REVIEW OF THE 2015 FEDERAL BUDGET PROPOSALS

CWP

Citizens Wealth Platform

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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 2015 FEDERAL BUDGET PROPOSALS

Undertaken

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ABBREVIATIONS AND ACRONYMS

Bn:	Billion
BOF:	Budget Office of the Federation
Bpd:	Barrels Per Day
CAADP:	Comprehensive African Agriculture Development Programme
CBN:	Central Bank of Nigeria
CME:	Coordinating Minister of the Economy
ECOWAS:	Economic Community of West African States
EU:	European Union
FGN:	Federal Government of Nigeria
FRA:	Fiscal Responsibility Act
FRC:	Fiscal Responsibility Commission
GDP:	Gross Domestic Product
GIMFIS:	Government Integrated Financial Management Information System
IGR:	Internally Generated Revenue
INEC:	Independent National Electoral Commission
IPPIS:	Integrated Personnel and Payroll Information System
Mbpd:	Million Barrels Per Day
MDAs:	Ministries Departments and Agencies
MDGs:	Millennium Development Goals
MOF:	Ministry of Finance
MTEF:	Medium Term Expenditure Framework
NASS:	National Assembly
NBS:	National Bureau of Statistics

NIMASA: Nigerian Maritime Administration and Safety Agency
NIP: National Implementation Plan
OPEC: Organization of Oil Exporting Countries
Pb: Per Barrel
PPP: Public, Private Partnership
RAMFAC: Revenue Allocation Mobilization and Fiscal Commission
RDAS: Retail Dutch Auction System
SURE-P: Subsidy Reinvestment Empowerment Programme
SWV: Service Wide Votes
TSA: Treasury Single Account
UBEC: Universal Basic Education Commission
UNESCO: United Nations Education, Scientific and Cultural Organization
USD: United States Dollars
VAT: Value Added Tax

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EXECUTIVE SUMMARY

Part One deals with the preliminary and background issues including the fact that the budget came very late in the year at a time the MTEF was yet to be approved. The budget seems not to be anchored on any high level national development plan. It was not accompanied by an evaluation of the results of programmes financed with budgetary resources in 2014 as demanded by S.19 (d) of the FRA). It did not also contain other development targets as demanded by S.19 (e) of the FRA. The review of capital budget implementation for 2014 showed the implementation of a miserly 33.7% of the overall capital vote.

Part Two starts with the key assumptions in the budget. The benchmark price of crude oil is $65pb at a time crude oil price plummeted below the benchmark. The Review notes that planning with statistics which the planner knows to be wrong is a waste of time. Crude oil production was stated at 2.2782mbpd and the reasons for the relatively low volume include oil theft. Nigeria lacks crude oil metering facilities to determine the actual quantity of crude produced. The budget fixed the exchange rate at N165= 1USD at a time the naira was suffering depreciation and trading above the benchmark. The budget proposes an aggregate expenditure of N4,357.9bn for 2015. This is a decline of 7.2**%** from the approved 2014 budget of N4,695.19bn[1]. This expenditure figure consists of N412billion for Statutory Transfers (for National Assembly, Judiciary etc.); N943billion for Debt Service; N2,616billion for Recurrent (Non-Debt); and N387.11billion for Capital Expenditure. Compared to the 2014 figures, the recurrent expenditure increased by about 6.56% while capital expenditure decreased by 65**.4%.**

The recurrent expenditure is gulping as much as 60% of the entire budget, against the 52.29% in the approved 2014 budget. Of the total N2.616trillion budget for recurrent (non-debt) expenditure, personnel is 70.2% of the total recurrent expenditure, and 42.15% of the aggregate 2015 budget expenditure. In 2014, personnel cost was only 36.8% of the overall budget. Overhead expenses cover 7.61% of total recurrent expenditure and 4.57% of the aggregate FGN 2015 proposed budget (this was 5.37% in the approved 2014 budget). In the 2015 Budget, debt service is expected to increase while capital expenditure is projected to decline. The debt service of N943bn is 22% of the overall regular budget. The proposed 2015 debt service expenditure is a 32.4% increase compared to the 2014 figures. Debt service has been on the increase in the past three years. It rose from N559bn in 2012 to N591bn in 2013 and N712bn in 2014. Part Two further

[1] The figures do not include SURE-P; with the inclusion of SURE-P funds, the decline between 2014 and 2015 is 10.1%.

reviewed the fiscal deficit and new loans, statutory transfers, service wide votes, SURE-P and the kerosene subsidy. It noted the need for NASS to cut down its vote by not less than 50% and the need for the removal of subsidy on kerosene.

Part Three deals with the allocations and priorities. Ranking the first ten MDAs with the highest allocation, it can be seen that the Ministry of Finance got the highest allocation and stands tall with **39.64%** (including service wide votes and debt service); Education (including UBEC) got 11.29%; Defence 8.23%; Police Formation and Command got 7.56%; Health 5.91%; Interior 3.59%; National Assembly 3.44%; Office of the National Security Adviser 1.93%; National Judicial Council 1.68%; and Youth development 1.65%. On the average, the MDAs have 87% recurrent expenses and only 13% capital expenses. The Part noted the adoption of frivolities as priorities.

Part Three also reviewed human capital development in education and health and returned a verdict of the need for increased funding. Education and health got paltry votes of 11.29% and 5.91% of the budget respectively. It further reviewed agriculture, which got 0.90% of the overall budget and called for increased funding. The proposed increases should come from savings from frivolous, wasteful and unclear expenditure already document and published by the Citizens Wealth Platform. Labour and productivity and housing were reviewed and strategies for improvement were recommended.

Part Four is about revenue projections and its management. The 2015 Budget of N4.46 trillion (inclusive of SURE-P) is to be funded from a retained revenue of N3.602 trillion made up of oil revenue of N1.918 trillion and non-oil revenue of N1.684 trillion (implying a ratio of 53% oil revenue to 47% non-oil revenue). The retained revenue of N3.6 trillion represents about 3.4% drop from N3.7 trillion for 2014 Budget. For Nigeria to proceed on the path of sustainable development, non oil revenue should exceed oil revenue. It reviewed FGN's projection for IGR and called for the implementation of the FRA on operating surplus. Tax revenues, tax waivers and exemptions were reviewed; luxury surcharges, the proposal for a Treasury Single Account and disclosure requirements were also reviewed.

The Review ends in Part Five with recommendations. It is imperative to point out that the recommendations go beyond issues involved in the 2015 budget approval process and includes steps that should be taken to improve the entire budgeting system.

1. MTEF, Budget Preparation and Approval

1.1 The MTEF should precede the budget. It should be ready and sent to NASS in late June before the mid-year legislative break. The MTEF should be approved before the presentation of the budget which should be based on it.

1.2 The budget should be sent to NASS in early September and should be approved by NASS before the end of the fiscal year in December.

1.3 The budget should be anchored on long term and high level policy documents such as Vision 20:2020. Continued variation between policy, planning and budgeting will ensure Nigeria's underdevelopment.

1.4 The National Planning Commission should take urgent steps to prepare the Second National Implementation Plan of Vision 20:2020. The President needs to support this initiative; the Transformation Agenda cannot take the place of the long term plan in Vision 20:2020.

1.5 The template for budget preparation sent to MDAs should be reviewed. It should recognise differentiation between MDAs in terms of mandate, roles and duties. It should not be an omnibus template applicable to all MDAs. The template should cut down on frivolous line items.

1.6 The Ministry of Finance and the Budget Office of the Federation should ensure that the budget estimates are placed in the public domain through their respective websites. Denying the public of budgetary information is not only absurd but a violation of the rights of Nigerians to be governed in a democratic manner.

1.7 The 2015 budget estimates should be accompanied by the evaluation of the results of programmes financed with budgetary resources in 2014.

1.8 Future budgets should be prepared with milestones and indicators of success in terms of number of new jobs; targets for the rights to adequate housing, health, access to water, education, etc.

2. Key Assumptions

2.1 The benchmark price for crude oil should be reduced to not more than $50 per barrel. The excess (in the event of an increase in oil price) should be saved in the Excess Crude Account.

2.2 FGN should mobilise the security forces to police oil production and transportation. As such, crude oil production benchmark should be increased to not less than 2.5mpd. Oil theft should be reduced to the minimum.

2.3 Nigeria needs to procure crude oil metering facilities at all stages of production and transportation to be able to provide reliable information and data for economic planning.

2.4 To properly manage the value of the naira against major international currencies would require the avoidance of the creation of new money. This would imply the direct allocation of foreign exchange earned from oil money to the three tiers of government, in a secured form rather than monetising it by minting new naira. This is the recommendation of Vision 20:2020 that has since been ignored by the monetary and fiscal authorities. Thus, the exchange rate used in the budget proposal is not realistic and should be adjusted using the above recommended methodology.

2.5 The passage of the PIB is imperative to reduce the demand from the Treasury for Joint Venture Cash Calls.

3. The Fiscal Items: Expenditure

3.1 FGN should adjust its priorities and restore the capital budget to not less than 25% of overall expenditure. The accompanying compilation of frivolities in the 2015 budget shows areas where the adjustments can come from.

3.2 All borrowing for capital expenditure should be captured in the budget estimates and form part of the funding and revenue of the budget. They should not be treated as extra budgetary funds.

3.3 To cut down recurrent expenditure, FGN needs to implement the recommendations of the Oronsaye Committee with necessary modifications as demanded by economic realities of Nigeria.

3.4 FGN should take steps to recover the N160bn stolen by ghost workers and prosecute those who were responsible for the loss.

3.5 The full implementation of the IPPIS and rolling it out across all MDAs has become imperative. The IPPIS should not be a project in perpetuity that takes forever to extend to all MDAs.

3.6 The Presidency should seriously consider cutting down its expenditure. The austerity measures provide an opportunity for the President to lead by example.

4. Debts and Borrowing

4.1 Debts and new loans should only be incurred in accordance with sections 41-44 of the FRA. On no account should debts be incurred for recurrent expenditure.

4.2 The President with advice from the Minister of Finance should set the debt limits for the three tiers of government and submit same to NASS for approval in accordance with section 42 of the FRA.

4.3 For improved transparency in debt management, the Fiscal Responsibility Commission and the Debt Management Office should consider a collaboration to publish the details of Nigeria's debts and the projects for which the loans were incurred.

5. Statutory Transfers

5.1 The Minister of Finance in the spirit of freedom of information and fiscal transparency should publish the detailed breakdown of all monies treated as statutory transfers. This is one of the minimum demands of section 48 of the FRA.

5.2 NASS should seriously consider cutting down their allocation by a minimum of 50%. This will reduce the vote to N75bn. The austerity measures provide an opportunity for NASS to lead by example by reducing its expenditure.

6. Service Wide Votes

We adopt the recommendations of the Oronsaye Committee on restructuring of federal MDAs as follows: "*The committee noted the widely held view of the abuse of the utilization of the service wide vote. It was the view of the committee that budget heads currently captured under that vote could actually be captured either under specific MDAs or the contingency vote. Considering the constitutional provision for the contingency vote, it is believed that the service wide vote is not only an aberration, but also an avoidable duplication. The committee therefore recommended that the service wide vote should be abolished and items currently captured under it transferred to the contingency vote or the appropriate MDAs*

7. Kerosene Subsidy

This should be scrapped because the subsidy does not benefit the target beneficiaries. It is now a subsidy for corruption.

8. Education

8.1 FGN should increase the education budget to the UNESCO recommended 26% of the overall budget.

8.2 There should be a specific increase in the capital vote of the sector to a minimum of N150bn.

8.3 FGN should consider a moratorium on the establishment and licensing of new public federal tertiary institutions.

8.4 To meet demands the increasing demand for tertiary education, the carrying capacity of existing tertiary institutions should be increased.

8.5 A full personnel audit to determine the staffing needs of universities and other tertiary institutions is overdue.

8.6 Tertiary institutions should also be fully enrolled in the IPPIS.

8.7 With so many states of the Federation unable to access their funds in UBEC; UBEC management and states should dialogue to find ways of energising the fund so that it can be accessed by all.

9. Health

9.1 Increased funding for health to meet the 15% of overall budget benchmark. Increases should target more of capital expenditure.

9.2 NASS should consider a universal health insurance law that makes it mandatory and compulsory for all to contribute to a pool of funds that can be used to take care of the basic health needs of majority of the population.

10. Agriculture

10.1 NASS should consider increasing the agriculture vote to 10% of the overall budget to meet the Maputo Declaration target.

10.2 The idea of having a Federal Ministry of Agriculture with about 40 parastatals, agencies, colleges, research institutions etc, under the Ministry is incredible. The restructuring and rationalisation of agencies under this Ministry is long overdue and should be a priority for the executive and legislature going forward.

11. Labour and Productivity

Job creation should be mainstreamed in all plans and policies of government from agriculture, education housing, transport, procurement, local content, electricity reforms, trade, tariff and non tariff measures.

12. Housing

The restructuring of the National Housing Fund including a review of the enabling law and the deployment of a more effective management is long overdue.

13. Revenue Projections and Management

13.1 FGN should take cognisance and seek to enforce (through the Fiscal Responsibility Commission) the express provisions of sections 22 and 23 of the FRA on the payment of 80% of the operating surplus of scheduled corporations to the Consolidated Revenue Fund of FGN.

13.2 The proposal to scrap the FRC should be dropped. Rather, the FRC should be strengthened to perform its statutory duties so that more revenues may be collected and paid over to the Treasury.

13.3 Criminal sanctions should be imposed against banks, companies and their top management and government officials who collaborate with them to short-change or withhold funds due to the Treasury. Heavy penalties including large fines doubling the sums withheld; prison sentences, disqualification from professional practice etc, should be considered against the corporate organisations and individuals. If there are no laws currently stipulating these penalties, then new laws should be enacted.

