REVIEW OF THE 2017 FEDERAL APPROPRIATION BILL AND ESTIMATES

CWP

Citizens Wealth Platform

(*Public Resources are Made to Work and be of Benefit to All*)

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A Platform of non-governmental and faith based organizations, professional associations and other citizens groups dedicated to ensuring that public resources are made to work and be of benefit to all.

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REVIEW OF THE 2017 FEDERAL APPROPRIATION BILL AND ESTIMATES

Undertaken

By

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(With the support of the CSJ Fiscal Governance Team: CSJ for the Citizens Wealth Platform)

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ABBREVIATIONS AND ACRONYMS

BHCPF	Basic Health Care Provisions Fund
Bn	Billion
BOF	Budget Office of the Federation
Bpd	Barrels Per Day
CBN	Central Bank of Nigeria
DISCOs	Electricity Distribution Companies
FGN	Federal Government of Nigeria
FMARD	Federal Ministry of Agriculture and Rural Development
FME	Federal Ministry of Education
FRA	Fiscal Responsibility Act
FRC	Fiscal Responsibility Commission
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
Mbpd	Millions of Barrels Per Day
MDAs	Ministries, Departments and Agencies of Government
MDGs	Millennium Development Goals
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategies
NASS	National Assembly
NDC	Nationally Determined Contributions
NDDC	Niger Delta Development Commission
NEEDS	National Economic Empowerment and Development Strategy

NNPC	Nigeria National Petroleum Corporation
NRCRI	National Roots Crop Research Institute
OPEC	Organization of Petroleum Exporting Countries
Pb	Per Barrel
PPP	Public Private Partnership
RAMFAC	Revenue Allocation Mobilization and Fiscal Commission
SGDs	Sustainable Development Goals
SGF	Secretary to Government of the Federation
SWV	Service Wide Votes
TSA	Treasury Single Account
UBEC	Universal Basic Education Commission
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollars
VAT	Value Added Tax

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INTRODUCTION

This Review of the 2017 Federal Budget Estimates is prepared with a view to facilitate the legislative approval of the budget and to generate discourse in the Nigerian society of the challenges, options and choices open to the Federal Government of Nigeria in using the budget as a tool for economic recovery. With the collapse of oil prices, Nigeria entered a recession with its macroeconomic indicators headed south. The need for a stimulant to get the economy back on track has become a fundamental imperative for economic governance.

The Review analyses the background to the budget including the procedural, legal issues and the documents that should have accompanied the budget from the executive to the legislature. It seeks to answer the questions about the realism in the revenue and expenditure framework and how the macroeconomic assumptions can help the country to exit recession. The exchange rate, inflation rate and interest rate came up for review whilst the proposal for capital and recurrent expenditure including debts and deficits were analysed. Despite the mantra of diversification, there is still the dominance of oil revenue at a time the country is yet to fully explore the potentials of the oil value chain.

Whether the estimates are in harmony with high level policy provisions came up for review. Again, the fact that the current administration is yet to produce an overarching, coherent and consistent economic policy framework is seen as a drawback to the estimates. The review of key sectoral allocations shows gross underfunding of the social sectors in education and health and a token vote to the agriculture sector. The estimates failed to provide for the Basic Health Care Provision Fund which is 1% of the Consolidated Revenue Fund under the National Health Act. Government resources are spread so thin over so many capital projects. Some of the capital projects like the East West and Abuja Lokoja roads have been under construction for over ten years with no hope of completion within the next two years.

The Review ends with recommendations. The key issues include the preparation of an economic policy framework by the administration; early start and conclusion of budget preparation and approval; preparation of MDA specific budget preparation templates that take cognizance of their respective mandates; enactment of relevant sectoral reform laws and policies and alignment of allocations with extant laws and policies. Other recommendations include separation of the works, power and housing sectors into three different ministries and ensuring that debts and deficits are in accordance with the provisions of the Fiscal Responsibility Act 2007. This Review and the pull out of frivolous, inappropriate, unclear and wasteful expenditure in the budget proposals complement each other.

SECTION ONE: BACKGROUND TO THE BUDGET ESTIMATES

1.1 INTRODUCTION

The 2017 federal budget is tagged a budget of ***recovery and growth***. The name appears to be a response to the fact that Nigeria is in a recession and all the major macro-economic indicators are headed south[1]. However, whether the budget will move Nigeria towards regeneration and economic recovery is a matter of fact that will become clear when it is analysed and after its implementation. The budget was laid before the National Assembly by the President on December 14, 2016. The President made a detailed speech at the presentation ceremony and the positive highlights include:

- The Ministry of Agriculture and Rural Development, the Central Bank of Nigeria, Organised Private Sector and a handful of Nigerian commercial banks, have embarked on an ambitious private sector-led N600 billion programme to push Nigeria towards self-sufficiency in three years for rice, wheat, sugar, soya, tomato and dairy products.

- The revival of the Export Expansion Grant and the expansion of existing as well as the development of new Export Processing and Special Economic Zones.

- The recapitalization of the Bank of Industry and the establishment of the Development Bank with $1.3 billion to focus exclusively on small and medium sized firms.

- The promise to fully align fiscal, monetary and trade policies, to promote import substitution and promote the Buy Made in Nigeria campaign.

- That the Federal Government will no longer pay for Joint Venture Cash Calls which will now be subject to a new funding mechanism that will allow for cost recovery.

- Verification and collation of debt obligations to local contractors with a view to devising a realistic and viable payment plan.

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[1] Inflation rate of 18.55% as at December 2016; depleted foreign reserves of $24.8 billion as at December 2016; unemployment rate of 13.9% as at the third quarter and growth contraction rate of -2.11% in the same third quarter. Capital importation decreased by 15% in the last quarter of 2016.

By the 14th of December 2016 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 implication is that the budget may not be approved by NASS and assented to by the President before the end of the first quarter of 2017. This development cannot in any way accelerate the implementation of fiscal reforms and has laid a strong foundation for delays in budget implementation especially, the implementation of the capital vote.

1.2 WHERE IS THE BUDGET ANCHORED?

The budget like the Medium Term Expenditure Framework (MTEF) should be anchored on high level national policies and planning frameworks such as Vision 20:2020 and its implementation plans. With the expiry of Vision 20:2020's First National Implementation Plan 2010-2013, and the absence of a follow up implementation plan which should have been the NIP 2014-2017, the budget seems to rests on nothing. However, there is a reference to the Strategic Implementation Plan (SIP) which for all intents and purposes is not a policy or plan *stricto sensu* to qualify as the anchor of the budget. A reference was made to the Economic Recovery and Growth Plan which at the time of the budget was still a draft and has not even been finalised as at February 2017. A budget cannot be anchored on a draft document which has not even been approved by the executive. Budget programmes and projects should ideally be aligned to the nation's strategic plans and priorities. NASS should therefore call on the executive to produce the requisite overarching national plans and policies.

1.3 LEGISLATIVE CONSIDERATION AND APPROVAL OF THE MTEF

The Appropriation Bill 2017 should be anchored on the approved MTEF 2017-2019. However, NASS had not concluded the consideration of the MTEF as at the time the estimate was presented. This led to discrepancies between some key and fundamental assumptions of the estimates and the MTEF after approval by NASS. Section 18 of the FRA states:

> *"Notwithstanding anything to the contrary contained in this Act or any other law, the Medium-Term Expenditure Framework shall-*
>
> *(1)be the basis for the preparation of the estimates of revenue and expenditure required to be prepared and laid before the National Assembly under section 81 (1) of the Constitution.*
>
> *(2) The sectoral and compositional distribution of the estimates of expenditure referred to in subsection (1) of this section shall be consistent with the medium-term developmental priorities set out in the Medium-Term Expenditure Framework".*

Thus, strictly speaking in law, there cannot be an executive budget submitted for legislative approval without the approval of the MTEF. Illegality may have occurred in the preparation and presentation of the budget. Also, the MTEF did not contain sectoral envelopes as it appears the executive did not prepare Medium Term Sector Strategies (MTSS). Further, NASS did not hold extensive consultations with stakeholders and experts before the approval of the MTEF. As such, it did not satisfy the requirement of section 48 (2) of the FRA to ensure transparency during the consideration of the MTEF.

1.4 EVALUATION OF RESULTS OF PROGRAMMES FINANCED WITH BUDGETARY RESOURCES

Section 19 (d) of the FRA demands the executive to report to the legislature on the evaluation of the results of programmes financed with budgetary resources. The word evaluation is defined to mean; 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 resources. However, neither the Appropriation Bill nor the accompanying documents provided the evaluation of results of programmes financed through budgetary resources as required by section 19 (d) of the FRA.

1.5 OTHER DEVELOPMENTAL TARGETS AND THE FISCAL TARGET APPENDIX

Section 19 (e) of the FRA requires the Appropriation Bill to 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*

The Appropriation Bill and the MTEF have provided information on the target inflation rate, target fiscal balances, GDP growth rate and exchange rate of the naira. It however has nothing on development targets. Fiscal targets and balances are different from development targets which ideally should include targets on the right to an adequate standard of living including targets on the attainment of the Sustainable Development Goals (SGDs), job creation, targets for the rights to adequate housing, health, education, access to water, reduction of carbon emissions, etc. Considering that the FRA is anchored on section 16 of the Constitution, the explanation of the dictates of this provision appears to be the only reasonable intention of the legislature in providing for developmental targets. 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.*

NASS should insist that the President submits these targets to inform the full consideration of the budget particularly in consideration of the fact that the President declared the budget to be for economic recovery and growth. The questions to be answered by the targets will include; how many new jobs will be created through budget expenditure and in what sectors? What are the programmes and policies to facilitate inclusive growth? These targets will also facilitate reporting on the evaluation of the results achieved through budget implementation at the end of the year.

1.6 2016 CAPITAL BUDGET IMPLEMENTATION AS A GUIDE TO 2017

Capital budget implementation in 2016 provides a guide for the 2017 capital budget figures. By October 2016, as indicated in the President's budget speech, the sum of N753.6 billion had been released for capital expenditure. But the figures in the website of the Budget Office of the Federation indicated that the sum of N635.7 billion had been released. Neither of these sources indicated the cash backed and utilised sums which are usually different from releases; they are usually lower than the released sum. The figures in the budget speech represent 47.49% of the overall capital vote for 2016 whilst the BOF figures represent 40.06% of the said capital vote. Table 1 tells the story.

