECURRENT EXPENDITURE

Steps should be taken to reduce recurrent expenditure especially the personnel vote. Core steps should include:

- ❖ Ensure that every MDA has been reviewed and captured in the IPPIS;
- ❖ Prosecute the officers responsible for the loss of N108b to ghost workers;
- ❖ Implement the recommendations of the Oronsanye Committee through new laws and policies that may merge, repeal and restructure existing government agencies;
- ❖ Full implementation of the Monetisation Programme.

5.2.3 DEBT, BORROWING AND CONTINGENT LIABILITIES

- ❖ New borrowing proposals from the executive should be accompanied with the list of capital projects, their cost benefit analysis and the terms of the borrowing which should not exceed 3% per annum interest rate as required by the FRA. NASS should meticulously review and approve these proposals.
- ❖ NASS should insist on the setting of the Consolidated Debt Limit as required by section 42 of the FRA before approving new borrowing.

- ❖ NASS should demand and approve the full details of contingent liabilities on infrastructure projects listed in the budget.

5.2.4 KEROSENE SUBSIDY

Considering that the subsidy is not reaching the intended beneficiaries and there are no plans in place to stop the subsidy scam, NASS should specifically abolish the subsidy with a clause in the Appropriation Act prohibiting the NNPC and any other government agency from spending any public resources on the subsidy.

5.2.5 CRUDE OIL PRODUCTION AND PROPER METERING

- ❖ Considering that the executive which should champion the cause of proper metering is not forthcoming for the cause, NASS should pro-actively provide funds for a new and appropriate metering system to enhance transparency and accountability in documentation of oil production and exports.
- ❖ The passage of the Petroleum Industry Bill before the end of the second quarter of 2014 is imperative for proper accountability and the reprogramming of funds for Joint Venture Cash Call.

5.2.6 JOB CREATION

All agencies seeking a vote for job creation should provide NASS with key performance and measurable indicators in terms of the number of jobs to be created, the sectors where the jobs will be created, linkages with other sectors of the economy, the sustainability of the jobs, etc.

5.2.7 HEALTH

NASS should consider compulsory contributions by all citizens to a pool of funds for a health insurance scheme that covers all Nigerians.