13.4 The Accountant-General of the Federation is enjoined to harmonise, streamline and enforce the stipulated accounting system that should apply across all MDAs and corporations for effective calculation and retrieval of operating surpluses and other IGR.

13.5 FGN should consult widely before increasing the VAT rate to avoid labour and social unrest.

13.6 FGN should ensure the full implementation of the Treasury Single Account and the Government Integrated Financial Management Information System (GIMFIS).

13.7 NASS should insist on the full disclosure of all IGR generated by MDAs and details of their receipt of grants, local and foreign and assistance.

PART ONE: PRELIMINARY AND BACKGROUND ISSUES

1.1 BACKGROUND

The 2015 federal budget laid before the National Assembly on December 17 2015 by the Minister of Finance and Coordinating Minister for the Economy is titled a *Transition Budget and Hope*. 2015 is an election year and justifiably captures the tag of transition. It comes against the background of declining crude oil prices in the international oil market, weak demand for crude oil and global economic uncertainties in terms of weaker than expected growth in major economies of the world. With Nigeria's dependence of oil revenue, the budget was bound to experience funding challenges from the onset.

The budget proposal came very late in the year and marks the second time; the President chose to make himself unavailable to address the Nigerian people on key economic policy directives contained in the budget. Although, legal scholars opine that the Constitution of the Federal Republic of Nigeria 1999 (as amended) did not oblige the President to come in person to present or lay the budget before the legislature or even address the nation, the idea of a President and Commander in Chief of the Armed Forces of the Federal Republic of Nigeria shying away and delegating his core duty to another person is a departure from tradition and does not portray Mr President as being in charge of the economic policy direction of the country.

The budget was laid before the legislature at a time the Medium Term Expenditure Framework has not been approved. This is contrary to section 18 of the Fiscal Responsibility Act. The MTEF undergirds the budget and nothing is to be found in the budget that has not already been approved in the MTEF. Thus, the MTEF and the budget will be considered at the same time. However, one of the key components of the MTEF viz, the benchmark price of crude oil was submitted, amended and later amended while pending before the National Assembly (NASS). This was necessitated by the reality of declining oil prices.

Also, the fiscal authorities in the Ministry of Finance and Budget Office of the Federation did not provide full information on the implementation of the 2014 budget. As at the time of budget presentation, only the first and second quarter budget implementation reports of 2014 were available to the public. This is contrary to section 30 of the Fiscal Responsibility Act

(FRA). Thus, the parametres for comparing the budgets of 2014 and 2015 will not be available to Nigerians until the budget is approved.

The budget like the MTEF should be anchored on high level national planning frameworks including 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 Second NIP 2014-2017, the budget rests on nothing. This submission is further buttressed by the fact that the projections in the budget have no strong links with the mother document being Vision 20:2020. The Transformation Agenda upon which the Federal Government rests its budget cannot by any stretch of the imagination be deemed the equivalent nor can it take the place of the long term Vision 20:2020 Plan.

1.2 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. Considering the availability of only the first and second quarter BIRs, it would be a miracle to expect the evaluation of results of programmes financed with budgetary resources.

1.3 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 MDGs, job creation, targets for the rights to adequate housing, health, education, access to water, etc. Considering that the FRA is anchored on section 16 of the Constitution, this 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. 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.

1.4 2014 CAPITAL BUDGET IMPLEMENTATION AS A GUIDE TO 2015

Capital budget implementation in 2014 provides a guide for the trajectory of the 2015 figures. By end of the second quarter of 2014, a total of N410.01 billion has been released to MDAs and N221.68billion cash backed. Of this amount, only N188.59billion (or 85.07% of the cash backed amount) has been utilised by the MDAs as at 30th June 2014. This is against the background of N1.119trillion projected for capital budget implementation for the year. By the end of the second quarter, the utilisation rate as a percentage of the overall capital expenditure amounts to 16.85%. The rate of expenditure for the two quarters shows an average quarterly expenditure of N94.30billion considering that no utilization was done in the first quarter. Projecting to the end of the year in December 2014 will give an overall expenditure of N377.18billion, which is about 33.7% of the overall capital vote.

In addition to the regular budget, an extra provision of N268.4billion (N180 billion as additional revenue; and N88.4billion as carryover of outstanding provisions from 2013 budget) was made for major capital and social programmes under the SURE-P window. By the second quarter of 2014, a total of N181.46billion of the appropriated sum was released and cash backed, while N65.51billion was utilized. This amounts to a 24.41% utilization rate and N32.76billion per quarter. Projecting this rate of utilization to year end will imply the utilization of only N131.02billion which is 48.81% of the overall SURE-P vote for the year.

PART TWO - THE 2015 PROPOSALS

2.1 KEY ASSUMPTIONS

The 2015 Federal budget is premised on the following key assumptions in Table 1.

Table 1: Key Assumptions in Approved 2014 and Proposed 2015 Budgets

ASSUMPTIONS	THE APPROVED 2014 BUDGET	PROPOSED 2015 BUDGET
		Revised Proposal
Oil Price (Per Barrel)	$77.5	$65
Crude Oil Production (mbpd)	2.39	2.2782
Exchange Rate (N/$)	160.3	165
GDP Growth Rate (%)	6.75	5.5
Domestic Borrowing (N'Billion)	N571.9bn	N570bn

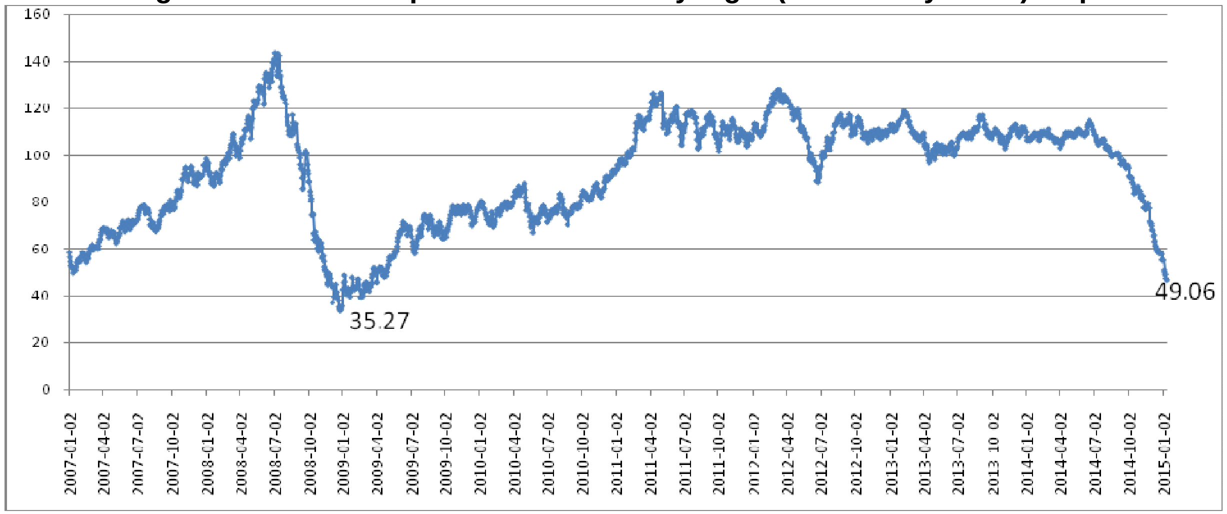
Source: Approved 2014 Budget and the Proposed 2015 Budget (BOF)

A review of the key assumptions will follow.

2.1.1 BENCHMARK PRICE OF CRUDE OIL: The 2015 proposed budget fixed the oil price benchmark at $65pb. However, the international oil price is below the benchmark price and averaged about $50pb in the last couple of weeks - see Figure 1 below. The 2014 benchmark was fixed at $77.5pb which is higher than the 2015 benchmark. Insisting on a benchmark price of $65pb at a time crude oil is trading below that price is an exercise in futility which seeks to lay the foundation for budget failure. It is also a ready-made excuse for the budget not to achieve its objectives. A budget must be realistic and its revenue framework based on accruable revenue sources.

Planning with facts and statistics which the planner knows to be wrong is a waste of time. For the government to merely hope without any empirical basis that the price of oil will rebound in 2015, as the basis for fixing a benchmark higher than the actual price raises issues about the credibility of the budget. The benchmark should have been lower than the current price (between $40pb and $50pb) and if the price eventually goes up, savings can accrue to the Excess Crude Account. The continued fall in oil price can be attributable to a number of reasons including increasing shale oil and gas production, weakening oil demand in major economies and geopolitical developments[2]. Improvements in the renewable technologies at commercial levels in the age of adverse climate change also plays a role in cutting down fossil carbon fuel demand in favour of cleaner energy. Figures 1A and 1B show the declining trend of oil prices for Bonny Light.

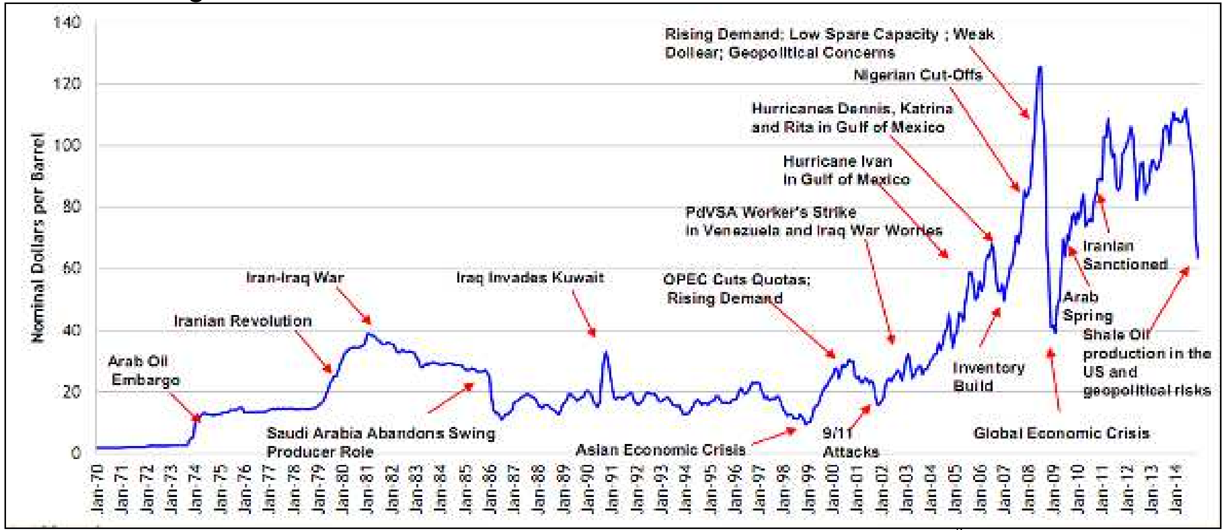
Figures 1A: Actual Spot Prices for Bonny Light (on monthly basis) $/bp



Source: Central Bank of Nigeria Statistical Bulletin (Various Issues)

[2] See BOF Budget Briefing Papers: Saudi Arabia's interest in maintaining its market share; OPEC's decision to sustain production levels and Russia's political stand-off with the West.

Figures 1B: International Oil Price trend and factor from 1970-2014



Source: Oil Prices. Net {http://www.oil-price.net/} and Nasdaq (Accessed on 16th Jan, 2015)

2.1.2 CRUDE OIL PRODUCTION: The 2015 budget proposed crude oil production of 2.27mbpd. This is lower than the 2.39mbpd projected in the approved 2014 budget. The unfortunate apology that this projection reflects our actual production for the time being speaks volumes of the willingness of the government to perform its basic obligation which is to secure lives and properties. The Budget Office of the Federation describes the lowered quantity produced in 2014 as quantity shock. A government with all the paraphernalia of security at its disposal including the Army, Navy, Airforce, Police, Department of State Security, Civil Defence Corps, NIMASA and security contracts to some notable companies cannot be heard to plead oil theft and pipeline vandalism as an excuse for lowered production estimates. The theft is estimated at 400,000 to 600,000 barrels of crude oil a day. At 400,000bpd sold at $50pb, this amounts to $20m a day, $600m per 30 day month and $7.2b in a year. At the exchange rate of N165=1USD, this is in excess of N1.188trillion. Diminishing crude oil production due to oil theft and sabotage at a time Nigeria is spending heavily on the Amnesty Programme calls for adjustments and re-engineering of the Amnesty Programme. Considering that crude oil is the virtual mainstay of our economy, governmental has a fundamental obligation to eradicate oil theft.

Moreover the fact that Nigeria's crude oil production is not metred implies that all the data on oil production can at best be an educated guesswork. The production data is not based on empirical evidence. Nigeria needs to procure metering facilities within the year to be able to provide information and data that can be relied upon for economic planning and budgeting.

2.1.3 EXCHANGE RATE: Insisting on an exchange rate of N165 to 1USD at a time when the currency is facing severe pressure and the Central Bank of Nigeria has fixed a band of ±5 percent around the N168 to 1USD corridor, appears overtly optimistic. However, the CBN proposed corridor no longer holds. Nigeria currently runs three foreign exchange rates; the first being the official CBN imposed N168 to the dollar available at the Retail Dutch Auction System (RDAS) held by the CBN on a daily basis. The second is the inter-bank foreign exchange market which in the second week of February 2015 went up to N205 to 1 USD while the third is the parallel market which at the same time in February exchanged for N208 to 1USD. Very few transactions can be financed under the RDAS while majority of the transactions are financed between the inter-bank system and the parallel market. Thus, the major determinant of the price of goods and services with a foreign input is not the RDAS

With the sell-off of stocks by foreign investors, increased frivolous spending for the 2015 campaigns and obvious liquidity challenges, the naira may likely depreciate further. Undue optimism in the face of daunting challenges pointing in the opposite direction is not the way for credible budgeting and planning. To stem excess liquidity and to properly manage the value of the naira against major international currencies would require the avoidance of the creation of new money. This would imply the direct allocation of foreign exchange earned from oil money to the three tiers of government, in a secured form rather than monetising it by minting new naira. This is the recommendation of Vision 20:2020 that has since been ignored by the monetary and fiscal authorities[3]. Thus, the exchange rate used in the budget proposal is not realistic and should be adjusted using the above recommended methodology.