Table1: Capital Vote Expenditure: President's Speech V BOF

Total Capital Vote (N bn)	Capital Spent (Budget Speech) N bn	Monthly Capital Expenditure	Capital Spent (Budget Speech) as a Percentage of Total Capital Vote	Capital Spent (BOF) N bn	Monthly Capital Expenditure N bn	Capital Expenditure (BOF) as a Percentage of Total Capital Vote
1,587	753.6	150.72	47.49%	635.7	127.14	40.06%

Source: President's Budget Speech and Budget Office of the Federation Website

The rate of expenditure for the five months gives an average monthly expenditure of N150.72 billion - if the higher figure from the President is used; projecting to the end of the year in December 2016 will give an overall expenditure of N1.055 trillion, which is 66.48% of the overall capital vote. If the lower figure of the BOF is used, projecting to the end of the year 2016 will be a capital expenditure of N889.98 billion which is 56.08% of the overall capital vote. Evidently, the BOF figures seem more empirical as it tabulates the votes released on an MDA by MDA basis.

SECTION TWO: THE 2017 BUDGET PROPOSALS

2.1 KEY ASSUMPTIONS AND MACROECONOMIC FRAMEWORK

The budget expenditure is in the sum of N7.298 trillion which is a 20.4% increase over the 2016 figure; retained revenue of N4.94 trillion and a deficit of N2.36 trillion. The key assumptions are the benchmark price of $42.5 per barrel of crude oil; daily production of 2.2 mbpd and an average exchange rate N305 to 1USD. However, the National Assembly (NASS) in approving the (MTEF) has altered some of the basic assumptions in the estimates as follows:

- Increasing the benchmark price of crude oil from $42.50 to $44.50 which is a difference of $2.
- The increase in the benchmark price led to an increase in the share of oil revenue from N1.985 trillion to N2.122 trillion and also increased the retained revenue from N4.942 trillion to N5.078 trillion.
- The increase in benchmark price also reduced the fiscal deficit from N2.356 trillion to N2.225 trillion being a reduction from -2.18% of the GDP to -2.06% of the GDP.

Table 2 indicates the harmonized macroeconomic assumptions of the 2017 federal budget estimates.

Table 2: Assumptions of the 2017 Federal Budget

Oil Price Per Barrel	$44.50	Inflation Rate	15.74%
Crude Oil Production (mbpd)	2.2mbpd	GDP Growth Rate	2.5%
Exchange Rate	N305=1USD	Nominal Consumption	N87.95 trillion
Retained Revenue	N5.078 trillion	Nominal GDP	N107.96 trillion
Deficit	-2.06%		

Source: Budget Office of the Federation

Table 3 shows the Revenue Framework for the year 2017.

Table 3: Revenue Framework of the 2017 Appropriation Bill

Revenue Framework of the 2017 Appropriation Bill					
Aggregate Revenue N5.078 trillion					
Revenue Head	**Amount N**	**Percentage**	**Revenue Head**	**Amount N**	**Percentage**
Oil Revenue	2.122 trillion	41.78	FGN's Balances in Special Levies Accounts	9.289 billion	0.18
Share of Dividend (NLNG)	29.585 billion	0.58	FGN's Unspent Bal. of Previous Fiscal year	50 billion	0.98
Share of Minerals & Mining	1.064 billion	0.02	FGN's Share of Signature Bonus	114.298 billion	2.25
Non Oil Revenue (CIT, VAT, C & E and Federation Account Levies)	1.373 trillion	27.04	Recovered Loots	565.06 billion	11.13
Independent Revenue	807.57 billion	15.9	FGN's Share of Actual Balance in Special Accounts	6.643 billion	0.13
Total 100%					

Source: Budget Office of the Federation

A review and quick comment on some of the assumptions and the Revenue Framework is imperative.

2.1.1 Monetary Policy Variables - The Exchange Rate, Inflation Rate and Interest Rate: The exchange rate of N305 to 1USD seems contentious due to the fact that there are other rates that economic agents use in exchanging and getting access to the dollar. It would have made eminent sense for the Central Bank of Nigeria to work for a harmonized rate that merges both the official and parallel rates. With the 2017 proposal of an inflation rate of 15.74% when the lending rate is as high as 25%, the economy may find it difficult to regenerate and move the country out of recession. No investor or economic player borrows, becomes competitive and makes profit at that rate. On the other hand, having inflation at such a high rate can only create distortions and uncertainty that will hurt the economy. Monetary and fiscal policy managers need to engage in more sober strategizing about these three variables. Monetary and fiscal policy cannot be said to have converged when fiscal policy is about recovery and growth while these monetary policy indicators are at an all-time high.

Some experts including the authors of Nigeria's former economic policy framework (the National Economic Empowerment and Development Strategy-NEEDS) have stated that the above challenges stem from the method of infusion of oil dollar proceeds into the Nigerian economy. They have therefore asserted that:

> *The country's unrealistic exchange rate, high inflation and high-interest rates are traceable to the persistent excess liquidity in the system, which is the characteristic of excessive fiscal deficits. The excessive fiscal deficits result from implementing over 50 per cent of the yearly budgets of the tiers of government with implicitly borrowed freshly printed naira funds, which the CBN inappropriately substitutes for withheld dollar allocations. So, the antidote to the gamut of negative economic conditions created by the excessive fiscal deficits is to stop withholding Federation Account dollar allocations by allowing the beneficiaries to properly convert respective dollar allocations to realised naira revenue, which is not only non-inflationary but also ends the excess liquidity occasioned by substituted CBN deficit financing. That can be done through a simple and corruption-free process[2].*

2.1.2 Oil Production and Benchmark Price: The first challenge of the Revenue Framework is on the expected revenue from crude oil. The lack of a clear path for the resolution of the insurgency in the Niger Delta region will affect the realisation of the projection for oil revenue. The President indicated that disruptions in crude oil production partly contributed to significant shortfalls in projected revenue[3]. If the country could not meet the 2016 projection, and without resolving the challenge, it is likely that the 2017 projection will not be met. The $44.5 benchmark price seems realistic if and only if, members of OPEC and other oil producing nations stick to the current path of cutting down on production.

Available information indicates that the oil production figures released from time to time by NNPC may not be 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 released by oil production companies to determine the quantity of crude oil produced is inappropriate and unacceptable. The Department of Weights and Measures in the Ministry of Trade and Investment disclosed that Nigeria conservatively loses about N2.2 trillion annually to inaccurate measurement systems

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[2] Editorial of the Guardian Newspaper of May 24 2016 which is the same position canvassed in the National Economic Empowerment and Development Strategy (NEEDS).

[3] Crude oil production shut-ins as a result of vandalism include the Trans Niger Pipeline; Nembe Creek Trunkline axis as well as the Qua-Iboe Terminal; see Budget Office of the Federation in the Macroeconomic Framework of the 2017 Federal Budget. Oil production averaged 1.81mbpd as at the end of the third quarter of 2016.

adopted across all sectors of the economy, especially in the oil and gas sector which accounts for a large part of the country's annual earning. It has therefore become imperative for NASS to proactively provide funds for a new and appropriate metering system. It is clear that the executive who should champion this cause is not forthcoming on this.

2.1.3 The Dominance of Oil Revenue: Despite the prevalent mantra of economic diversification, the nation is still faced with the dominance of oil in its revenue framework. This shows that the efforts have not started yielding the desired dividends and needs to be intensified for non-oil revenue to gain ascendancy. At 42.78% of expected revenue, it is still the dominant factor. However, Nigeria is yet to fully explore and expound the frontiers of oil based revenue through income from refineries, petrochemical complexes and the full value chain of the sector. Thus, while diversifying, we need to fully explore the potentials of the sector. This brings to the fore the need for NASS to expedite action on the passage Petroleum Industry Bill and full reforms in the petroleum industry to attract local and foreign investors to explore the full value chain of oil and gas products and services.

2.1.4 Actual Revenue Inflow for 2016 as a Guide: From the actual revenue inflow of 2016, the President indicated that as at September 2016, we missed the prorated revenue projections by 25%. It would have made sense to use the actual figures of 2016 as a guide to the projections unless the circumstances and conditions have changed in favour of enhanced revenue generation.

2.1.5 Projections for Recoveries: Expected recoveries are part of the funding items of the budget in the sum of N565 billion and 11% of the expected revenue. It would have been more reasonable to have provided for only the part of the expected recoveries that are already recovered so that we do make expenditure projections based on expectancies that will not materialize. If the expectancies are actually recovered within the year, a supplementary budget can be prepared for their use or they may be used to further reduce the deficit.

2.1.6 The Deficit: Although, the deficit is under 3% of the GDP which is in tandem with the demands of the Fiscal Responsibility Act, there are still challenges inherent in its quantum. The deficit is in the sum of N2.225 trillion. It is 30.46% of the overall expenditure and 43.81% of the retained revenue. It is to be financed mainly by borrowing the sum of N2.225 trillion from external and domestic sources. The initial projection was to borrow N1.254 trillion from domestic sources and N1.067 trillion from external sources. This will further add to our already high debt profile and increase provisions for debt repayment and servicing in subsequent years.

2.2 THE EXPENDITURE FRAMEWORK

The Expenditure Framework of the Budget is as detailed in Table 4 below.