2.1.4 JOINT VENTURE CASH CALL: Government's contribution to the cost of production of oil and gas is estimated at N885.42bn in 2015 in the MTEF 2015-2017 which is being considered with the budget estimates. This immediately raises

[3] See page 24 of Vision 20:2020. Adopting this measure would tame the monsters of excess liquidity, bring down the inflation and interest rates to lower single digits, increase lending to the real and productive sector of the economy and stabilize the exchange rate of the naira under the managed float exchange rate. It will also reduce the public debt, high level of non-performing loans and low bank credit to the private sector as a proportion of GDP.

the issue of the delay in the passage of the Petroleum Industry Bill pending in NASS. Joint Venture Cash Calls will be history if the right version of the PIB is passed into law. The current NASS has a historic duty to pass the PIB before the end of their tenure. Indeed, beyond the Cash Calls, the passage of the PIB into law would have increased the quantum of revenue that would accrue to the Federation Account for sharing among the three tiers of government.

2.2 THE FISCAL ITEMS: EXPENDITURE

2.2.1. INTRODUCTION: An aggregate expenditure of N4,357.9bn has been proposed for 2015. This is a decline of 7.2**%** from the approved 2014 budget of N4,695.19bn[4]. This expenditure figure consists of N412bn for Statutory Transfers (for National Assembly, Judiciary etc.), N943bn for Debt Service, N2,616bn for Recurrent (Non-Debt) and N387.11bn for Capital Expenditure. The recurrent expenditure increased by about 6.56% while capital expenditure decreased by 65**.4%.** The composition of the fiscal items in the 2015 proposed budget is as follows in Table 2.

Table 2: Composition of the 2015 Budget Proposal

Fiscal items	Approved 2014budget N'bn	% of Total 2014 Approved Budget	2015 Proposed Budget N'bn	% of Total Proposed 2015 Budget
FGN Retained Revenue	**3,731.00**		**3,602.96**	
Statutory Transfers	***408.69***	***8.70***	***411.84***	***9.45***
Debt Service	***712***	***15.16***	***943***	***21.64***
Recurrent Expenditure	***2,454.89***	***52.29***	***2,616.01***	***60.03***
Personnel Costs (MDAs)	1,727.61	***36.80***	1,836.73	***42.15***
Overheads	251.93	***5.37***	199.18	***4.57***
CRF Pensions	187.45	***3.99***	231.41	***5.31***
Other Service Wide votes	301.84	***6.43***	348.69	***8.00***
Capital Expenditure	***1,119.62***	***23.85***	***387.11***	***8.88***
TOTAL FGN EXPENDITURE	**4,695.2**	**100**	**4,357.96**	**100**
SUBIDY REINVESTMENT PROGRAM (SURE-P)	***268.37***		***102.5***	
SURE-P Board (Running Cost)	1.2		0.5	

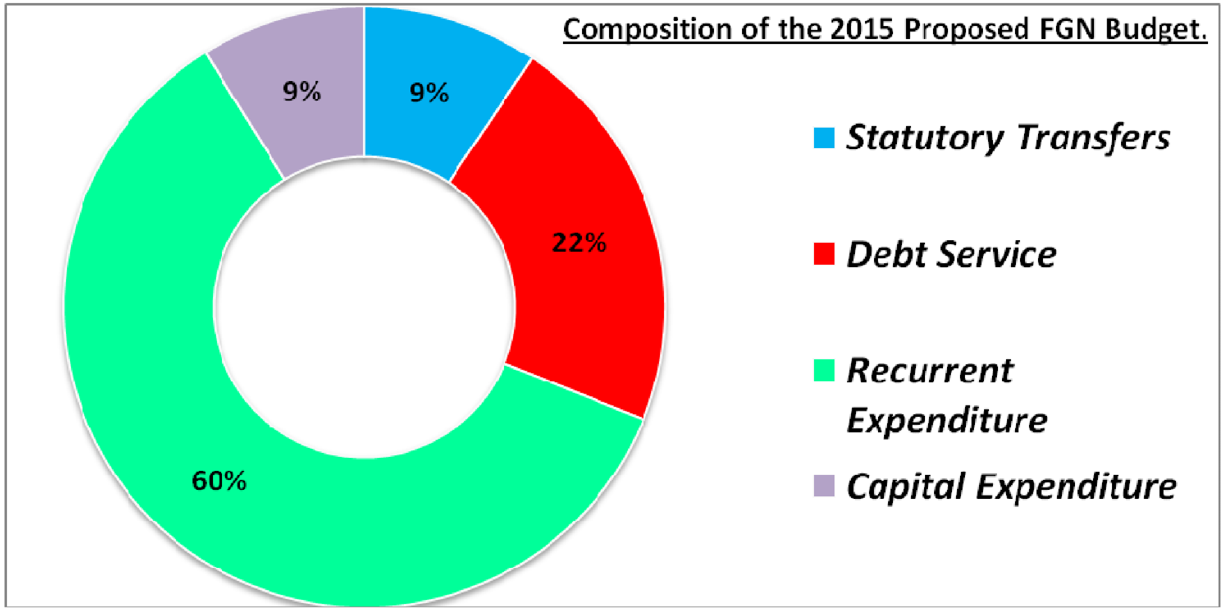
[4] The figures do not include SURE-P. With the inclusion of SURE-P funds, the decline between 2014 and 2015 is 10.1%.

SURE-P (Capital Expenditure)	267.17		102	
AGG. FGN EXPENDITURE (INCLUSIVE OF SURE-P)	**4,963.57**		**4,460.46**	
Fiscal Deficit (Based on Regular Budget)	(993.68)		(755.00)	
Fiscal Deficit/GDP (%)	-1.24%		-0.79%	

Source: Proposed 2015 Budget Proposal and the Approved 2014 Budget

Figure 2 also shows the composition of the 2015 budget.

Figure 2: Composition of the 2015 Budget (Excluding SURE-P)



Source: Proposed 2015 Budget Proposal and the Approved 2014 Budget

2.2.2 CAPITAL EXPENDITURE: At a time of lean resources, the FGN proposal brings home the wrong steps of the current and previous administrations. A capital expenditure proposal of N387bn (8.8% of the total budget), down from the N1.119 trillion (23.85% of the approved 2014 budget); this is a huge decline of approximately 65.4%. It is unexplained how with less than 7.2% decline in the budget figures (2015 compared to 2014), the capital budget gets a reduction of 65.4%. Thus, it is not about paucity of resources but the prioritisation and choice of the fiscal authorities in the strategic areas for investment. For an infrastructure deficient economy, this level of capital expenditure cannot grow the economy nor support human development. And the challenge is that if tradition is to be followed, in no year in the last ten years has FGN released and cash-backed up to 80% of budgeted capital expenditure or utilized more than 70% of the appropriated capital budgets. For instance, as at end September 2014, only 16.85% of the appropriated capital expenditure for 2014 has been utilized[5]. If the N102bn appropriated for SURE-P in 2015 is added, the figure for capital expenditure will come up N489b which is still a paltry 11.2% of the overall budget. With declining oil prices and the collapse of subsidy, no money may likely accrue to SURE-P in 2015. FGN therefore needs to adjust its priorities to restore the capital budget to not less than 25% of the budget. A lot of frivolous, wasteful and unclear expenditure proposals suffuse the budget estimates and saving in excess of N304billion has been identified by the Citizens Wealth Platform[6].

However, the capital budget is to be:

> ".. *augmented with external long term concessional borrowing for infrastructure projects such as $100m from the World Bank for Clean Energy Technology Project; $800m for the East-West Road from the African Development Bank and the Islamic Development Bank; and $4.8billion for the Mambilla Hydro Electric Project from China Exim Bank. The Chinese have also invited us to negotiate a credit of about $12bilion for the coastal rail project to be given in six tranches over a six year period[7]".*

The implication of the foregoing statement is that these are examples of long term concessional funds that will utilised by FGN. The list is not exhaustive and there are more that have not been stated. The first three above amount to $5.7b which in naira terms is N957.6billion. This is far higher than the proposed capital expenditure of N387billion. These funds should not be treated as off-budget funds but should be an intrinsic part of the capital expenditure. The sums that fall due for a drawdown in 2015 should also be aggregated and reflected in the budget revenue sources. If domestic borrowing of

[5] Public Presentation of the 2015 Proposed Federal Budget on December 17th, 2014 at the Main Auditorium, Federal Ministry of Finance Abuja.
[6] See "Recommendations on the 2015 Federal Budget Estimates (Inappropriate, Unclear and Wasteful Expenditure)" by Citizens Wealth Platform.

[7] At page 15 of the Overview of the 2015 Budget by the Minister of Finance and CME.

N570b is treated as part of the funding sources of the 2015, why will these external funds not be part of the revenue sources?

2.2.3 RECURRENT EXPENDITURE: The recurrent expenditure is gulping as much as 60% of the entire budget, against the 52.29% in the approved 2014 budget. Of the total N2.616trillion budget for the recurrent (non-debt) expenditure, personnel consist of 70.2% of the total recurrent expenditure, and 42.15% of the aggregate 2015 budget expenditure. In 2014, personnel cost was only 36.8% of the overall budget. Overhead expenses covers 7.61% of total recurrent expenditure and 4.57% of the aggregate FGN 2015 proposed budget (this was 5.37% in the approved 2014 budget).

The same measures that have been proclaimed since 2006 are still the panacea government offered to bring down recurrent spending; only to have it escalating. The rising personnel costs after ghost workers have been purportedly weeded out from the federal service and other reforms, such as IPPIS kicking in is a bit confounding. The IPPIS needs to be extended to all MDAs before the end of the 2015 financial year. It is unfair that less than 1% of Nigerians should be getting 42.15% of the overall budget, up from the 36.8% they got in the 2014 allocation. The N1,836.73bn for MDA personnel costs is an allocation that needs appropriate action geared to reduce the same in the short, medium to long term. To cut down recurrent expenditure, the implementation of the recommendations of the Oronsaye Committee with reasonable modifications is imperative.

It is also important that the template sent to MDAs for budget preparation is streamlined. There seems to be structural challenges with the budget preparation template. It does not differentiate between MDAs considering their statutory duties and peculiarities. Thus, every MDA must ask for a vote for security services, uniforms, printing of security and non security documents, maintenance of IT equipment and all manner of consultancy services. MDAs ask for a vote for welfare after they have made full provisions for the salaries and remuneration of their staff. Pray, what manner of welfare is this that is not covered by the staff remuneration? There are provisions for medical expenses and supplies after full provisions have been made for contributions to the National Health Insurance Scheme. In a period of austerity, MDAs still dedicate millions of naira to the repair of office furniture. But how much do you need to buy new furniture? MDAs demand money for refreshment and meals as if they are running a restaurant chain while requests are perpetually made for purchase of library books in an anti-intellectual environment. Nigeria still intends to pay for pilgrimages against the constitutional bar on adopting state religion. We have graduated to a system where every MDA votes money for budget preparation and administration while maintain accounts and finance departments and employing qualified accountants and other professionals.

The official measures proposed by the executive to cut down the recurrent expenditure, instituting measures aimed at improving spending are commendable. But more needs to be done[8].

2.2.4 DEBT SERVICE: In the 2015 Budget, debt service is expected to increase while capital expenditure is projected to decline. The debt service of N943bn is 22% of the overall regular budget. The proposed 2015 debt service expenditure is a 32.4% increase compared to the 2014 figures. The cost of servicing debt has been on the increase in the past three years. It rose from N559bn in 2012 to N591bn in 2013 and N712bn in 2014.

The major issue with the increased spending on debt service is that the bulk of these debts were not incurred in accordance with due process of law. With a debt profile of $69.6bn, FGN and the states cannot point to capital projects and activities or human capital developmental projects worth that much. A good part of the debts were incurred to fund recurrent instead of capital expenditure against the clear provisions of the FRA (sections 41- 44 of the FRA). The government proposes to spend N555.89billion more on debt service compared to capital expenditure. The debt service amounts to 243.6%% of capital expenditure provision. At the same time, debt service amounts to 26.17% of the retained federal revenue.

Given the significant decline in capital expenditure, it appears that funds are being borrowed to finance recurrent expenditure rather than developmental projects. For 2015, we shall borrow N570b from internal sources whilst our capital expenditure is N387billion. The implication is that we are borrowing N183b more from internal sources than the amount required to fund capital expenditure.

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[8] The cutting down exercise is expected to save a total of N82.5 billion covering the following: ***Overhead expenditures**:* proposed cuts to International Travels and Training by 50% for all MDAs saving about N14 billion, while other provisions for Overhead Expenditure are being dropped completely saving about N4 billion. ***Administrative Expenditures for Buildings, Equipment, Supplies***, etc: MDAs' provisions for the procurement of administrative supplies and equipment will be cut, saving about N5 billion; procurement and upgrade of buildings were similarly curtailed saving about N44 billion. While another N76 billion is proposed for reallocation to more impactful programmes of Government in the security, health, and education sectors.

2.2.5 THE DEFICIT AND NEW LOANS: Based on expected drawdown on existing loans and new borrowings in 2015, FGN plans to utilise US$6,084.78million from external sources based on the rolling pipeline projects of 2014. FGN also plans to borrow N570billion from domestic sources. The Debt Sustainability Analysis 2014 done by the Debt Management Office allows a maximum borrowing of $12.369bn in the ration of 60-40 from external and internal sources respectively. However, the idea of using debt to GDP ratio as a basis for determining debt sustainability makes no sense for a country dependent on a commodity for over 90% of its export revenue and 70% of its federal budget revenue. Debts will eventually be repaid and it will be repaid out of available resources which in any case is the retained revenue. It is imperative to compare debts with the ability of the country to generate income to pay back the debts before they become unsustainable. The sources of new loans are detailed below in Table 3.

Table 3: Borrowing Plan for the 2015 Fiscal Year

A. EXTERNAL SOURCES	
Source	**Amount (in US$' million)**
a. Drawdown on Existing Loans	
ADF	61.79
Eximbank of China	206.43
Eximbank of India	16.67
French Development Agency	74.93
IDA	394.35
IDB	1.53
IFAD	8.75
SUB TOTAL	***764.45***
b. New Borrowings*	
ADF	563.20
Eximbank of China	500.00
French Development Agency	216.67
IDA	1,091.00
IDB	204.13
IFAD	110.00
JICA	123.33
KFW (Germany)	72.00
Special National Project	2,140.00
Diaspora Bond	300.00

SUB TOTAL	***5,320.33***
Grand Total	**6,084.78**
B. Domestic Sources***	
Source	**Amount (US N'Billion)**
FGN Bonds & Nigeria Treasury Bills	570,000.00
Total	570,000.00

* Assumes a disbursement over a 3-year rolling plan (2015-2017)

* * This excludes cost of refinancing maturing obligations.

Source: 2015 Borrowing Plan of FGN

Our recommendation is that new loans be tied to specific capital or human development projects in accordance with sections 41 and 44 of the Fiscal Responsibility Act. The President with advice from the Minister of Finance should also set the debt limits for all tiers of government and submit same for the approval of NASS in accordance with section 42 of the FRA.

2.2.6 ON THE FISCAL DEFICIT: The deficit to GDP ratio is -0.79% of GDP compared to -1.24% in the 2014 Budget. This is below the 3% of GDP specified in the FRA of 2007. However, it will make more sense to compare the sum of N755bn being the deficit with the retained revenue of N3,602.96bn. This amounts to 20.95%. This comparism is necessary considering that oil and gas constitute only 14.4% of the GDP but brings in over 70% of government revenue and 90% of export revenue. And the decline in oil revenue has led to a virtual fiscal crisis. The deficit of N755 billion in 2015 will be financed largely (above 75%) by domestic borrowing. The deficit is larger than the capital expenditure as it stands at 195% of capital expenditure. The implication is that a good part of the deficit financing sources will fund recurrent expenditure.

2.2.7 STATUTORY TRANSFERS: Although the breakdown of statutory transfers is not publicly available, the increase from N408.69bn being 8.19 % of the budget in 2014 to N411.84 being 9.23% of the overall budget in 2015 appears on the high side. It appears that in this period of austerity, key institutions have not adjusted their votes to reflect the lean times. While these austerity cuts are proposed for the MDAs reflecting mainly in reduced capital expenditures, the statutory transfers slightly increased. Nigerians are particularly concerned about the vote of the National Assembly which has remained at N150billion over the last four years. When this vote is combined with N40bn proposed in SWV for constituency projects, the figure shoots up to N190bn. Table 4 shows the allocations to NASS over the last fifteen years.

Table 4: Allocations to National Assembly Since 1999

Year	Amount (Nbn)	Year	Amount (Nbn)	Year	Amount Nbn)
1999	6.95	2005	55.43	2011	150
2000	9.98	2006	45.00	2012	150
2001	19.81	2007	60.00	2013	150
2002	21.64	2008	84.30	2014	150
2003	24.40	2009	106.64	2015	150
2004	34.73	2010	154.20		

Source: Approved Budgets 1999-2014 and the Estimate of 2015

Following from the trend in the Table 4, it is apparent that allocations to NASS jumped to N154.20bn in 2010 and since then stood still at N150bn. Considering the needs of other sectors and the paucity of resources, NASS should consider cutting down their allocation by a minimum of 50%. This will reduce the vote to N75bn. The remuneration of lawmakers and their support staff in accordance with RAMFAC stipulations is within the remuneration bracket of other public servants. It is the cost of doing legislative work - the overheads and associated capital that needs to be cut down. Evidently, there is no justification for a legislature that was run with N60bn in 2007 to insist on N150bn a year since 2010. The increase exceeds adjustments for inflation and rise in the cost of living index.

2.2.8 SERVICE WIDE VOTES: Table 2 on the composition of the budget states SWV at N348.69bn. However, in the detailed budget of the Ministry of Finance including SWV, the sum of N776.089bn is voted for SWV. This discrepancy needs to be corrected. SWV rose from N301.84bn being 6.4% of the 2014 budget to N776.089bn being 17.82% of the 2015 proposal. This increase is unacceptable in a time of lean resources. A good number of the line items in the SWV appear frivolous, unclear and seem to be a duplication of already budgeted expenses. Table 5 tells the story with examples of provisions in the SWV 2015.

Table 5: Frivolities, Unclear Expenses and SWV

Budget Code	Line Item	Inappropriate, Unclear and Wasteful Expenditure (N)	Our Comments
22020605	SECURITY VOTE (INCLUDING OPERATIONS)	22,000,000,000	Who will utilize this amount since Service Wide Vote is not a Ministry? Save this sum.

21010101	SALARY	26,737,017,746	Which MDA is this personnel cost attached to or is there an agency called Service Wide Vote with its own personnel? Save this sum.
21020101	NON REGULAR ALLOWANCES	28,834,146,566	Any allowance that can be foreseen and calculated should be part of the personnel vote of MDAs. Non-regular allowances that are excluded in the annual salary and allowance of all public workers should be therefore excluded from the budget. Either save or relocate the allowances to their MDAs of origin.
22021008	SUBSCRIPTION TO PROFESSIONAL BODIES	208,000,000	Subscription to professional bodies by whom? There can be no better way to evince an intention to mismanage public resources than this. Save this sum.
22021019	MUSLIM/CHRISTIAN PILGRIMAGES	1,800,000,000	The state is barred from adopting a state religion and as such, this public expense on Christians and Moslems is unconstitutional. Pilgrimages are personal religious affairs of the pilgrims. Save this sum. This is coming after specific provisions have been made for the two bodies.
22021035	IPPIS	500,000,000	Every year, IPPIS gets a huge vote and no progress commensurate to the sums invested seems to have been made since 2006. What exactly are we paying for? Does it cost so much? NASS should clarify.
23050132	IPPIS CAPITAL	3,000,000,000	
22021036	PAYMENT FOR OUTSOURCED SERVICES	5,000,000,000	What are these outsourced services that do not have a name or description? NASS should clarify before approval.
23050112	ADJUSTMENT TO CAPITAL COSTS	2,500,000,000	All these are provisions for expectancies. They are on the high
22021037	MARGIN FOR INCREASE IN COSTS	5,000,000,000	
22021041	CONTINGENCY	15,000,000,000	

22021042	RECURRENT ADJUSTMENT	3,099,600,000	side. Reduce by 50%
23050116	MILLENIUM DEVELOPMENT GOALS MONITORING AND EVALUATION	2,109,037,225	What exactly is this N48,998,207,318 voted for? Details are necessary so as to avoid duplication and double counting of projects or creating a slush fund. But the overall picture of this is a slush fund because there is no concrete evidence of the investments and results of previous expenditure.
23050118	COMMUNICATION AND ADVOCACY (MDG) REPORTING 2011 MDG	427,080,038	
CAPS1411007657	MDGs SPECIAL PROJECTS	1,581,777,918	
CAPS1412007667	SPECIAL INTERVENTION MDG's 1	5,378,044,922	
CAPS1413007680	SPECIAL INTERVENTION MDG's 2	4,218,074,449	
23050152	CONDITIONAL GRANTS AND SOCIAL SAFETY NETS (MDGS)	35,284,192,766	
22021020	ELECTION - LOGISTICS SUPPORT	12,500,000,000	What exactly is the budget paying for? After the statutory transfer to INEC? This sum should be allocated to any agency that will play any logistics support/role during the elections. It should not to be centralised so that it may not be used to support the electoral fortunes of the ruling party or be mismanaged.
22040203	CONTRIBUTIONS TO INTERNATIONAL ORGANISATIONS	10,500,000,000	Can anyone spot the difference between these line items? This looks like a play on words for the same purpose. NASS should clarify.
22040204	EXTERNAL FINANCIAL OBLIGATIONS	11,000,000,000	
23050147	SPECIAL INTERVENTION/CONSTITUENCY PROJECTS	40,000,000,000	Budgeting N40bn for constituency projects which most times are not aligned to national development plans and priorities is not the way forward for a poor country with a huge infrastructure deficit. NASS should rethink this vote as it sets a very dangerous precedent for development.
22021038	PRESIDENTIAL AMNESTY PROGRAMME: REINTEGRATION OF TRANSFORMED EX-MILLITANTS	35,409,859,972	NASS should meticulously review these votes and set a terminal-end to the Amnesty Programme. Reduce by 50% considering the large sums
22021039	PRESIDENTIAL AMNESTY PROGRAMME:	546,300,000	

	REINTEGRATION/TRANSITION SAFETY ALLOWANCES FOR 3,642 EX-MILLITANTS (3RD PHASE)		budgeted in previous years.
22021040	PRESIDENTIAL AMNESTY PROGRAMME: OPERATIONAL COST	3,699,933,814	

Source: 2015 Budget Estimates

Further, the Oronsaye Committee on reforming the cost of governance stated as follows of Service Wide Votes:

> *The committee noted the widely held view of the abuse of the utilization of the service wide vote. It was the view of the committee that budget heads currently captured under that vote could actually be captured either under specific MDAs or the contingency vote. Considering the constitutional provision for the contingency vote, it is believed that the service wide vote is not only an aberration, but also an avoidable duplication. The committee therefore recommended that the service wide vote should be abolished and items currently captured under it transferred to the contingency vote or the appropriate MDAs.*

It is therefore our considered view that this allocation be restructured and given to the respective MDAs in need of them.

2.2.9 SUBSIDY REINVESTMENT AND EMPOWERMENT PROGRAMME (SURE-P): The sum of N102.5 billion has been allocated to SURE-P in 2015 which is a decline of 61.8% compared to the 2014 Budget. This sum consists of the federal government's share of N53 billion from the savings from the partial removal of subsidy on petrol and the estimated unspent balance of about N49.5 billion in 2014. The recommendation is that should any sums accrue to this programme, NASS should exercise greater oversight over its activities. The programme promised so much at inception but has greatly underperformed.

2.2.10 KEROSENE SUBSIDY: The sum of N91.03bn has been set aside in the MTEF 2015-2017 (being considered with the budget) for kerosene subsidy. It is an obvious fact that kerosene is hardly available to Nigerians at the subsidised price. Thus, the target group do not enjoy the subsidy. The subsidy money goes to middlemen and their collaborators in the regulatory agency. We therefore recommend the removal of kerosene subsidy and re-programming the N91.03bn to capital expenditure.

PART THREE - THE ALLOCATIONS AND PRIORITIES

3.1 THE PRIORITIES

Tables 6, 7 and 8 show the allocations. It details the priorities of government in the recurrent (personnel and overhead) and capital votes.

Table 6: Summary of MDA Votes

2015 FGN BUDGET PROPOSAL – SUMMARY (N)					
S/N	MDA	PERSONNEL COST	OVERHEAD COST	CAPITAL ALLOCATION	TOTAL ALLOCATION
1	Presidency	12,917,727,634	11,165,322,836	2,579,999,999	**26,663,050,469**
2	Office Of The Secretary To The Government Of The Federation	42,059,351,297	5,681,507,839	5,042,000,005	**52,782,859,141**
3	Youth Development	62,513,938,692	8,207,968,943	1,132,999,999	**71,854,907,634**
4	Police Affairs	3,769,569,745	398,856,672	150,000,000	**4,318,426,417**
5	Police Formation And Commands	306,773,439,285	5,895,797,734	17,000,000,000	**329,669,237,019**
6	Women Affairs	938,698,422	536,476,837	1,247,000,001	**2,722,175,260**
7	Agriculture & Rural Development	30,008,231,920	2,199,756,208	6,944,000,000	**39,151,988,128**
8	Water Resources	6,773,043,648	1,085,685,504	5,998,000,010	**13,856,729,162**
9	Auditor-General For The Federation	1,829,544,962	950,660,539	100,000,000	**2,880,205,501**
10	Independent Corrupt Practices And Other Related Offences Commission	3,846,754,118	904,654,519	300,000,000	**5,051,408,637**
11	Defence/Mod/Army/Air Force/Navy	289,080,625,850	34,385,452,848	35,000,000,000	**358,466,078,698**
12	Education Including UBEC	450,560,531,812	21,474,454,779	20,000,000,000	**492,034,986,591**
13	Federal Capital Territory Administration			12,000,000,000	**12,000,000,000**
14	Foreign Affairs	26,153,612,749	18,341,745,491	3,000,000,000	**47,495,358,240**
15	Finance Including Service-Wide Votes And Debt Service	152,212,595,116	1,381,483,866,442	193,592,000,000	**1,727,288,461,558**
16	Health	232,311,897,866	5,231,875,891	20,000,000,000	**257,543,773,757**
17	Trade And Investment	8,052,266,754	1,840,476,925	300,000,000	**10,192,743,679**
18	Information	20,497,155,430	2,683,866,136	200,000,001	**23,381,021,567**
19	Communication Technology	10,272,657,280	383,953,837	449,999,998	**11,106,611,115**
20	Interior	143,092,061,593	11,454,944,969	2,009,999,999	**156,557,006,561**
21	Office Of The Head Of Service Of The Federation	4,765,821,217	1,931,007,717	600,000,000	**7,296,828,934**
22	Justice Including NHRC	16,627,715,834	4,168,201,640	500,000,003	**21,295,917,477**
23	Labour And Productivity	7,499,287,217	980,643,027	200,000,001	**8,679,930,245**
24	Power	3,547,947,676	1,023,685,801	4,240,000,000	**8,811,633,477**
25	Science And Technology	23,400,771,190	3,308,934,665	500,000,000	**27,209,705,855**
26	Transport	7,476,026,041	550,764,703	3,954,573,749	**11,981,364,493**
27	Petroleum Resources	56,866,954,043	1,684,224,698	500,000,002	**59,051,178,743**
28	Works	7,636,559,090	20,710,753,085	11,232,000,000	**39,579,312,175**
29	Lands & Housing	5,338,290,179	366,956,817	500,000,000	**6,205,246,996**
30	Mines & Steel Development	8,870,743,968	1,315,738,873	250,000,000	**10,436,482,841**
31	Aviation	5,594,461,044	922,369,032	4,340,000,000	**10,856,830,076**
32	National Salaries, Incomes & Wages Commission	568,810,845	126,707,955	0	**695,518,800**
33	Environment	13,204,020,018	1,942,465,158	499,999,999	**15,646,485,175**