Table 4: Expenditure Framework of the 2017 Appropriation Bill

Expenditure Framework of the 2017 Appropriation Bill		
Total Allocation N7.303 trillion		
Expenditure Head	**Amount**	**Percentage**
Recurrent Non Debt	2.629 trillion	36.00
Capital Expenditure	2.058 trillion	28.19[4]
Statutory Transfers	424.41 billion	5.81
Debt Service	1.663 trillion	22.78
Sinking Fund to Retire Maturing Bonds	177.46 billion	2.43
Special Intervention Fund	350 billion	4.79
Total		100

Source: Budget Office of the Federation

2.2.1 Capital Expenditure: The first issue is that capital expenditure is to take 28.19% of the overall vote. However, if the capital component of statutory transfers is added, it gets up to N2.24 trillion which is 30.69% of the budget. While this looks good on paper, previous experience indicates that the capital vote is very poorly implemented and it gets withheld when there is a revenue shortfall. Personnel and overhead expenses are prioritized whilst the remaining goes to capital. For instance, out of the 2016 capital vote of about N1.6 trillion, only N753.6 billion had been released at the end of October. The President was however silent on how much was cash backed as at that date. It is not therefore sufficient to make proposals which may not be followed through at the end of the day. It is also imperative for the administration to ensure that a larger part of the capital expenditure is developmental rather than administrative capital. This is the only way it can have a direct impact on the majority of citizens. But the 2017 figures show that many MDAs dedicated a good part of their capital vote to administrative capital.

[4] The President indicated in his budget speech that the overall capital vote is N2.24 trillion including the capital vote in statutory transfers.

It is clear that budgetary funding can hardly scratch the surface of Nigeria's demand for infrastructure. It is imperative that NASS considers alternative funding sources for key capital projects, especially in the Ministries of Works, Power and Housing, Transport, Water Resources, etc. 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. This 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.

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. 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.

A new paradigm of fundraising should involve the traditional core and institutional investors, organized labour and workers, cooperatives, community groups, religious and faith based organisations, women and youth groups, etc. This will build a broad based ownership of national infrastructure and capital, rather than the extant exclusive arrangements that focus on the rich few who can only invest if undue terms and conditions are met. This new paradigm will ultimately affect by way of reduction, the quantum of resources that will be provided by the public treasury for infrastructure.

2.2.2 Debt Service: The second issue is that the rising debt service appears to be crowding out expenditure in critical infrastructure and human development. The debt service, which is 22.78% of the overall vote when added to the sinking fund for the retirement of maturing bonds add up to 25.21% of the overall vote. This is one quarter of the expenditure. At the end of the day, if there is a shortfall in revenue, salaries and overheads will be drawn down, debts will be serviced whilst capital projects suffer. At 25.21% of overall expenditure, the debt service is high.

By borrowing, we are further increasing the stock of public resources that will be laid out for debt service in subsequent years. The trajectory of debt service and capital budget implementation over the years speaks to the challenge. In 2014, FGN spent N941.67 billion to service debts whilst deploying only N585.61 billion to capital expenditure. Again in 2015, FGN spent N1.060 trillion for debt service whilst investing only N384.07 billion for capital expenditure. As at the end of 2016, available figures indicate that we fully utilized the N1.361trillion set aside for debt service. As at end of October 2016, N635.770 billion has been released for capital expenditure which is an investment of 127.14 billion every month for the five months of implementation; projecting to the end of the year 2016 will be a capital expenditure of N889.98

billion which is 56.08% of the overall capital vote. Again, this shows a wide margin between the debt service and capital expenditure.

When it is considered that some of the expected sources of revenue may not likely materialize, the high debt service becomes an undue burden. Further, debt service as a percentage of retained revenue is growing. The retained revenue is N5.078 trillion whilst the debt service is N1.663 trillion. Therefore, debt service is 32.76% of the retained revenue; adding sinking funds to the debt service gives 36.25% of the retained revenue. This is on the high side.

To understand the opportunity cost of debt service in 2017, it will be compared to the capital expenditure of eight key and strategic ministries.

Table 5: Debt Service v Capital Vote of Strategic MDAs

S/No	MINISTRY	CAPITAL ALLOCATION
1	Power, Works and Housing	529,337,594,441
2	Transport	262,000,000,000
3	Agriculture	91,649,990,014
4	Water Resources	85,146,305,445
5	Education	50,433,487,464
6	Health	51,315,564,740
7	Defence	140,000,000,000
8	Science and Technology	37,331,179,072
		1,247,214,121,176.00

Source: Budget Office of the Federation

The amount for debt service is N1.663 trillion. Total capital allocation to these sectors as a percentage of debt service is 74.96%. We have been spending and will likely spend more on debt service than on capital expenditure in 2017.

2.2.3 The Borrowing Plan 2016-2018: The third issue is the need to resolve the seeming contradiction between the External Borrowing Plan 2016-2018 and the proposal for capital expenditure and human capital development. Borrowing is only permitted under the Fiscal Responsibility Act for capital expenditure and human capital development. The Borrowing Plan is seeking approval of almost $30 billion for the 2016-2018 period. If the request is approved, FGN may have to spend an average of $10 billion every year for the three years. $10 billion is over N3 trillion. Has the government abandoned the borrowing plan or what has happened to the projects proposed in the plan? This needs to be reconciled.

Further, contrary to section 42 of the Fiscal Responsibility Act, NASS and the executive are yet to set a debt limitation for the three tiers of government. NASS should use the opportunity of the consideration of the borrowing plan to set this limitation.

2.2.4 Recurrent Non Debt Expenditure: The fourth issue is to resolve the contradiction between the FGN mantra of cutting down waste, improving efficiencies, IPPIS and removing ghost workers from the payroll and its relationship with the rising recurrent non debt expenditure. Recurrent non debt expenditure got N2.59 trillion in 2015 and moved up to N2.64 trillion in 2016. Now it is still in the sum of N2.629 trillion[5]. These increments cannot be the sign of a system that is taking steps to remove waste and inefficiencies.

2.2.5: The Missing Basic Health Care Provision Fund: The National Health Act provides for 1% of the Consolidated Revenue Fund to be appropriated as a statutory transfer to the Basic Health Care Provision Fund. For the past two years, the executive and legislature have ignored this provision and this has continued in the 2017 estimates. NASS is left with two options; either repeal the law or specifically amend the law and remove the section (which will be a nightmare) or alternatively implement the provision. The choice is narrowed to implementing the law before NASS joins the executive in the law breaking mode.

2.2.6: Frivolities, Inappropriate, Unclear and Wasteful Expenditure: The MDA votes are filled with frivolous, inappropriate, unclear and wasteful expenditure items. The repetitive demand for computers and software, vehicles, furnishing of offices, etc. should have no space in a budget to get Nigeria out of recession. Voting money in an unclear way that does not tell the story of what exactly the vote is for is not a best practice. Agriculture for instance votes lump sums running into billions for value chains of maize, potato, cassava, etc. The meaning of this is only known to the person who crafted the budget. Voting N237.9 million for subscription to professional bodies under the SGF's office raises the poser of how many staff works in the office. These estimates should be removed from the budget and the sums saved should be reprogrammed to capital expenditure.

[5] The Appropriation Bill 2017 states that recurrent non debt expenditure is N2.98 trillion while a recent paper presented at the Civil Society Summit on the Budget by the Director General of the Budget Office of the Federation indicates that it is in the sum of N2.629 trillion.

SECTION THREE: EXPENDITURE SPECIFICS

3.1 THE ALLOCATIONS AND PRIORITIES

Table 6 shows the allocations detailing the priorities of government in the recurrent (personnel and overheads) and capital votes. Tables 6, 7 and 8 hereunder are based on the overall budget vote as submitted by the President to NASS.

Table 6: Summary of MDA Votes

S/N	MDA	Personnel Cost	Overhead Cost	Capital Allocation	Total Allocation
1	Auditor General For The Federation	1,909,022,726	784,230,795	90,509,818	2,783,763,339
2	Code Of Conduct Bureau	1,601,966,323	435,616,600	694,854,364	2,732,437,287
3	Code Of Conduct Tribunal	341,468,347	232,310,234	513,616,705	1,087,395,286
4	Federal Capital Territory Administration	0	0	37,297,122,872	37,297,122,872
5	Federal Character Commission	1,877,085,932	287,635,539	400,000,000	2,564,721,471
6	Federal Civil Service Commission	570,908,904	372,853,041	16,171,828	959,933,773
7	Federal Ministry Of Agriculture	30,211,157,650	1,579,659,958	91,649,990,014	123,440,807,622
8	Ministry Of Budget And National Planning	62,397,625,096	838,840,765,423	426,272,867,027	1,327,511,257,546
9	Federal Ministry Of Communication Technology	10,925,808,173	280,974,561	7,544,169,142	18,750,951,876
10	Federal Ministry Of Defense	285,488,729,493	39,999,500,080	140,000,000,000	465,488,229,573
11	Federal Ministry Of Education	375,114,768,099	22,894,847,051	50,433,487,464	448,443,102,614
12	Federal Ministry Of Environment	14,222,126,029	1,965,257,812	9,524,482,833	25,711,866,674
13	Federal Ministry Of Finance	6,094,057,891	1,844,746,922,450	1,981,348,624	1,852,822,328,965
14	Ministry Of Foreign Affairs	35,591,153,581	21,277,621,873	9,795,042,441	66,663,817,895
15	Federal Ministry Of Health	248,383,683,944	4,491,712,717	51,315,564,740	304,190,961,401
16	Federal Ministry Of Industry, Trade And Investment	9,065,231,850	1,741,025,769	80,856,946,059	91,663,203,678
17	Federal Ministry Of Information & Culture	36,594,061,625	4,489,991,629	8,380,248,826	49,464,302,080
18	Federal Ministry Of Interior	448,135,179,625	34,234,537,935	63,261,062,486	545,630,780,046
19	Federal Ministry Of Justice	17,638,344,711	3,400,000,000	1,199,999,999	22,238,344,710
20	Federal Ministry Of Labour And Employment	7,433,316,669	1,237,869,941	8,332,520,400	17,003,707,010
21	Federal Ministry Of Mines And Steel Development	8,786,086,509	1,589,478,232	12,899,999,999	23,275,564,740
22	Federal Ministry Of Niger Delta	1,081,793,241	727,089,124	33,692,500,000	35,501,382,365
23	Federal Ministry Of Power, Works & Housing	16,414,920,764	18,459,008,290	529,337,594,441	564,211,523,495
24	Federal Ministry Of Science And Technology	25,114,352,959	2,693,456,728	37,331,179,072	65,138,988,759
25	Federal Ministry Of Transport	13,360,103,578	1,500,000,003	262,000,000,000	276,860,103,581
26	Federal Ministry Of Water Resources	6,414,916,341	886,260,603	85,146,305,445	92,447,482,389

27	Federal Ministry Of Women Affairs	986,534,200	500,000,000	3,980,732,000	5,467,266,200
28	Federal Ministry Of Youth And Sport Development	65,928,948,934	12,487,066,233	4,999,999,999	83,416,015,166
29	Fiscal Responsibility Commission	121,080,423	181,767,615	118,155,391	421,003,429
30	Independent Corrupt Practices And Related Offences Commission	3,846,754,118	1,312,886,013	767,865,170	5,927,505,301
31	Infrastructure Concession And Regulatory Commission (ICRC)	708,536,004	176,088,460	34,310,245	918,934,709
32	National Population Commission	5,248,036,951	315,073,951	4,236,308,554	9,799,419,456
33	National Salaries, Income And Wages Commission	537,522,593	93,981,274	163,121,916	794,625,783
34	Office Of The National Security Adviser	54,832,032,740	12,448,992,912	43,209,203,765	110,490,229,417
35	Office Of The Head Of The Civil Service Of The Federation	5,195,051,900	1,497,229,068	1,979,176,734	8,671,457,702
36	Police Service Commission	496,903,313	211,369,317	1,258,900,000	1,967,172,630
37	Revenue Mobilization, Allocation And Fiscal Commission	1,717,168,350	344,762,287	229,093,337	2,291,023,974
38	Secretary To The Government Of The Federation (SGF)	44,244,599,788	7,745,414,486	20,981,998,169	72,972,012,443
39	State House	12,776,583,946	10,171,082,268	19,970,000,000	42,917,666,214
	Sub Total	**1,861,407,623,320**	**2,896,634,340,272**	**2,051,896,449,879**	**6,809,938,413,471**

Table 7 shows the respective percentages going to the sectors.

Table 7: 2017 FGN Budget Proposal - MDA Allocation as a Percentage of the Aggregate Budget Expenditure

S/N	MDA	Personnel Cost	% of Agg Exp	Overhead Cost	% of Agg Exp	Capital Allocation	% of Agg Exp	Total Allocation	% of Agg Exp
1	Auditor General For The Federation	1,909,022,726	0.03	784,230,795	0.01	90,509,818	0.00	2,783,763,339	0.04
2	Code Of Conduct Bureau	1,601,966,323	0.02	435,616,600	0.01	694,854,364	0.01	2,732,437,287	0.04
3	Code Of Conduct Tribunal	341,468,347	0.00	232,310,234	0.00	513,616,705	0.01	1,087,395,286	0.01
4	Federal Capital Territory Administration	-	-	-	-	37,297,122,872	0.51	37,297,122,872	0.51
5	Federal Character Commission	1,877,085,932	0.03	287,635,539	0.00	400,000,000	0.01	2,564,721,471	0.04
6	Federal Civil Service Commission	570,908,904	0.01	372,853,041	0.01	16,171,828	0.00	959,933,773	0.01

7	Federal Ministry Of Agriculture	30,211,157,650	0.41	1,579,659,958	0.02	91,649,990,014	1.26	123,440,807,622	1.69
8	Ministry Of Budget And National Planning	62,397,625,096	0.85	838,840,765,423	11.49	426,272,867,027	5.84	1,327,511,257,546	18.19
9	Federal Ministry Of Communication Technology	10,925,808,173	0.15	280,974,561	0.00	7,544,169,142	0.10	18,750,951,876	0.26
10	Federal Ministry Of Defense	285,488,729,493	3.91	39,999,500,080	0.55	140,000,000,000	1.92	465,488,229,573	6.38
11	Federal Ministry Of Education	375,114,768,099	5.14	22,894,847,051	0.31	50,433,487,464	0.69	448,443,102,614	6.14
12	Federal Ministry Of Environment	14,222,126,029	0.19	1,965,257,812	0.03	9,524,482,833	0.13	25,711,866,674	0.35
13	Federal Ministry Of Finance	6,094,057,891	0.08	1,844,746,922,450	25.28	1,981,348,624	0.03	1,852,822,328,965	25.39
14	Ministry Of Foreign Affairs	35,591,153,581	0.49	21,277,621,873	0.29	9,795,042,441	0.13	66,663,817,895	0.91
15	Federal Ministry Of Health	248,383,683,944	3.40	4,491,712,717	0.06	51,315,564,740	0.70	304,190,961,401	4.17
16	Federal Ministry Of Industry, Trade And Investment	9,065,231,850	0.12	1,741,025,769	0.02	80,856,946,059	1.11	91,663,203,678	1.26
17	Federal Ministry Of Information & Culture	36,594,061,625	0.50	4,489,991,629	0.06	8,380,248,826	0.11	49,464,302,080	0.68
18	Federal Ministry Of Interior	448,135,179,625	6.14	34,234,537,935	0.47	63,261,062,486	0.87	545,630,780,046	7.48
19	Federal Ministry Of Justice	17,638,344,711	0.24	3,400,000,000	0.05	1,199,999,999	0.02	22,238,344,710	0.30
20	Federal Ministry Of Labour And Employment	7,433,316,669	0.10	1,237,869,941	0.02	8,332,520,400	0.11	17,003,707,010	0.23
21	Federal Ministry Of Mines And Steel Development	8,786,086,509	0.12	1,589,478,232	0.02	12,899,999,999	0.18	23,275,564,740	0.32
22	Federal Ministry Of Niger Delta	1,081,793,241	0.01	727,089,124	0.01	33,692,500,000	0.46	35,501,382,365	0.49
23	Federal Ministry Of Power, Works & Housing	16,414,920,764	0.22	18,459,008,290	0.25	529,337,594,441	7.25	564,211,523,495	7.73
24	Federal Ministry Of Science And Technology	25,114,352,959	0.34	2,693,456,728	0.04	37,331,179,072	0.51	65,138,988,759	0.89
25	Federal Ministry Of Transport		0.18						

		13,360,103,578		1,500,000,003	0.02	262,000,000,000	3.59	276,860,103,581	3.79
26	Federal Ministry Of Water Resources	6,414,916,341	0.09	886,260,603	0.01	85,146,305,445	1.17	92,447,482,389	1.27
27	Federal Ministry Of Women Affairs	986,534,200	0.01	500,000,000	0.01	3,980,732,000	0.05	5,467,266,200	0.07
28	Federal Ministry Of Youth And Sport Development	65,928,948,934	0.90	12,487,066,233	0.17	4,999,999,999	0.07	83,416,015,166	1.14
29	Fiscal Responsibility Commission	121,080,423	0.00	181,767,615	0.00	118,155,391	0.00	421,003,429	0.01
30	Independent Corrupt Practices And Related Offences Commission	3,846,754,118	0.05	1,312,886,013	0.02	767,865,170	0.01	5,927,505,301	0.08
31	Infrastructure Concession And Regulatory Commission (ICRC)	708,536,004	0.01	176,088,460	0.00	34,310,245	0.00	918,934,709	0.01
32	National Population Commission	5,248,036,951	0.07	315,073,951	0.00	4,236,308,554	0.06	9,799,419,456	0.13
33	National Salaries, Income And Wages Commission	537,522,593	0.01	93,981,274	0.00	163,121,916	0.00	794,625,783	0.01
34	Office Of The National Security Adviser	54,832,032,740	0.75	12,448,992,912	0.17	43,209,203,765	0.59	110,490,229,417	1.51
35	Office Of The Head Of The Civil Service Of The Federation	5,195,051,900	0.07	1,497,229,068	0.02	1,979,176,734	0.03	8,671,457,702	0.12
36	Police Service Commission	496,903,313	0.01	211,369,317	0.00	1,258,900,000	0.02	1,967,172,630	0.03
37	Revenue Mobilization, Allocation And Fiscal Commission	1,717,168,350	0.02	344,762,287	0.00	229,093,337	0.00	2,291,023,974	0.03
38	Secretary To The Government Of The Federation (SGF)	44,244,599,788	0.61	7,745,414,486	0.11	20,981,998,169	0.29	72,972,012,443	1.00
39	State House	12,776,583,946	0.18	10,171,082,268	0.14	19,970,000,000	0.27	42,917,666,214	0.59
	Sub Total	**1,861,407,623,320**	**25.50**	**2,896,634,340,272**	**39.69**	**2,051,896,449,879**	**28.11**	**6,809,938,413,471**	**93.31**

Tables 6 and 7 shows that the Ministry of Finance got the highest allocation (25.39%) but this is essentially made up of over N1.8 trillion dedicated to debt service and sinking funds for retirement of maturing bonds. The Ministry of Budget and

Planning came second (18.19%) but the bulk of the money goes to Service Wide Votes. Works, Power and Housing gets the third highest allocation (7.73%). The fourth in the order went to Interior (7.48%) whilst the fifth is defence with (6.38%); education is the next with 6.14%. This shows our national priorities as identified by the political leadership.