34	Culture & NOA	15,741,444,118	2,806,440,365	250,000,000	**18,797,884,483**
35	National Planning Commission	6,032,348,803	821,638,609	300,000,000	**7,153,987,412**
36	National Sports Commission	1,706,737,674	4,082,716,392	1,000,000,000	**6,789,454,066**
37	Office Of The National Security Adviser	51,702,992,685	12,425,328,038	20,000,000,000	**84,128,320,723**
38	Niger-Delta Including NDDC	52,289,251,897	963,953,922	6,000,000,000	**59,253,205,819**
39	Special Duties	0	83,177,342	0	**83,177,342**
40	Special Duties And Intergovernmental Affairs	339,449,319	266,342,719	200,000,000	**805,792,038**
41	Fiscal Responsibility Commission	148,054,280	232,842,654	0	**380,896,934**
42	Infrastructural Concession Regulatory Commission	708,536,004	243,969,066	0	**952,505,070**
	SUB-TOTAL: EXECUTIVE	**2,093,729,927,315**	**1,575,266,187,227**	**382,112,573,766**	**4,051,108,688,308**

Source: Proposed 2015 Budget (BOF)

Table 7: 2015 FGN BUDGET PROPOSAL - MDA Allocation as a Percentage of the Aggregate Budget Expenditure

2015 FGN BUDGET PROPOSAL - MDA Allocation as a Percentage of the Aggregate Budget Expenditure {N4,357,960,000,000} %									
S/N	**MDA**	**PERSONNEL COST**	**% of Agg Exp**	**OVERHEAD COST**	**% of Agg Exp**	**CAPITAL ALLOCATION**	**% of Agg Exp**	**TOTAL ALLOCATION**	**% of Agg Exp**
1	Presidency	12,917,727,634	0.30	11,165,322,836	0.26	2,579,999,999	0.06	**26,663,050,469**	**0.61**
2	Office Of The Secretary To The Government Of The Federation	42,059,351,297	0.97	5,681,507,839	0.13	5,042,000,005	0.12	**52,782,859,141**	**1.21**
3	Youth Development	62,513,938,692	1.43	8,207,968,943	0.19	1,132,999,999	0.03	**71,854,907,634**	**1.65**
4	Police Affairs	3,769,569,745	0.09	398,856,672	0.01	150,000,000	0.00	**4,318,426,417**	**0.10**
5	Police Formation And Commands	306,773,439,285	7.04	5,895,797,734	0.14	17,000,000,000	0.39	**329,669,237,019**	**7.56**
6	Women Affairs	938,698,422	0.02	536,476,837	0.01	1,247,000,001	0.03	**2,722,175,260**	**0.06**
7	Agriculture & Rural Development	30,008,231,920	0.69	2,199,756,208	0.05	6,944,000,000	0.16	**39,151,988,128**	**0.90**
8	Water Resources	6,773,043,648	0.16	1,085,685,504	0.02	5,998,000,010	0.14	**13,856,729,162**	**0.32**
9	Auditor-General For The Federation	1,829,544,962	0.04	950,660,539	0.02	100,000,000	0.00	**2,880,205,501**	**0.07**
10	Independent Corrupt Practices And Other Related Offences Commission	3,846,754,118	0.09	904,654,519	0.02	300,000,000	0.01	**5,051,408,637**	**0.12**
11	Defence/Mod/Army/Air Force/Navy	289,080,625,850	6.63	34,385,452,848	0.79	35,000,000,000	0.80	**358,466,078,698**	**8.23**
12	Education Including UBEC	450,560,531,812	10.34	21,474,454,779	0.49	20,000,000,000	0.46	**492,034,986,591**	**11.29**
13	Federal Capital Territory Administration		0.00		0.00	12,000,000,000	0.28	**12,000,000,000**	**0.28**
14	Foreign Affairs	26,153,612,749	0.60	18,341,745,491	0.42	3,000,000,000	0.07	**47,495,358,240**	**1.09**
15	Finance Including Service-Wide Votes And Debt Service	152,212,595,116	3.49	1,381,483,866,442	31.70	193,592,000,000	4.44	**1,727,288,461,558**	**39.64**
16	Health	232,311,897,866	5.33	5,231,875,891	0.12	20,000,000,000	0.46	**257,543,773,757**	**5.91**
17	Trade And Investment	8,052,266,754	0.18	1,840,476,925	0.04	300,000,000	0.01	**10,192,743,679**	**0.23**
18	Information	20,497,155,430	0.47	2,683,866,136	0.06	200,000,001	0.00	**23,381,021,567**	**0.54**
19	Communication Technology	10,272,657,280	0.24	383,953,837	0.01	449,999,998	0.01	**11,106,611,115**	**0.25**
20	Interior	143,092,061,593	3.28	11,454,944,969	0.26	2,009,999,999	0.05	**156,557,006,561**	**3.59**
21	Office Of The Head Of Service Of The Federation	4,765,821,217	0.11	1,931,007,717	0.04	600,000,000	0.01	**7,296,828,934**	**0.17**
22	Justice Including NHRC	16,627,715,834	0.38	4,168,201,640	0.10	500,000,003	0.01	**21,295,917,477**	**0.49**

23	Labour And Productivity	7,499,287,217	0.17	980,643,027	0.02	200,000,001	0.00	**8,679,930,245**	**0.20**
24	Power	3,547,947,676	0.08	1,023,685,801	0.02	4,240,000,000	0.10	**8,811,633,477**	**0.20**
25	Science And Technology	23,400,771,190	0.54	3,308,934,665	0.08	500,000,000	0.01	**27,209,705,855**	**0.62**
26	Transport	7,476,026,041	0.17	550,764,703	0.01	3,954,573,749	0.09	**11,981,364,493**	**0.27**
27	Petroleum Resources	56,866,954,043	1.30	1,684,224,698	0.04	500,000,002	0.01	**59,051,178,743**	**1.36**
28	Works	7,636,559,090	0.18	20,710,753,085	0.48	11,232,000,000	0.26	**39,579,312,175**	**0.91**
29	Lands & Housing	5,338,290,179	0.12	366,956,817	0.01	500,000,000	0.01	**6,205,246,996**	**0.14**
30	Mines & Steel Development	8,870,743,968	0.20	1,315,738,873	0.03	250,000,000	0.01	**10,436,482,841**	**0.24**
31	Aviation	5,594,461,044	0.13	922,369,032	0.02	4,340,000,000	0.10	**10,856,830,076**	**0.25**
32	National Salaries, Incomes & Wages Commission	568,810,845	0.01	126,707,955	0.00	0	0.00	**695,518,800**	**0.02**
33	Environment	13,204,020,018	0.30	1,942,465,158	0.04	499,999,999	0.01	**15,646,485,175**	**0.36**
34	Culture & NOA	15,741,444,118	0.36	2,806,440,365	0.06	250,000,000	0.01	**18,797,884,483**	**0.43**
35	National Planning Commission	6,032,348,803	0.14	821,638,609	0.02	300,000,000	0.01	**7,153,987,412**	**0.16**
36	National Sports Commission	1,706,737,674	0.04	4,082,716,392	0.09	1,000,000,000	0.02	**6,789,454,066**	**0.16**
37	Office Of The National Security Adviser	51,702,992,685	1.19	12,425,328,038	0.29	20,000,000,000	0.46	**84,128,320,723**	**1.93**
38	Niger-Delta Including NDDC	52,289,251,897	1.20	963,953,922	0.02	6,000,000,000	0.14	**59,253,205,819**	**1.36**
39	Special Duties	0	0.00	83,177,342	0.00	0	0.00	**83,177,342**	**0.00**
40	Special Duties And Intergovernmental Affairs	339,449,319	0.01	266,342,719	0.01	200,000,000	0.00	**805,792,038**	**0.02**
41	Fiscal Responsibility Commission	148,054,280	0.00	232,842,654	0.01	0	0.00	**380,896,934**	**0.01**
42	Infrastructural Concession Regulatory Commission	708,536,004	0.02	243,969,066	0.01	0	0.00	**952,505,070**	**0.02**
	SUB-TOTAL: EXECUTIVE	**2,093,729,927,315**	**48.04**	**1,575,266,187,227**	**36.15**	**382,112,573,766**	**8.77**	**4,051,108,688,308**	**92.96**
	FEDERAL EXECUTIVE BODIES								
43	National Population Commission	4,916,260,820	0.11	452,388,189	0.01	4,500,000,000	0.10	**9,868,649,009**	**0.23**
44	Code Of Conduct Bureau	1,651,875,476	0.04	335,188,480	0.01	300,000,000	0.01	**2,287,063,956**	**0.05**
45	Code Of Conduct Tribunal	341,468,347	0.01	156,072,841	0.00	200,000,001	0.00	**697,541,189**	**0.02**
46	Revenue Mobilisation Allocation & Fiscal Commission	1,817,671,044	0.04	467,975,400	0.01	0	0	**2,285,646,444**	**0.05**
47	Federal Civil Service Commission	662,775,378	0.02	550,993,223	0.01	0	0	**1,213,768,601**	**0.03**
48	Police Service Commission	497,965,102	0.01	286,331,754	0.01	0	0	**784,296,856**	**0.02**
49	Federal Character Commission	1,943,350,760	0.04	270,994,876	0.01	0	0	**2,214,345,636**	**0.05**
	SUB-TOTAL: FEDERAL EXECUTIVE	**11,831,366,927**	**0.27**	**2,519,944,763**	**0.06**	**5,000,000,001**	**0.11**	**19,351,311,691**	**0.44**
	MDAs EXPENDITURE	**2,105,561,294,242**	**48.32**	**1,577,786,131,990**	**36.20**	**387,112,573,767**	**8.88**	**4,070,459,999,999**	**93.40**

	Other Statutory Transfers		
50	National Judicial Council	73,000,000,000	1.68
51	National Assembly	150,000,000,000	3.44
52	Public Complaints Commission	2,500,000,000	0.06
53	INEC	62,000,000,000	1.42
	TOTAL - STATUTORY TRANSFER	**287,500,000,000**	**6.60**

	Budget Summary	COMPUTED FIGURE	% of Agg Budget
1	MDAs PERSONNEL COST	1,836,729,121,525	**42.15**
2	MDAs OVERHEAD	199,182,792,624	**4.57**
3	MDAs CAPITAL SPENDINGS	194,020,573,767	**4.45**
4	CAPITAL SUPPLEMENTATION	193,092,000,000	**4.43**
	TOTAL CAPITAL	**387,112,573,767**	**8.88**
5	PENSIONS AND GRATUITIES	231,408,494,338	**5.31**
6	SERVICE WIDE VOTES	348,687,017,746	**8.00**
7	STATUTORY TRANSFERS	411,840,000,000	**9.45**
8	DEBT SERVICE	943,000,000,000	**21.64**
	AGGREGATE EXPENDITURE	**4,357,960,000,000**	**100.00**

Source: Proposed 2015 Budget (BOF)

Ranking the first ten MDAs with the highest allocation, it can be seen from Tables 6 and 7 above that the Ministry of Finance got the highest allocation and stands tall with **39.64%** (including service wide votes and debt service); Education (including UBEC) got 11.29%; Defence 8.23%; Police Formation and Command got 7.56% (possibly because of the elections); Health 5.91%; Interior 3.59%; National Assembly 3.44%; Office of the National Security Adviser 1.93%; National Judicial Council 1.68%; and Youth development 1.65%. On the average, the MDAs have 87% recurrent expenses and only 13% capital expenses. A few MDAs have no capital expenses.

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

2015 FGN BUDGET PROPOSAL – MDA Allocations as a Percentage of the Aggregate Allocation to the MDA (%)											
	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	Presidency	12,917,727,634	48.4	11,165,322,836	41.9	24,083,050,470	90.3	2,579,999,999	9.7	26,663,050,469
2	Office Of The Secretary To The Government Of The Federation	42,059,351,297	79.7	5,681,507,839	10.8	47,740,859,136	90.4	5,042,000,005	9.6	52,782,859,141
3	Youth Development	62,513,938,692	87.0	8,207,968,943	11.4	70,721,907,635	98.4	1,132,999,999	1.6	71,854,907,634
4	Police Affairs	3,769,569,745	87.3	398,856,672	9.2	4,168,426,417	96.5	150,000,000	3.5	4,318,426,417
5	Police Formation And Commands	306,773,439,285	93.1	5,895,797,734	1.8	312,669,237,019	94.8	17,000,000,000	5.2	329,669,237,019
6	Women Affairs	938,698,422	34.5	536,476,837	19.7	1,475,175,259	54.2	1,247,000,001	45.8	2,722,175,260
7	Agriculture & Rural Development	30,008,231,920	76.6	2,199,756,208	5.6	32,207,988,128	82.3	6,944,000,000	17.7	39,151,988,128
8	Water Resources	6,773,043,648	48.9	1,085,685,504	7.8	7,858,729,152	56.7	5,998,000,010	43.3	13,856,729,162
9	Auditor-General For The Federation	1,829,544,962	63.5	950,660,539	33.0	2,780,205,501	96.5	100,000,000	3.5	2,880,205,501
10	Independent Corrupt Practices And Other Related Offences Commission	3,846,754,118	76.2	904,654,519	17.9	4,751,408,637	94.1	300,000,000	5.9	5,051,408,637
11	Defence/Mod/Army/Air Force/Navy	289,080,625,850	80.6	34,385,452,848	9.6	323,466,078,698	90.2	35,000,000,000	9.8	358,466,078,698
12	Education Including UBEC	450,560,531,812	91.6	21,474,454,779	4.4	472,034,986,591	95.9	20,000,000,000	4.1	492,034,986,591
13	Federal Capital Territory Administration		0.0		0.0	0	0.0	12,000,000,000	100.0	12,000,000,000
14	Foreign Affairs	26,153,612,749	55.1	18,341,745,491	38.6	44,495,358,240	93.7	3,000,000,000	6.3	47,495,358,240
15	Finance Including Service-Wide Votes And Debt Service	152,212,595,116	8.8	1,381,483,866,442	80.0	1,533,696,461,558	88.8	193,592,000,000	11.2	1,727,288,461,558
16	Health	232,311,897,866	90.2	5,231,875,891	2.0	237,543,773,757	92.2	20,000,000,000	7.8	257,543,773,757
17	Trade And Investment	8,052,266,754	79.0	1,840,476,925	18.1	9,892,743,679	97.1	300,000,000	2.9	10,192,743,679
18	Information	20,497,155,430	87.7	2,683,866,136	11.5	23,181,021,566	99.1	200,000,001	0.9	23,381,021,567

19	**Communication Technology**	10,272,657,280	**92.5**	383,953,837	**3.5**	10,656,611,117	**95.9**	449,999,998	**4.1**	**11,106,611,115**
20	**Interior**	143,092,061,593	**91.4**	11,454,944,969	**7.3**	154,547,006,562	**98.7**	2,009,999,999	**1.3**	**156,557,006,561**
21	**Office Of The Head Of Service Of The Federation**	4,765,821,217	**65.3**	1,931,007,717	**26.5**	6,696,828,934	**91.8**	600,000,000	**8.2**	**7,296,828,934**
22	**Justice Including NHRC**	16,627,715,834	**78.1**	4,168,201,640	**19.6**	20,795,917,474	**97.7**	500,000,003	**2.3**	**21,295,917,477**
23	**Labour And Productivity**	7,499,287,217	**86.4**	980,643,027	**11.3**	8,479,930,244	**97.7**	200,000,001	**2.3**	**8,679,930,245**
24	**Power**	3,547,947,676	**40.3**	1,023,685,801	**11.6**	4,571,633,477	**51.9**	4,240,000,000	**48.1**	**8,811,633,477**
25	**Science And Technology**	23,400,771,190	**86.0**	3,308,934,665	**12.2**	26,709,705,855	**98.2**	500,000,000	**1.8**	**27,209,705,855**
26	**Transport**	7,476,026,041	**62.4**	550,764,703	**4.6**	8,026,790,744	**67.0**	3,954,573,749	**33.0**	**11,981,364,493**
27	**Petroleum Resources**	56,866,954,043	**96.3**	1,684,224,698	**2.9**	58,551,178,741	**99.2**	500,000,002	**0.8**	**59,051,178,743**
28	**Works**	7,636,559,090	**19.3**	20,710,753,085	**52.3**	28,347,312,175	**71.6**	11,232,000,000	**28.4**	**39,579,312,175**
29	**Lands & Housing**	5,338,290,179	**86.0**	366,956,817	**5.9**	5,705,246,996	**91.9**	500,000,000	**8.1**	**6,205,246,996**
30	**Mines & Steel Development**	8,870,743,968	**85.0**	1,315,738,873	**12.6**	10,186,482,841	**97.6**	250,000,000	**2.4**	**10,436,482,841**
31	**Aviation**	5,594,461,044	**51.5**	922,369,032	**8.5**	6,516,830,076	**60.0**	4,340,000,000	**40.0**	**10,856,830,076**
32	**National Salaries, Incomes & Wages Commission**	568,810,845	**81.8**	126,707,955	**18.2**	695,518,800	**100.0**	0	**0.0**	**695,518,800**
33	**Environment**	13,204,020,018	**84.4**	1,942,465,158	**12.4**	15,146,485,176	**96.8**	499,999,999	**3.2**	**15,646,485,175**
34	**Culture & NOA**	15,741,444,118	**83.7**	2,806,440,365	**14.9**	18,547,884,483	**98.7**	250,000,000	**1.3**	**18,797,884,483**
35	**National Planning Commission**	6,032,348,803	**84.3**	821,638,609	**11.5**	6,853,987,412	**95.8**	300,000,000	**4.2**	**7,153,987,412**
36	**National Sports Commission**	1,706,737,674	**25.1**	4,082,716,392	**60.1**	5,789,454,066	**85.3**	1,000,000,000	**14.7**	**6,789,454,066**
37	**Office Of The National Security Adviser**	51,702,992,685	**61.5**	12,425,328,038	**14.8**	64,128,320,723	**76.2**	20,000,000,000	**23.8**	**84,128,320,723**
38	**Niger-Delta Including NDDC**	52,289,251,897	**88.2**	963,953,922	**1.6**	53,253,205,819	**89.9**	6,000,000,000	**10.1**	**59,253,205,819**
39	**Special Duties**	0	**0.0**	83,177,342	**100.0**	83,177,342	**100.0**	0	**0.0**	**83,177,342**
40	**Special Duties And Intergovernmental Affairs**	339,449,319	**42.1**	266,342,719	**33.1**	605,792,038	**75.2**	200,000,000	**24.8**	**805,792,038**
41	**Fiscal Responsibility Commission**	148,054,280	**38.9**	232,842,654	**61.1**	380,896,934	**100.0**	0	**0**	**380,896,934**
42	**Infrastructural Concession Regulatory Commission**	708,536,004	**74.4**	243,969,066	**25.6**	952,505,070	**100.0**	0	**0**	**952,505,070**
SUB-TOTAL: EXECUTIVE		**2,093,729,927,315**	**51.7**	**1,575,266,187,227**	**38.9**	**3,668,996,114,542**	**90.6**	**382,112,573,766**	**9.4**	**4,051,108,688,308**
FEDERAL EXECUTIVE BODIES										
43	**National Population Commission**	4,916,260,820	**49.8**	452,388,189	**4.6**	5,368,649,009	**54.4**	4,500,000,000	**45.6**	**9,868,649,009**
44	**Code Of Conduct Bureau**	1,651,875,476	**72.2**	335,188,480	**14.7**	1,987,063,956	**86.9**	300,000,000	**13.1**	**2,287,063,956**
45	**Code Of Conduct Tribunal**	341,468,347	**49.0**	156,072,841	**22.4**	497,541,188	**71.3**	200,000,001	**28.7**	**697,541,189**
46	**Revenue Mobilisation Allocation & Fiscal Commission**	1,817,671,044	**79.5**	467,975,400	**20.5**	2,285,646,444	**100.0**	0	**0**	**2,285,646,444**

47	Federal Civil Service Commission	662,775,378	54.6	550,993,223	45.4	1,213,768,601	100.0	0	0	1,213,768,601
48	Police Service Commission	497,965,102	63.5	286,331,754	36.5	784,296,856	100.0	0	0	784,296,856
49	Federal Character Commission	1,943,350,760	87.8	270,994,876	12.2	2,214,345,636	100.0	0	0	2,214,345,636
SUB-TOTAL: FEDERAL EXECUTIVE		11,831,366,927	61.1	2,519,944,763	13.0	14,351,311,690	74.2	5,000,000,001	25.8	19,351,311,691
MDAs EXPENDITURE		2,105,561,294,242	51.7	1,577,786,131,990	38.8	3,683,347,426,232	90.5	387,112,573,767	9.5	4,070,459,999,999

Source: 2015 Budget Proposal

3.2 FRIVOLITIES AS PRIORITIES

The budget estimates are suffused with frivolities. There seems to be structural challenges with the budget preparation process. The template sent to MDAs for budget preparation seems to be deficient. It does not differentiate between MDAs considering their statutory duties and peculiarities. Thus, every MDA must ask for a vote for security services, uniforms, printing of security and non security documents, maintenance of IT equipment and all manner of consultancy services. MDAs ask for a vote for welfare after they have made full provisions for the salaries and remuneration of their staff. Pray, what manner of welfare is this that is not covered by the staff remuneration? There are provisions for medical expenses and supplies after full provisions have been made for contributions to the National Health Insurance Scheme. In a period of austerity, MDAs still dedicate millions of naira to the repair of office furniture. But how much do you need to buy new furniture?

MDAs demand money for refreshment and meals as if they are running a restaurant chain while requests are perpetually made for purchase of library books in an anti-intellectual environment. Nigeria still intends to pay for pilgrimages against the constitutional bar on adopting state religion. We have graduated to a system where every MDA votes money for budget preparation and administration while maintaining accounts and finance departments and employing qualified accountants and other professionals. There is now a difference between “rehabilitation”, “repairs” and “maintenance” of a building to the extent a particular building gets votes for the three different “issues”. Therefore, a new budgeting framework is needed starting from a new template that takes cognisance of the peculiarities of MDAs, reduction of waste and frivolity and evidence based budgeting.

On the other hand, FGN proposes to save money through the following expenditure measures as shown in Table 9. This is a welcome development. But the proposal was hardly followed in the budget estimates.

Table 9: Expenditure Reduction Proposals

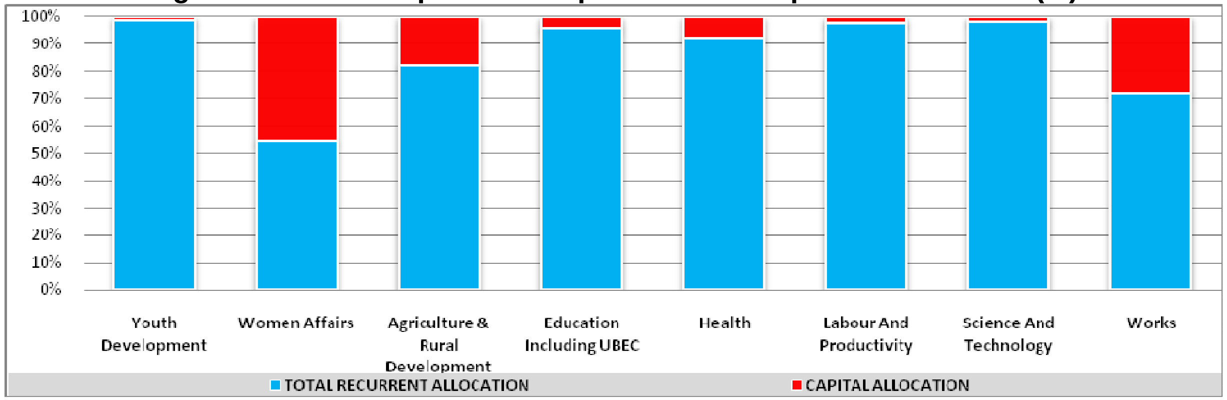
Expenditure	N
Freezing purchase of new office equipment & other administrative capital. This will generate some savings: Examples	
Purchase of Office Buildings	N1.99billion
Construction/Provision of Office Building	N24.05billion
Purchase of office furniture and fitting	N9.50billion
International travel and training will be limited to only the most crucial for now: This applies to all public servants so that parastatals can remit more IGR to Treasury	N14.02billion
Rationalize expired committees and commissions that lead to leakages	N6.49billion
IPPIS- Ghost workers	160billion (already saved)

Source: MOF: Budget Office of the Federation

3.3 HUMAN CAPITAL DEVELOPMENT AND OTHERS

Human capital development in this analysis includes 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. This may not be faulty owing to the fact that the sector is personnel dependent for its service delivery. See Figure 3 for details of the subsectors.

Figure 3: Human Capital Development 2015 Proposal Breakdown (%)



Source: Budget Office of the Federation

3.3.1 EDUCATION: The Ministry of Education with the inclusion of UBEC got a vote of 11.29% of the total 2015 proposed budget. In the 2014 budget, the Ministry of Education with the inclusion of UBEC got 11.36% of the total budget. 89.7% of the allocation to the education sector was for the recurrent expenditure, only 10.35% was for capital infrastructure provision. A vote of 11.29% of the overall budget to education including UBEC in 2015 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 other MDAs and it should not be less than N150billion[9]. This will be dedicated to education infrastructure including books, laboratories, classrooms and other facilities that encourage learning. Nigeria has the highest number of out of school children in the world. The children of the Nigerian elite have abandoned Nigerian educational institutions due to the poor quality education and Nigeria is reported to spend about N1.5trillion abroad every year in education[10]. Thus, the call for increased funding is a self evident call. The trend of poor funding is shown in Table 10 below.