Table 8: MDA Allocations as a Percentage of the Aggregate Allocation to the MDA

S/N	MDA	Personnel Cost	Personnel Cost As % of MDA Allocation	Overhead Cost	Overhead Cost As % of MDA Allocation	Total Recurrent Allocation	Total Recurrent As % of Allocation	Capital Allocation	Total Capital As % of MDA Allocation	Total Allocation
1	Auditor General For The Federation	1,909,022,726	68.58	784,230,795	28.17	2,693,253,521	97	90,509,818	3.25	2,783,763,339
2	Code Of Conduct Bureau	1,601,966,323	58.63	435,616,600	15.94	2,037,582,923	75	694,854,364	25.43	2,732,437,287
3	Code Of Conduct Tribunal	341,468,347	31.40	232,310,234	21.36	573,778,581	53	513,616,705	47.23	1,087,395,286
4	Federal Capital Territory Administration	-	-	-	-	-	-	37,297,122,872	100.00	37,297,122,872
5	Federal Character Commission	1,877,085,932	73.19	287,635,539	11.22	2,164,721,471	84	400,000,000	15.60	2,564,721,471
6	Federal Civil Service Commission	570,908,904	59.47	372,853,041	38.84	943,761,945	98	16,171,828	1.68	959,933,773
7	Federal Ministry Of Agriculture	30,211,157,650	24.47	1,579,659,958	1.28	31,790,817,608	26	91,649,990,014	74.25	123,440,807,622
8	Ministry Of Budget And National Planning	62,397,625,096	4.70	838,840,765,423	63.19	901,238,390,519	68	426,272,867,027	32.11	1,327,511,257,546
9	Federal Ministry Of Communication Technology	10,925,808,173	58.27	280,974,561	1.50	11,206,782,734	60	7,544,169,142	40.23	18,750,951,876
10	Federal Ministry Of Defense	285,488,729,493	61.33	39,999,500,080	8.59	325,488,229,573	70	140,000,000,000	30.08	465,488,229,573
11	Federal Ministry Of Education	375,114,768,099	83.65	22,894,847,051	5.11	398,009,615,150	89	50,433,487,464	11.25	448,443,102,614
12	Federal Ministry Of Environment	14,222,126,029	55.31	1,965,257,812	7.64	16,187,383,841	63	9,524,482,833	37.04	25,711,866,674
13	Federal Ministry Of Finance	6,094,057,891	0.33	1,844,746,922,450	99.56	1,850,840,980,341	100	1,981,348,624	0.11	1,852,822,328,965
14	Ministry Of Foreign Affairs	35,591,153,581	53.39	21,277,621,873	31.92	56,868,775,454	85	9,795,042,441	14.69	66,663,817,895
15	Federal Ministry Of Health	248,383,683,944	81.65	4,491,712,717	1.48	252,875,396,661	83	51,315,564,740	16.87	304,190,961,401

16	Federal Ministry Of Industry, Trade And Investment	9,065,231,850	9.89	1,741,025,769	1.90	10,806,257,619	12	80,856,946,059	88.21	91,663,203,678
17	Federal Ministry Of Information & Culture	36,594,061,625	73.98	4,489,991,629	9.08	41,084,053,254	83	8,380,248,826	16.94	49,464,302,080
18	Federal Ministry Of Interior	448,135,179,625	82.13	34,234,537,935	6.27	482,369,717,560	88	63,261,062,486	11.59	545,630,780,046
19	Federal Ministry Of Justice	17,638,344,711	79.32	3,400,000,000	15.29	21,038,344,711	95	1,199,999,999	5.40	22,238,344,710
20	Federal Ministry Of Labour And Employment	7,433,316,669	43.72	1,237,869,941	7.28	8,671,186,610	51	8,332,520,400	49.00	17,003,707,010
21	Federal Ministry Of Mines And Steel Development	8,786,086,509	37.75	1,589,478,232	6.83	10,375,564,741	45	12,899,999,999	55.42	23,275,564,740
22	Federal Ministry Of Niger Delta	1,081,793,241	3.05	727,089,124	2.05	1,808,882,365	5	33,692,500,000	94.90	35,501,382,365
23	Federal Ministry Of Power, Works & Housing	16,414,920,764	2.91	18,459,008,290	3.27	34,873,929,054	6	529,337,594,441	93.82	564,211,523,495
24	Federal Ministry Of Science And Technology	25,114,352,959	38.56	2,693,456,728	4.13	27,807,809,687	43	37,331,179,072	57.31	65,138,988,759
25	Federal Ministry Of Transport	13,360,103,578	4.83	1,500,000,003	0.54	14,860,103,581	5	262,000,000,000	94.63	276,860,103,581
26	Federal Ministry Of Water Resources	6,414,916,341	6.94	886,260,603	0.96	7,301,176,944	8	85,146,305,445	92.10	92,447,482,389
27	Federal Ministry Of Women Affairs	986,534,200	18.04	500,000,000	9.15	1,486,534,200	27	3,980,732,000	72.81	5,467,266,200
28	Federal Ministry Of Youth And Sport Development	65,928,948,934	79.04	12,487,066,233	14.97	78,416,015,167	94	4,999,999,999	5.99	83,416,015,166
29	Fiscal Responsibility Commission	121,080,423	28.76	181,767,615	43.17	302,848,038	72	118,155,391	28.07	421,003,429
30	Independent Corrupt Practices And Related Offences Commission	3,846,754,118	64.90	1,312,886,013	22.15	5,159,640,131	87	767,865,170	12.95	5,927,505,301
31	Infrastructure Concession And Regulatory Commission (ICRC)	708,536,004	77.10	176,088,460	19.16	884,624,464	96	34,310,245	3.73	918,934,709
32	National Population Commission	5,248,036,951	53.55	315,073,951	3.22	5,563,110,902	57	4,236,308,554	43.23	9,799,419,456

33	National Salaries, Income And Wages Commission	537,522,593	67.64	93,981,274	11.83	631,503,867	79	163,121,916	20.53	794,625,783
34	Office Of The National Security Adviser	54,832,032,740	49.63	12,448,992,912	11.27	67,281,025,652	61	43,209,203,765	39.11	110,490,229,417
35	Office Of The Head Of The Civil Service Of The Federation	5,195,051,900	59.91	1,497,229,068	17.27	6,692,280,968	77	1,979,176,734	22.82	8,671,457,702
36	Police Service Commission	496,903,313	25.26	211,369,317	10.74	708,272,630	36	1,258,900,000	64.00	1,967,172,630
37	Revenue Mobilization, Allocation And Fiscal Commission	1,717,168,350	74.95	344,762,287	15.05	2,061,930,637	90	229,093,337	10.00	2,291,023,974
38	Secretary To The Government Of The Federation (SGF)	44,244,599,788	60.63	7,745,414,486	10.61	51,990,014,274	71	20,981,998,169	28.75	72,972,012,443
39	State House	12,776,583,946	29.77	10,171,082,268	23.70	22,947,666,214	53	19,970,000,000	46.53	42,917,666,214
	Sub Total	**1,861,407,623,320**		**2,896,634,340,272**				**2,051,896,449,879**		**6,809,938,413,471**

Table 9 shows the statutory transfers.

Table 9: Statutory Transfers in the 2016 Federal Estimates

Institution	**Amount (N)**	**%**
National Judicial Council	100,000,000,000	1.37
Niger-Delta Development Commission	61,364,607,953	0.84
Universal Basic Education	92,456,040,046	1.27
National Assembly	115,000,000,000	1.58
Public Complaints Commission	4,000,000,000	0.05
INEC	45,000,000,000	0.62
National Human Rights Commission	1,200,000,000	0.02

The National Judicial Council has an increased allocation (from N70 billion to N100 billion) compared to previous year 2016 which is a very welcome development. Universal Basic Education Commission also got an increase from N77.110 billion to N92.456 billion. Niger Delta Development Commission also got an increase from N45.010 billion to N61.364 billion. Statutory transfers would have been more if FGN had provided for the Basic Health Care Provision Fund.

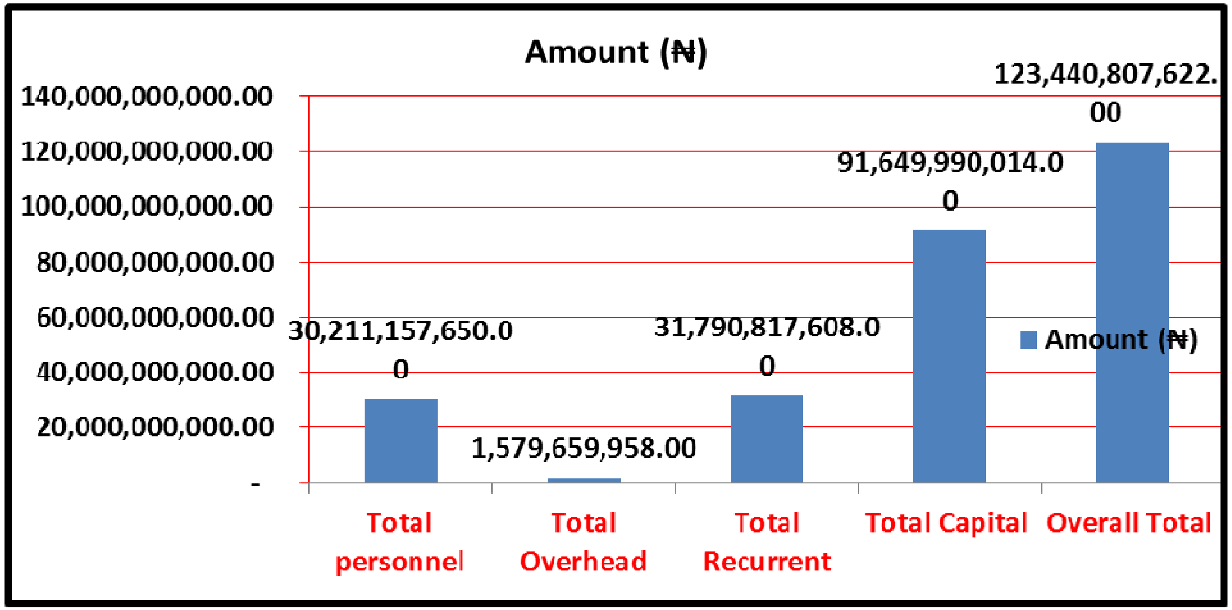
3.2 SOME KEY SECTORAL ALLOCATIONS AND ISSUES

This subsection will review sectoral policy issues and the votes of some key MDAs.

3.2.1 AGRICULTURE

Agriculture has a total estimate of N123.440 billion broken down as shown in Figure 1 below.

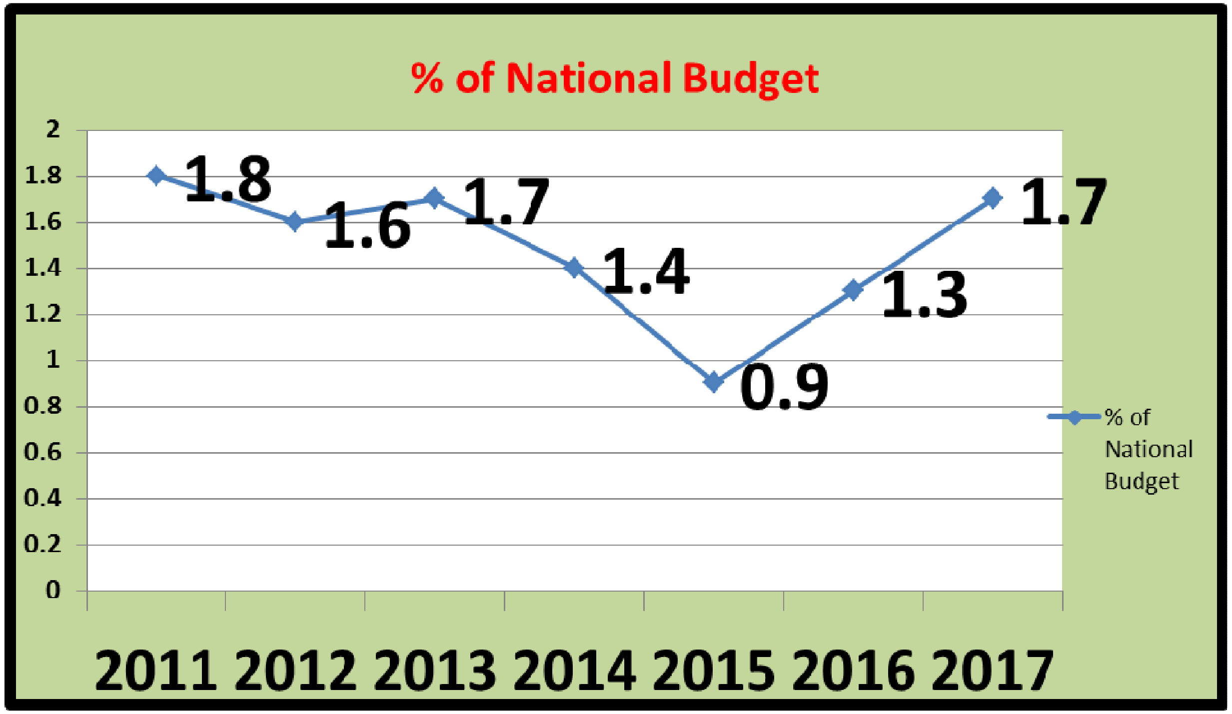
Figure 1: Breakdown of Agriculture Estimate for 2017



Source: Calculated from 2017 Budget Estimates

The amount allocated to agriculture in the estimates is a 37.8% increase from the 2016 budget of ₦75,806,548,274. Although in aggregate terms, there is an increase, the rate of increase has also tremendously reduced compared to previous years. The sector's budget is 1.69% of the total budget of ₦7.298 trillion. There is a continuous disregard of the Maputo/Malabo commitments of at least 10% of the national budget as a minimum standard. Although the amount for 2017 is low, the curve in Figure 2 has shown an upward trend between 2016 and 2017 budget. However in 2017, the sector has the same allocation (1.7%) it had 4 years ago – 2013. Figure 2 tells the story.

Figure 2: Seven Year Trend of Agriculture Allocations



Source: Calculated from Approved Budgets and BOF Reports

As usual, the sector's budget allotted a whooping ₦76,163,857,747, out of the ₦123,440,807,622 to the Ministry's Headquarters in Abuja which is about 62% of the total budget of the sector. There are forty one (41) MDAs in the sector, while FMARD HQs got 62%; other Agencies shared the remaining 38%. Very critical is that FMARD HQs is mandated to perform supervisory and regulatory functions on these agencies and departments. The FMARD capital budget of ₦69,256,267,645 is loaded with different levels of allocations for the promotion and development of various commodity value chains including bush mango. The concern – does FMARD headquarters have the mandate and resources to promote and develop commodity value chains which is the same role of the various research institutions? For instance, while the National Cereals Research Institute, Badeggi got ₦2,145,123,503 to promote and develop all crops categorized as cereals, FMARD has a combined appropriation of ₦6,661,029,360 for the development of maize, rice, sorghum and wheat value chains. In the same vein, all crops categorized as root crops are under the purview of National Root Crop Research Institute (NRCRI), Umudike. While the research institute has ₦3,240,843,334 for their research, development and promotion, FMARD got a combined amount of ₦4,363,212,822 for the development and promotion of sweet potatoes, Irish potatoes, yam, ginger and cassava. Further, just stating a lump sum as done in these estimates for a particular crop value chain does not reveal what the expenditure is for. It needs to be further disaggregated for stakeholder follow through.

3.2.2 EDUCATION

The total amount proposed for the Education Sector in 2017 is N448.443 billion broken down as recurrent expenditures (N398.010 billion) 88.75% and capital expenditures (N50.433 billion) 11.25%. The first point of departure is that this amount will be insufficient to meet the demands of the sector. It constitutes a paltry 6.14% of the overall vote; 5.14%, 0.31% and 0.69% of overall personnel vote, overhead and capital votes respectively. This is not even up to half of the 26% demanded by UNESCO. This allocation is below the Sub-Saharan Africa average. Table 10 tells the story of a few African countries.

Table 10: Expenditure on Education as a Percentage of Total Government Expenditure

Country	**Percentage of Budget Spent on Education**	
	2015	**2014**
Benin	17.48	22.23
Burkina Faso	18.03	19.37
Kenya	16.47	17.08
Malawi	21.55	16.33

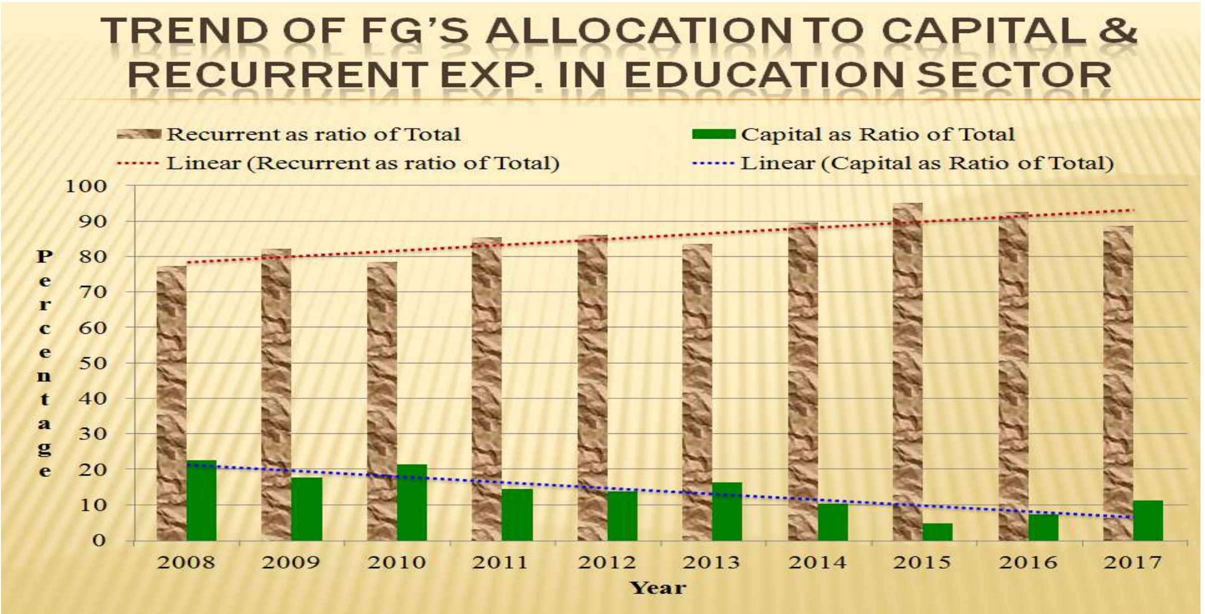
Source: http://data.uis.unesco.org/?queryid=181

When the vote of the Universal Basic Education is added, it will only amount to 7.41% of the overall vote. Bearing in mind the inability of some states to access their UBEC vote, it is still clear that the sum allocated to education is inadequate for the needs of the sector. Considering Nigeria's youthful population and its present state of underdevelopment, large investments in education are imperative to prepare the leaders of tomorrow and to develop skills, competencies and capacities to compete in a technological world. It has been rightly stated that: "*Education is both a human right in itself and an indispensable means of realising other human rights. As an empowerment right, education is the primary vehicle by which* *economically and socially marginalised adults and children can lift themselves out of poverty and obtain the means to fully participate in their communities"*[6].

At least, there should be an increase in the education vote to not less than 50% of the UNESCO requirement. A comprehensive review of the education curriculum to link it with industry, agriculture, technology, etc. and their value chains has become imperative to ensure that funding is geared towards policy positions that will make education functional, acceptable and adaptable to Nigeria's developmental challenges. Also, a proper determination of priorities in the sector will ensure that the funding goes to remove the binding constraints that have prevented education from achieving its goals.

Figure 3 shows the trend of FGN's allocations to capital and recurrent expenditure in the education sector.