Table 10: Nigerian Education Sector Budget 2009 – 2013 and the UNESCO 26% Funding

Year	Total Federal Budget (₦)	Total Education Budget (₦)	Education at 26% of Federal Budget (₦)	Education as % of Total Budget Size	Short fall of Education Allocation (₦'bn), (%)
2009	3,557,690,000,000.00	224,676,889,661.00	924,999,400,000.00	6.32	₦700.3 (19.68%)
2010	5,159,660,000,000.00	271,196,102,115.00	1,341,511,600,000.00	5.26	₦1, 070.3 (20.74%)
2011	4,484,750,000,000.00	356,495,828,145.00	1,166,035,000,000.00	7.95	₦ 809.5 (18.05%)
2012	4,877,209,156,933.00	409,531,390,347.00	1,268,074,380,802.58	8.40	₦ 858.5 (17.60%)
2013	4,987,220,425,601.00	437,478,097,032.00	1,296,677,310,656.26	8.77	₦ 859.2 (17.23%)
2014	4,695,190,000,000.00	424,383,600,268.00	1,220,749,400,000.00	9.04	**N766.4 (16.96%)**
2015	4,357,960,000,000.00	492,034,986,591.00	1,133,069,6500,000.00	11.29	**N541.0 (14.71%)**

Source: Approved Budgets 2009-2014: Budget Office of the Federation and 2015 Budget Proposal

It is not a matter of paucity of resources but that of prioritisation and the government lacking the political will to adequately fund education. To ensure greater value for money in public education funding, there should be a moratorium on new projects especially the establishment and licensing of new publicly funded tertiary institutions. After completing existing

[9] See *Right to Education in Nigeria (A review of Key Education Development Policies against Federal Education Budgets 2009-2013) Published by* Centre for Social Justice, 2014.

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

projects in existing institutions, their carrying capacity should be expanded so that they can increase intake and student enrolment. The Needs Assessment of Nigerian Universities Report[11] shows that there is more non-academic staff in Nigerian universities than needed. A full personnel audit to determine the staffing needs of universities and other tertiary institutions is overdue. Tertiary institutions should also be fully enrolled in the IPPIS. Further, so many states of the Federation are unable to access their funds in UBEC[12]. UBEC management and states should dialogue to find ways of energising the fund so that it can be accessed by all.

3.3.2 HEALTH: The proposed allocation for the health sector in 2015 is 5.91% of the total budget, slightly above the 2014 budget allocation of 5.66% of the overall budget. This also misses the international standard of 15% of the budget. 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. They do so at the public expense in medical facilities overseas. Thus, the case for increased funding to the sector is also another one based on empirical evidence. The capital vote for health should be increased by not less than 100%. Table 11 shows the trend of federal health funding since the return to civil rule in 1999.

Table 11: Shortfall in the 15% Benchmark to Health Sector

Year	Total Budget (N' Trillion)	Health Allocation (N' Brillion)	As % of Total	As 15% of Total (N' Brillion)	Variance of 15% Benchmark (N' Brillion)
1999	315,219,252,837	10,929,579,649	3.5	47,282,887,926	36,353,308,277
2000	537,569,135,062	15,613,509,364	3.0	80,635,370,259	65,021,860,896
2001	851,754,887,883	28,405,884,484	3.3	127,763,233,182	99,357,348,698
2002	840.853,787,128	39,741,137,140	4.7	126,128,068,069	86,386,930,929
2003	765,132,027,979	52,249,106,213	6.8	114,769,804,197	62,520,697,984
2004	918,295,494,202	59,787,376,511	6.5	137,744,324,130	77,956,947,619
2005	1,617,629,111,162	71,685,426,092	4.4	242,644,366,374	170,958,940,582
2006	1,876,302,363,351	105,590,000,000	5.6	281,445,354,503	175,855,354,503
2007	2,266,394,423,477	122,399,999,999	5.4	339,959,163,522	217,559,163,523
2008	1,893,838,933,017	138,179,657,132	5.6	284,075,839,953	145,896,182,821
2009	3,557,683,000,000	154,567,493,157	4.3	533,652,450,000	379,084,956,843
2010	4,427,184,596,534	164,914,939,155	3.7	664,077,689,480	499,162,750,325
2011	4,484,736,648,992	257,870,810,310	5.7	672,710,497,349	414,839,687,039

[11] Report submitted to President Gooduck Jonathan at the Council Chamber, State House, Thursday November 1, 2012.
[12] Over N55.6bn was un-accessed by States as at the end of November 2014.

2012	4,648,849,156,932	284,967,358,038	6.0	697,327,373,540	412,360,015,502
2013	4,924,604,000,000	279,819,553,930	5.7	738,690,600,000	458,871,046,070
2014	4,659,190,000,000	264,482,351,874	5.6	704,278,500,000	439,796,148,126
2015	4,357,960,000,000	257,543,773,757	5.9	653,694,000,000	396,150,226,243

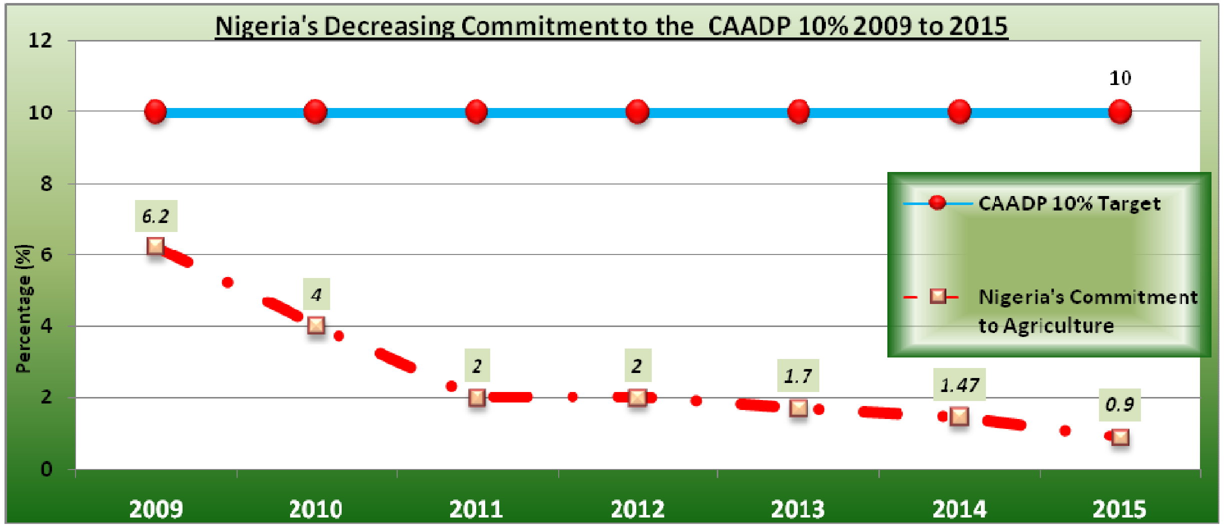
Source: Approved Budgets 2009-2013: Budget Office of the Federation and 2015 Budget Proposal

Considering that many Nigerians are willing to pay for overpriced medical services in institutions outside Nigeria, it is imperative that public private partnerships 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 services[13]. This shows that 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 pool of funds that can be used to take care of the basic health needs of the majority of the population.

3.3.3 AGRICULTURE: With reduced inflow of petro dollars, the diversification of the Nigerian economy cannot be successful without the revamping of the agricultural sector. Even in the re-worked GDP, agriculture still contributes a sizable 21.97% of the GDP. The value chain approach and transparency advocated by the government is a step in the right direction and the proposal is to treat agriculture like a business. The allocation to agriculture is N39.151bn which is 0.90% of the overall budget compared to the figure of 1.47% of the approved 2014 budget. This is short of the 10% agreed to in the Maputo Declaration. FGN claims to have made remarkable strides in agriculture[14]: *NBS data on consumer price index for the month of November 2014 also shows that inflation eased for the third consecutive month from 8.1% to 7.9%, as a result of slower rise in food prices. So the efforts of government to boost food production all across the country are paying off.* Figure 4 shows the decline in agriculture allocation from 2009 to 2015.

[13] Dr Osahon Enebulele, former President Nigerian Medical Association reported in Daily Trust Newspaper of 23rd October 2012; See also Punch Newspaper February 20, 2013.
[14] See the Budget Speech/Presentation of the Minister of Finance, December 17, 2014.

FIGURE 4: DECLINING TREND OF THE AGRICULTURE VOTE IN RELATION TO CAADP



Source: Budget Office of the Federation

Agriculture is relevant as a source of food, labour and income generation and as the foundation for raw materials for industries. Thus, meeting the 10% allocation demanded by the Maputo Declaration is imperative and this new money should be channelled to capital expenditure. However, there are a number of unclear and ambiguous provisions in the agriculture budget. Herbicides, organic fertiliser, inorganic fertiliser, soil amender/micro nutrient, seedlings, research and development, etc, are mentioned not less than ten times each without differentiation and explanations. These need to be clarified before approval by NASS. Finally, the idea of having a Federal Ministry of Agriculture with about 40 parastatals, agencies, colleges, research institutions etc under the Ministry is incredible. It is a waste of funds as the agencies can never be adequately funded from the Treasury. The restructuring and rationalisation of agencies under this Ministry is long overdue and should be a priority for the executive and legislature going forward.

3.3.4 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 sectors of the economy. The review of a few government policies which if well implemented will create jobs is imperative.

The new automobile policy focussing on local value addition, assembly and production of cars should be implemented to the letter as it has the prospect of creating local jobs in the automobile industry. Government's value chain agricultural policies encouraging the local production and processing of rice and other crops, vegetables and animals should also be implemented to the letter. It has the prospect of creating millions of jobs. All these will be combined with trade policies especially the tariff and non tariff measures. It is also important to state that Nigerian should not sign up to the Economic Partnership Agreement with the EU under ECOWAS as such unequal agreement may plunge Nigeria's economic sector into deeper crisis. The Local Content Act and implementation of public procurement policies should also contribute to new Nigerian jobs and value added. The liberalisation of the petroleum and gas sector through the PIB will also open up avenues for new investments in the sector which will create more jobs. The prospect of Nigeria refining all her fuel needs at home will not only save foreign exchange but create jobs, get in new corporate tax for government and build local technical capacity. The reforms in the electricity sector should be pursued to its logical conclusion of improved access to electricity for homes and industries and service providers. This will increase productivity and create jobs. This list is not exhaustive but indicative of policies and programmes that can drive job creation and new value addition to the economy.

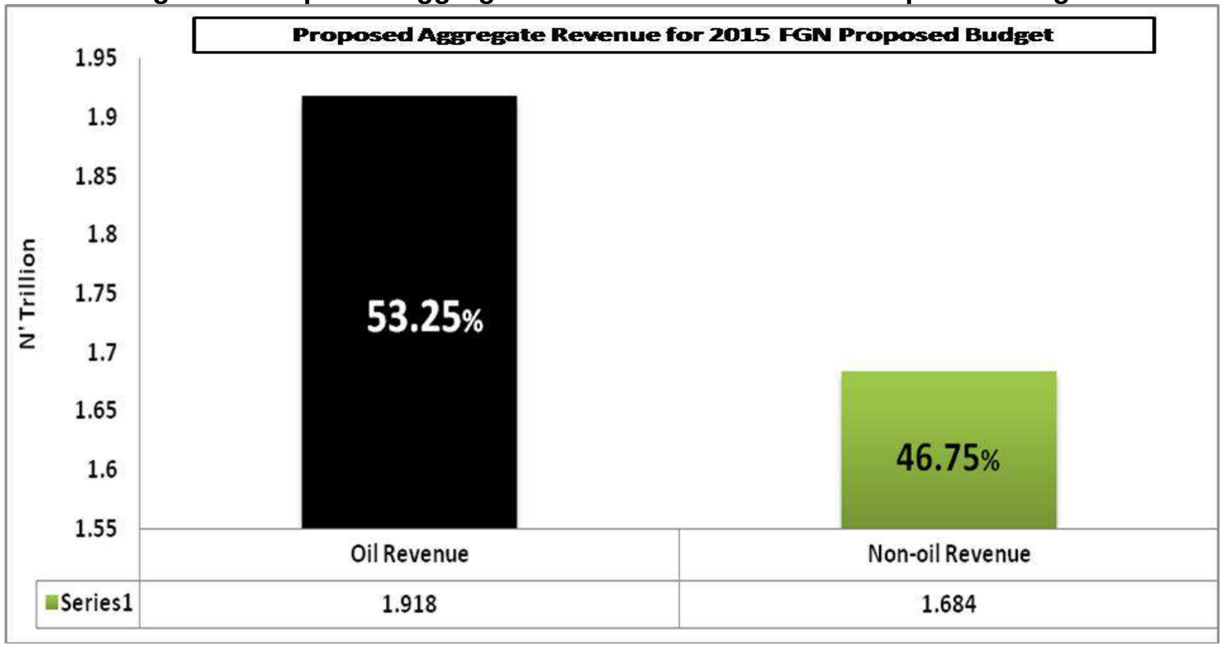
3.3.5 HOUSING: The Ministry of Lands and Housing got a meagre vote of N6.2bn, a paltry 0.14% of the overall budget. Beyond the budget vote, the establishment of the Mortgage Refinance Company by FGN is a step in the right direction. However, something is missing in the reforms. One of the major challenges of the housing sector is the lack of sustainable finance and funds, available at reasonable single digit rates for Nigerians to access. The National Housing Fund has been established since 1992 but has operated without much vigour. Special funds established later such as pension and health insurance funds have accumulated far more resources and are actually solving problems in their sectors. It is therefore imperative that the NHF be reformed to get all Nigerians into the net to make contributions on a monthly basis to the Fund. The law establishing the NHF needs to be reviewed and effective management deployed. A re-organised NHF will generate trillions of naira for housing every year and provide the sustainable long term funds for effective hosing delivery.

PART FOUR - THE REVENUE PROJECTIONS AND REVENUE MANAGEMENT

4.1 DISAGGREGATION OF THE REVENUE

The 2015 Budget of N4.46 trillion (inclusive of SURE-P) is to be funded from a retained revenue of N3.602 trillion made up of oil revenue of N1.918 trillion and non-oil revenues of N1.684 trillion (implying a ratio of 53% oil revenue to 47% non-oil revenue). The retained revenue of N3.6 trillion represents about 3.4% drop from N3.7 trillion for 2014 Budget. For Nigeria to proceed on the path of sustainable development, non oil revenue should exceed the oil revenue.

Figure 5: Proposed Aggregate Revenue for 2015 FGN Proposed Budget



Source: Budget Office of the Federation

4.2.1 INDEPENDENTLY GENERATED REVENUES: The budget estimates report an increase in FGN's independently generated revenues (IGR) growing from about N182 bn in 2011 to N274bn in 2013 and then, N328 billion as at October 2014. It noted the existence of leakages and incidences of non-remittance of requisite funds to Treasury by some agencies. But FGN is working with banks to ensure strict compliance, and have projected IGR receipts of N450 billion for 2015. FGN also proposes to ramp up collection of 25% of gross independent generated revenues by MDAs. These are welcome developments.

We recommend that FGN should also take cognisance and seek to enforce the express provisions of sections 22 and 23 of the FRA. Section 22 requires 80% of the operating surplus of scheduled corporations to be paid over to the Consolidated Revenue Fund of FGN. In this direction, the proposal to scrap the Fiscal Responsibility Commission (FRC) should be dropped. Rather, the FRC should be strengthened to perform its statutory duties so that more revenues may be collected and paid over to the Treasury. As at the end of 2013, a total of N336.6bn has been realised as operating surplus over a five year period[15].

We also recommend criminal sanctions against banks, companies and their top management and government officials who collaborate with them to short-change or withhold funds due to the Treasury. Heavy penalties including large fines doubling the sums withheld; prison sentences, disqualification from professional practice etc, should be considered against the corporate organisations and individuals. If there are no laws currently stipulating these penalties, then new laws should be enacted.

It appears that different corporations and agencies of government are at liberty to adopt different accounting systems (accrual and cash accounting) and these reflect as different operating surpluses of corporations having the same revenue and expenditure profile. The Accountant-General of the Federation is enjoined to harmonise, streamline and enforce the accounting system applicable across all MDAs and corporations for effective calculation and retrieval of operating surpluses.

4.2.2 TAX REVENUES, TAX WAIVERS AND EXEMPTIONS: The proposal to improve tax revenues by first strengthening the tax administration - plug leakages, increase the tax base and improve tax collection efficiency is a welcome development. But those who have abused the tax waivers and exemptions need to be punished under the law. Thus, beyond the review, penal sanctions should be applied to those who have abused the system.

[15] See Annual Report and Audited Accounts of the FRC, 2013.

4.2.3 LUXURY SURCHARGES: Table 12 shows the new revenue sources.

Table 12: Surcharge on Luxury Goods

New Revenue	Expected Income
10% import surcharge on new Private Jets	N3.7billion
39% import surcharge on Luxury Yatch	N1.6billion
5% import surcharge on Luxury Cars	N2.6billion
Surcharge on Business & First Class Tickets on Airlines	Yet to fix rate
3% luxury surcharge on Champagnes, Wines & Spirits	N2.3billion
1% FCT Mansion Tax on Residential Properties with value of N300million & above	N360million
Total	N10.56billion

Source: MOF: Budget Office of the Federation

While we commend this initiative, the sum to be realised from this exercise appears paltry.

4.2.4 VAT: In the medium term, FGN is considering a 5% increase in VAT rate. This will yield an extra N614 billion a year. We recommend that FGN should consult widely with all stakeholders before any such increase is imposed so as not to cause unnecessary social tension with organised labour, civil society and the private sector.

4.3 TREASURY SINGLE ACCOUNT

FGN accounts have not been unified and consolidated and government accounts are usually overdrawn. The fragmentation of government banking arrangement leads to ineffective aggregate control over government accounts. The continued delay in returning government accounts to the Central Bank is adding to the huge cost of government debt due to poor cash flow management[16]. Although the Accountant-General of the Federation has given instructions for the implementation of the TSA by the end of February 2015, FGN should follow through and ensure that all MDAs are logged on to the Treasury Single Account (TSA). This is not the first time that instructions on the TSA have been given and not followed through. The TSA gives a consolidated view of FGN's cash position and helps to reverse overall FGN account overdraft position. For instance in 2013, the TSA was reported to have reversed the position from an overdraft of

[16] See Communiqué of the 235th Monetary Policy Committee of the Central Bank of Nigeria.

N102billion to a credit of N4.6billion. This will cut expenses on bank charges and costs[17]. The preparation of the Annual Cash Plan and the Budget Disbursement Schedule in accordance with S.25 of the Fiscal Responsibility Act will also facilitate proper cash management and scheduling of financial commitment. The full introduction of the Government Integrated Financial Management Information System (GIMFIS) will also facilitate the proper management of federal finances.

4.4 DISCLOSURE REQUIREMENTS

Every year, NASS provides in the Annual Appropriation Act the following provisions:

> *All Accounting Officers of Ministries, Parastatals and Departments of Government who control heads of expenditures shall upon the coming into effect of this Bill furnish the National Assembly on quarterly basis with detailed information on the Internally Generated Revenue of the Agency in any form whatsoever.*
>
> *All Accounting Officers of Ministries, Parastatals and Departments of government who control heads of expenditures shall upon the coming into effect of this Bill furnish the National Assembly on quarterly basis with detailed information on all foreign and or domestic assistance received from any Agency, Person or Organization in any form whatsoever.*

NASS should endeavour to enforce these provisions to the letter as they are imperative to plugging leakages in the system.

[17] See the Mid Term Report on the Transformation Agenda, 2013.

PART FIVE: RECOMMENDATIONS

5. RECOMMENDATIONS

It is imperative to point out that the recommendations go beyond issues involved in the 2015 budget approval process in the legislature and includes steps that should be taken to improve the entire budgeting system.

1. MTEF, Budget Preparation and Approval

1.1 The MTEF should precede the budget. It should be ready and sent to NASS in late June before the mid-year legislative break. The MTEF should be approved before the presentation of the budget which should be based on it.

1.2 The budget should be sent to NASS in early September and should be approved by NASS before the end of the fiscal year in December.

1.3 The budget should be anchored on long term and high level policy documents such as Vision 20:2020. Continued variation between policy, planning and budgeting will ensure Nigeria's underdevelopment.

1.4 The National Planning Commission should take urgent steps to prepare the Second National Implementation Plan of Vision 20:2020. The President needs to support this initiative; the Transformation Agenda cannot take the place of the long term plan in Vision 20:2020.

1.5 The template for budget preparation sent to MDAs should be reviewed. It should recognise differentiation between MDAs in terms of mandate, roles and duties. It should not be an omnibus template applicable to all MDAs. The template should cut down on frivolous line items.

1.6 The Ministry of Finance and the Budget Office of the Federation should ensure that the budget estimates are placed in the public domain through their respective websites. Denying the public of budgetary information is not only absurd but a violation of the rights of Nigerians to be governed in a democratic manner.

1.7 The 2015 budget estimates should be accompanied by the evaluation of the results of programmes financed with budgetary resources in 2014.

1.8 Future budgets should be prepared with milestones and indicators of success in terms of number of new jobs; targets for the rights to adequate housing, health, access to water, education, etc.

2. Key Assumptions

2.1 The benchmark price for crude oil should be reduced to not more than $50 per barrel. The excess (in the event of an increase in oil price) should be saved in the Excess Crude Account.

2.2 FGN should mobilise the security forces to police oil production and transportation. As such, crude oil production benchmark should be increased to not less than 2.5mpd. Oil theft should be reduced to the minimum.

2.3 Nigeria needs to procure crude oil metering facilities at all stages of production and transportation to be able to provide reliable information and data for economic planning.

2.4 To properly manage the value of the naira against major international currencies would require the avoidance of the creation of new money. This would imply the direct allocation of foreign exchange earned from oil money to the three tiers of government, in a secured form rather than monetising it by minting new naira. This is the recommendation of Vision 20:2020 that has since been ignored by the monetary and fiscal authorities. Thus, the exchange rate used in the budget proposal is not realistic and should be adjusted using the above recommended methodology.

2.5 The passage of the PIB is imperative to reduce the demand from the Treasury for Joint Venture Cash Calls.

3. The Fiscal Items: Expenditure

3.1 FGN should adjust its priorities and restore the capital budget to not less than 25% of overall expenditure. The accompanying compilation of frivolities in the 2015 budget shows areas where the adjustments can come from.

3.2 All borrowing for capital expenditure should be captured in the budget estimates and form part of the funding and revenue of the budget. They should not be treated as extra budgetary funds.

3.3 To cut down recurrent expenditure, FGN needs to implement the recommendations of the Oronsaye Committee with necessary modifications as demanded by economic realities of Nigeria.

3.4 FGN should take steps to recover the N160bn stolen by ghost workers and prosecute those who were responsible for the loss.

3.5 The full implementation of the IPPIS and rolling it out across all MDAs has become imperative. The IPPIS should not be a project in perpetuity that takes forever to extend to all MDAs.

3.6 The Presidency should seriously consider cutting down its expenditure. The austerity measures provide an opportunity for the President to lead by example.

4. Debts and Borrowing

4.1 Debts and new loans should only be incurred in accordance with sections 41-44 of the FRA. On no account should debts be incurred for recurrent expenditure.

4.2 The President with advice from the Minister of Finance should set the debt limits for the three tiers of government and submit same to NASS for approval in accordance with section 42 of the FRA.

4.3 For improved transparency in debt management, the Fiscal Responsibility Commission and the Debt Management Office should consider a collaboration to publish the details of Nigeria's debts and the projects for which the loans were incurred.

5. Statutory Transfers

5.1 The Minister of Finance in the spirit of freedom of information and fiscal transparency should publish the detailed breakdown of all monies treated as statutory transfers. This is one of the minimum demands of section 48 of the FRA.

5.2 NASS should seriously consider cutting down their allocation by a minimum of 50%. This will reduce the vote to N75bn. The austerity measures provide an opportunity for NASS to lead by example by reducing its expenditure.

6. Service Wide Votes

We adopt the recommendations of the Oronsaye Committee on restructuring of federal MDAs as follows: "*The committee noted the widely held view of the abuse of the utilization of the service wide vote. It was the view of the committee that* *budget heads currently captured under that vote could actually be captured either under specific MDAs or the contingency vote. Considering the constitutional provision for the contingency vote, it is believed that the service wide vote is not only an aberration, but also an avoidable duplication. The committee therefore recommended that the service wide vote should be abolished and items currently captured under it transferred to the contingency vote or the appropriate MDAs*

7. Kerosene Subsidy

This should be scrapped because the subsidy does not benefit the target beneficiaries. It is now a subsidy for corruption.

8. Education

8.1 FGN should increase the education budget to the UNESCO recommended 26% of the overall budget.

8.2 There should be a specific increase in the capital vote of the sector to a minimum of N150bn.

8.3 FGN should consider a moratorium on the establishment and licensing of new public federal tertiary institutions.

8.4 To meet demands the increasing demand for tertiary education, the carrying capacity of existing tertiary institutions should be increased.

8.5 A full personnel audit to determine the staffing needs of universities and other tertiary institutions is overdue.

8.6 Tertiary institutions should also be fully enrolled in the IPPIS.

8.7 With so many states of the Federation unable to access their funds in UBEC; UBEC management and states should dialogue to find ways of energising the fund so that it can be accessed by all.

9. Health

9.1 Increased funding for health to meet the 15% of overall budget benchmark. Increases should target more of capital expenditure.

9.2 NASS should consider a universal health insurance law that makes it mandatory and compulsory for all to contribute to a pool of funds that can be used to take care of the basic health needs of majority of the population.

10. Agriculture

10.1 NASS should consider increasing the agriculture vote to 10% of the overall budget to meet the Maputo Declaration target.

10.2 The idea of having a Federal Ministry of Agriculture with about 40 parastatals, agencies, colleges, research institutions etc, under the Ministry is incredible. The restructuring and rationalisation of agencies under this Ministry is long overdue and should be a priority for the executive and legislature going forward.

11. Labour and Productivity

Job creation should be mainstreamed in all plans and policies of government from agriculture, education, housing, transport, procurement, local content, electricity reforms, trade, tariff and non tariff measures.

12. Housing

The restructuring of the National Housing Fund including a review of the enabling law and the deployment of a more effective management is long overdue.

13. Revenue Projections and Management

13.1 FGN should take cognisance and seek to enforce (through the Fiscal Responsibility Commission) the express provisions of sections 22 and 23 of the FRA on the payment of 80% of the operating surplus of scheduled corporations to the Consolidated Revenue Fund of FGN.

13.2 The proposal to scrap the FRC should be dropped. Rather, the FRC should be strengthened to perform its statutory duties so that more revenues will be collected and paid over to the Treasury.

13.3 Criminal sanctions should be imposed against banks, companies and their top management and government officials who collaborate with them to short-change or withhold funds due to the Treasury. Heavy penalties including large fines doubling the sums withheld; prison sentences, disqualification from professional practice etc, should be considered against the corporate organisations and individuals. If there are no laws currently stipulating these penalties, then new laws should be enacted.

13.4 The Accountant-General of the Federation is enjoined to harmonise, streamline and enforce the stipulated accounting system that should apply across all MDAs and corporations for effective calculation and retrieval of operating surpluses and other IGR.

13.5 FGN should consult widely before increasing the VAT rate to avoid labour and social unrest.

13.6 FGN should ensure the full implementation of the Treasury Single Account and the Government Integrated Financial Management Information System (GIMFIS).

13.7 NASS should insist on the full disclosure of all IGR generated by MDAs and details of their receipt of grants, local and foreign and assistance.