Figure 3: Trend of FGNs Allocations to Capital and Recurrent Expenditure



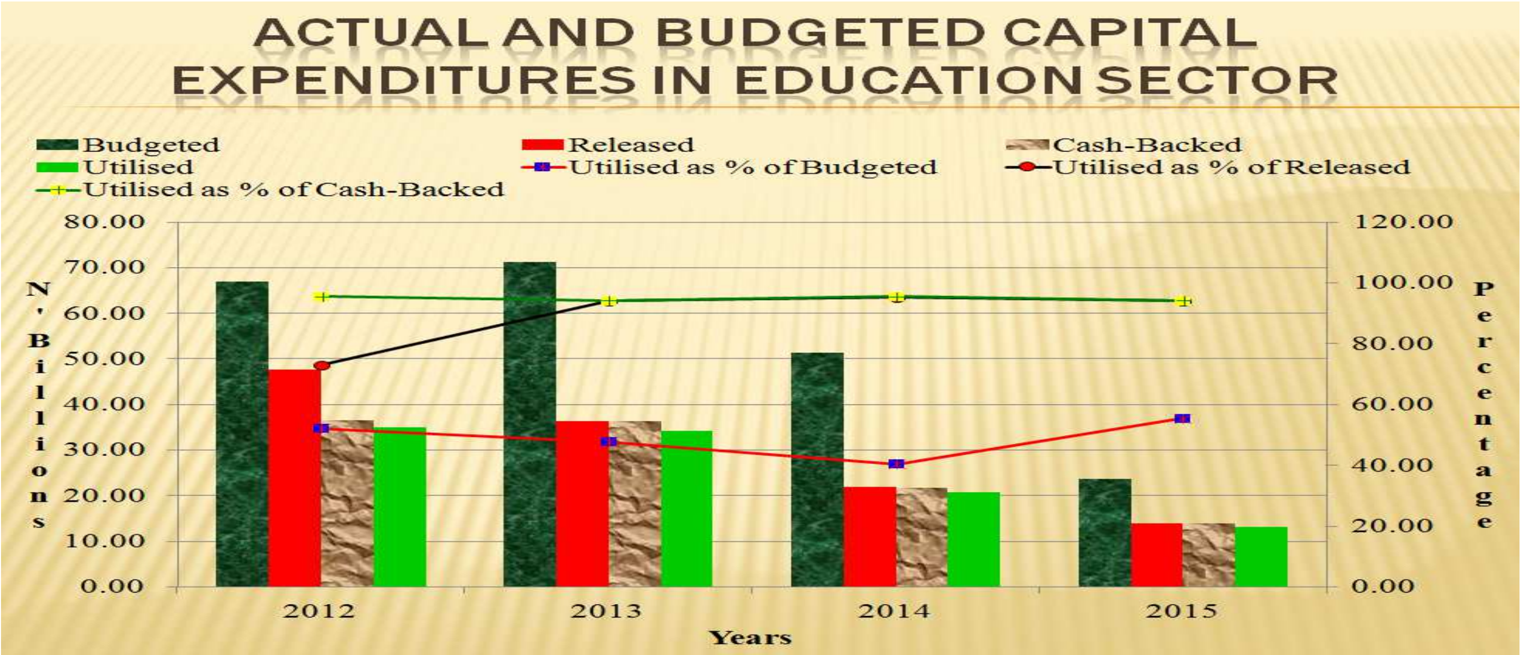
Source: Calculated from Approved Budgets

[6] General Comment No.13 on the Right to Education of the United Nations Committee on Economic, Social and Cultural Rights; 21st Session 1999; article 13 of the Covenant on Economic, Social and Cultural Rights.

Figure 3 shows the poor funding of the capital needs of the education sector over the years. Dedicating a paltry 11.25% of the education vote to capital expenditure guarantees that the deficit in terms of school buildings, libraries, computer facilities, information technology, laboratories, etc. will not be met in the near future. Again, from the sector's capital expenditures, the FME headquarters got N13,705,806,335 whilst the 38 Universities have an allocation of N5,503,041,253. This highlights the insufficient nature of allocations to tertiary institutions.

Further, the actual capital expenditure in the sector greatly differs from the budgeted capital vote as shown in Figure 4.

Figure 4: Actual versus Budgeted Capital Expenditure in the Education Sector



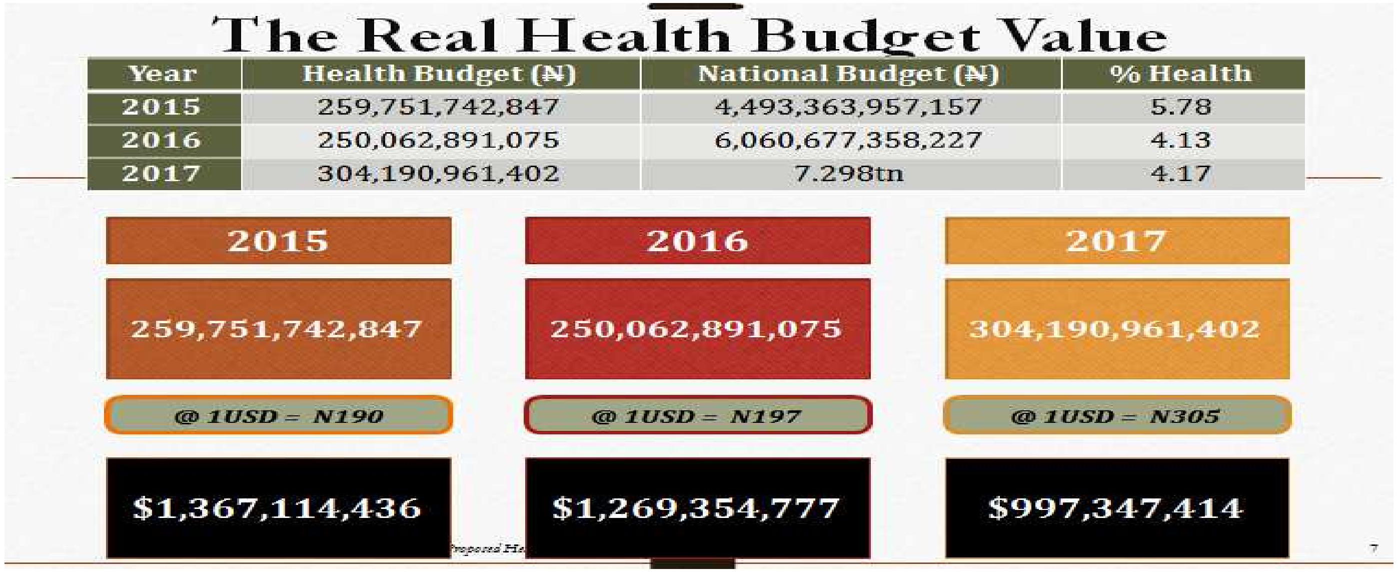
Source: Calculated from BOF Reports

The sector is in need of increased capital funding.

3.2.3 HEALTH

The total sum allocated to the health sector is N304,190,961,401 which represents 4.17% of the overall estimates. This is not up to a third of 15% of budget recommended in the Abuja Declaration. There are other health related expenses in the budget which add up to N73.20 billion[7]. When added to the original health vote, it totals N377.4 billion which is 5.17% of the overall vote. This is still very low. The real value of the health budget in comparative terms is shown below in Figure 5.

Figure 5: Real Value of the Health Budget, 2015-2017



Source: Calculated from BOF and CBN documentation

The health vote is insufficient to meet the needs of the sector. It shows that FGN is not using the maximum of available resources for the progressive realization of the right to health. The right to health is inextricably linked to the right to life and the easiest way of depriving a person of his life is to deny him of health supporting conditions to the point of abrogation. The Nigerian health vote is even below the Sub-Saharan Africa average. Table 11 shows the percentages allocated in a few African countries in 2014.

[7] FGN's NHIS contribution of N57.63 billion; construction of NHIS and retainership service complex of N5m; NACA N4.25 billion; State House Medical Centre of N331.7 million; counterpart funding for health N3.5 billion; drugs and medical supplies of N1.73 billion, medical expenses of N1.99 billion, medical consulting of N94.37million and purchase of health/medical equipment of N3.24 billion, etc.

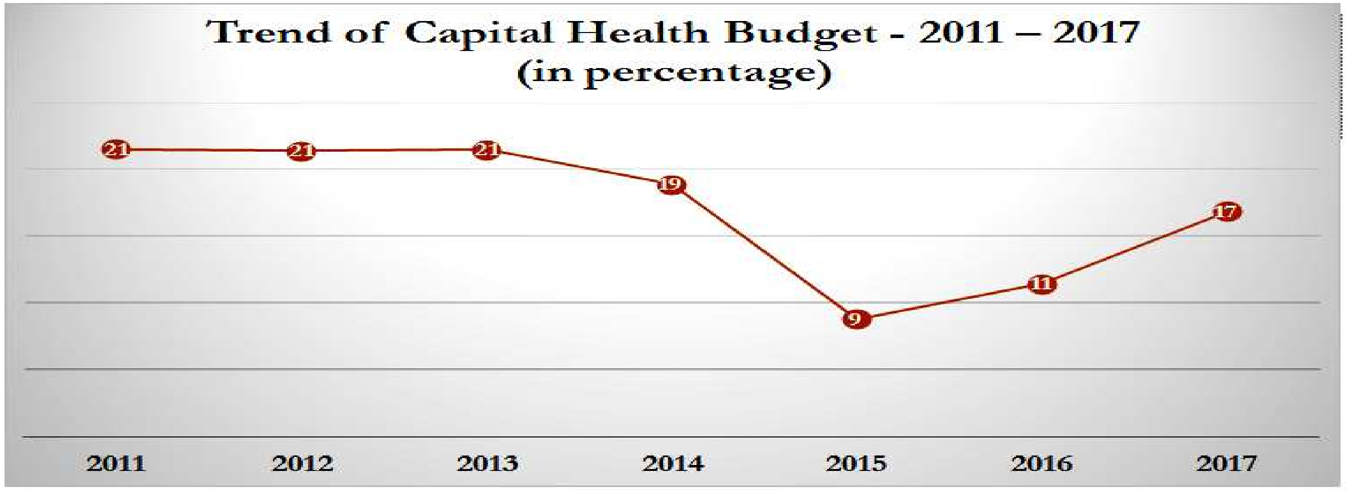
Table 11: Health Expenditure as a Percentage of Total Government Expenditure

Country	% dedicated to Health	Country	% dedicated to Health
Benin	9.6	Guinea	9.0
Burkina Faso	11.2	Kenya	12.8
Chad	9.0	Malawi	16.8
Congo DR	11.1	Senegal	8.0
Gambia	15.3	Zambia	11.3

Source: http://databank.worldbank.org/data/reports.aspx?source=2&series=SH.XPD.PUBL.GX.ZS&country=

Further, the health personnel, overheads and capital votes are 3.40%, 0.06% and 0.70% of the overall personnel, overhead and capital votes respectively. The 17% allocation to capital expenditure is grossly inadequate to meet the demands of well-equipped and resourced hospitals and clinics to attend to prevalent health challenges. Figure 6 shows the trend of capital health budgets 2011 - 2017.

Figure 6: Trend of Capital Health Budget 2011-2017



Source: Calculated from Approved Budgets

It is recommended that the vote to health be increased to a minimum of 50% of the requirement of the Abuja Declaration viz 7.5% of the overall vote. This increase should be used to beef up the capital vote. In subsequent years, it should be progressively improved until it hits the 15% benchmark.

3.2.4 POWER, WORKS AND HOUSING

The sectors combined under this Ministry are too many and at the same time very important sectors for economic growth and development. The deficient power sector is to a large extent responsible for the comatose state of the economy in terms of the economy not being competitive and lack of access to a vital intermediate input into production and service delivery. The challenge of roads, bridges and other infrastructure under works, to a great extent contributes to loss of lives and property, high cost of distribution of goods and services and a lot of waste in terms of productivity hours slowed down in bad roads. The housing sector on the other hand is the highest store of personal and national wealth and the 20 million Nigeria housing deficit is a great challenge of development. Therefore, these three sectors need to be separated and put in different ministries with different ministers so that appropriate focus can be brought to bear on them. It will also facilitate the appreciation of the adequacy or otherwise of the funds appropriated to the sectors. The current lump sum vote to the sectors creates a very wrong impression of sectoral votes.

There are so many ongoing projects in the works sector which available resources cannot complete, leading to resources being so thinly spread. For example, the Abuja-Lokoja and the East West roads have been ongoing for over a decade and the provisions in the 2017 estimates will not complete them. A Road Fund Law which supplements public resources with other sources of funding is imperative and exploring the full chain of privatization, concessioning and public private partnership has become imperative.

The power sector needs to align resources with national policy frameworks, especially in the area of promoting clean and renewable energy under the Vision 20:30:30 to guarantee that renewable energy supplies 30% of Nigeria’s energy needs by the year 2030. Nigeria participated actively in the Paris Climate Change Conference leading to the Paris Agreement and submitted its Intended Nationally Determined Contributions which is now in the process of converting to Nationally Determined Contributions. We agreed to reduce carbon emissions and even stand to earn income under carbon trading mechanisms if the country implements its obligations.

The private sector led nature of the energy sector contemplated in the Electric Power sector Reform Act of 2005 should be vigorously pursued and implemented. FGN’s continued involvement in rural electrification - a task which the DISCOs should undertake is of doubtful policy validity. More private sector stakeholders need to be engaged to raise funding instead of the current exclusivity arrangements for DISCOs.

The Housing sector should fully activate the implementation of the National Housing Fund so as to raise a huge pool of funds for housing investment; change the rules and regulations of disbursement, etc. This will reduce the demand for funds from the treasury.

3.2.5 SCIENCE AND TECHNOLOGY

The Federal Ministry of Science and Technology is the Ministry with the highest number of parastatals and agencies under it. It has a total of 99 agencies and the parent Ministry. It is very poorly funded. It seems the resources are spread too thin over so many research centres, institutions, technology incubation centres, etc. The research activities seem to be all encompassing and virtually cover everything imaginable under the sun. However, the research is not demand driven and there is little or no evidence of the link between the research outcomes, local industries and enterprises. In essence, a good part of the research is not targeted at solving existential problems and the few that do end up as prototypes without utilization and being bought into by entrepreneurs for mass production and utilization. It may be imperative to cut down on the number of parastatals and focus on a few critical ones identified at the highest level of policy governance. These identified ones should also be properly funded and linked with industries. Essentially, there should be a next step which will be a research and production continuum. When research products and outcomes reach a certain competitive level, the collaboration between science and technology, industry and trade ministries, relevant sectoral ministries and strategic financing ought to set in if Nigeria is to attain a measure of development required to lift the bulk of the population out of poverty and grow the economy. NASS should be strategic in its consideration of the estimates and make appropriate adjustments to reflect the new trend.

3.2.6 TRANSPORT

The Ministry of Transport should clearly define how its projects and programmes fit into existing policy frameworks. Should the Ministry be building hotels at international airports, starting a national carrier, in the era of private sector led development? Such activities should be left to the private sector. A new law guiding investments and the management of railways which involves the private sector is long overdue so that public finances are not so thinly stretched. Also, ports and harbours need to be properly positioned under a new legal framework.

SECTION FOUR: RECOMMENDATIONS

The budget and its underlying economic policy frameworks need re-engineering and restructuring through a process that involves changes and paradigm shifts. In the light of the foregoing analysis, the following recommendations are imperative.

4.1 Policy Framework: NASS should urge the executive to develop a coherent and consistent overarching economic policy framework to guide Nigeria out of recession. No one has seen a copy of the ERGP and it should not take forever to develop one.

4.2 Prepare and Approve MTEF Early: MTEFs should be presented early enough by the executive (latest July) and approved by NASS in September to forestall the illegality of presenting a budget before the MTEF is approved.

4.3 Budget Preparation Template: New budget preparation templates that are MDA specific should be designed and this should take into consideration the special and strategic needs and core mandate of each MDA.

4.4 Monetary Policy Variables- Exchange Rate, Inflation and Interest Rate: Since the current method of infusing oil dollar proceeds into the economy is not working, the country has nothing to lose by trying the recommended alternative. Allow the beneficiaries of Federation Account proceeds to properly convert respective dollar allocations to realised naira revenue in a non-inflationary manner which also ends the excess liquidity scourge occasioned by substituted CBN deficit financing.

4.5 Oil Production and Benchmark Price: The oil production and benchmark price are realistic but FGN needs to take steps to calm the agitation in Niger Delta region. It ought to be done by engagement and negotiation and force should not be an option. NASS should collaborate and strongly urge the executive to introduce an appropriate metering system for the effective measurement of the quantity of oil produced and exported. To boost activities in the sector, the enactment of full reforms in the sector through the Petroleum Industry Act is long overdue.

4.6 Projections for Recoveries as a Funding Source of the Budget: This should be based on the actually recovered sums at the time of budget preparation whilst other recoveries in the year can be used for a supplementary budget. Basing revenue projections on such expectancies may not produce a good result if the money fails to accrue.

4.7 Capital Expenditure: 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. 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. Administrative capital in the estimates should also be trimmed. NASS should also expeditiously consider and pass bills such as the Federal Road Fund Bill and the Development Planning and Projects

Continuity Bill into law. It is not every project that should be funded by the public treasury. NASS should set the ball rolling by using legislation to prompt private sector investments in infrastructure.

NASS should also use its oversight power to ensure full implementation of existing laws which can spur economic development without necessarily being a burden on the treasury. Housing development would have been given a strong boost if the provisions of the National Housing Fund have been fully implemented. Governmental funding would have been an addition to the pool of funds (which should have been in the trillions) collected under the Fund since 1992 when the law was enacted.

4.8 Debts Service; Deficit and Consider Approving the 2016-2028 Borrowing: Debts and deficits should only be incurred in accordance with the clear provisions of the Fiscal Responsibility Act. First, NASS in collaboration with the executive should set up the debt limits for the three tiers of government in accordance with section 42 of the FRA. Debts should only be procured for capital expenditure and human capital development.

NASS should expeditiously consider and approve the Borrowing Plan 2016-2018 sent by the President late last year. Projects should be approved on their merits if they scale the hurdle of the demands of the FRA including that they will be backed by a cost benefit analysis; the loan to have a low interest rate - not more than 3% per annum, subject to a long period of amortization, etc. In this light, the recent procurement of Eurobonds is of doubtful legality considering the interest rate of 7.85% per annum. Thus, NASS should not approve any further Eurobonds because of its high interest rate.

4.9 Recurrent Non Debt Expenditure: The amount going to recurrent non debt expenditure is on the high side. NASS should urge the executive to consider the implementation of the Oronsaye Committee Report on restructuring of federal MDAs with necessary modifications to the recommendations.

4.10 Make Provision for the Basic Health Care Provision Fund: NASS should make provision for the Basic Health Care Provision Fund which is only 1% of the Consolidated Revenue Fund as provided in the National Health Act.

4.11 Trim Frivolities, Inappropriate, Unclear and Wasteful Expenditure: Frivolities, inappropriate, unclear and wasteful expenditure proposals should be removed, trimmed and made clear and actionable. The savings should be used to increase sectoral capital allocations especially to education, health and agriculture.

4.12 Sectoral Increments: The following sectoral increments are imperative:

- Increase the vote to education to at last 50% of the UNESCO recommendation which will amount to 13% of the overall vote.

- Increase the allocation to the health sector to not less than 50% of the Abuja Declaration which will amount to 7.5% of the overall vote.

- Increase the agriculture vote to not less than 50% of the Maputo declaration which will amount to 5% of the overall vote.

4.13 Sectoral Alignments with Policy: The following sectoral alignments with government policy positions are imperative:

- In the transport sector, government should withdraw from participation in floating a national airline/carrier and it should also withdraw from building airport related hotels and leave the foregoing for the private sector.

- A new law to repeal outdated laws and regulations and ensure private sector participation in the development of railways is long overdue.

- The Ministry of Power, Works and Housing should reconsider its direct involvement in the provision of electricity to unreached communities. Coming after the privatization of generation and distribution, the DISCOs are expected to extend grid and off grid electricity to all parts of the nation. If they lack the financial capacity to do so, a new framework which mobilises funds from all components of the social and private sectors should be designed to raise funds. Government can offer subventions but not be a core funder.

- New funding for electricity provisioning by MDAs through new power generating plants and supply of electricity to MDAs should be geared towards fulfilling Nigeria’s renewable energy goal of 20:3030 viz, 30% of Nigeria’s energy needs will be met by renewable energy in the year 2030.

- Research by the Ministry of Science and Technology and other research institutes in other MDAs should be targeted at solving practical problems. It should also be demand driven. Research institutes should have extension services which provide the link between the research outcomes, local industries and enterprises. This will create a research and production continuum.

- There is the need to rationalize or cut down on the number of research institutes in the Ministries of Science and Technology and Agriculture. The streamlined ones should also be properly funded and linked with industries.

4.14 Separate the Ministry of Works, Power and Housing: Each of these sectors should be run as a separate ministry by competent and experienced professionals. The merger of the three ministries into one is a failure to recognize the importance of the sectors to the economy and the magnitude of challenge associated with each of them. The three sectors should stand as distinct ministries. Though this should be within the prerogative of the executive, NASS should engage the President on this issue.